

Petroc

Annual report

for the year ended 31 July 2021

Key Management Personnel, Board of Governors and Professional Advisers

Key Management Personnel

Key management personnel are defined as members of the College Executive Team and were represented by the following in 2020/21:

Sean Mackney	Principal and Chief Executive
Jane Hanson	Vice Principal - Quality, Curriculum & Learners
Bill Blythe	Vice Principal - Finance & Resources
Sheena Murphy-Collett	Director of Human Resources and Organisational Development
Samantha Wilson	Interim Assistant Principal - Academic
Joanne Byrne	Interim Assistant Principal - Vocational
Craig Litster	Assistant Principal – Academic Studies / Interim Vice Principal – Quality, Curriculum & Learners
Jon Hardy	Assistant Principal – Applied General (Vocational) / Interim Vice Principal – Quality, Curriculum & Learners
Rosalind Algar	Assistant Principal - Commercial

Board of Governors

A full list of Governors is given on page 17 of these financial statements.

Joanna Boardman acted as Governance Advisor and Head of Executive Office.

Professional Advisers

Statutory Auditors

Mazars LLP
90 Victoria Street
Bristol
BS1 6DP

Bankers

Lloyds Bank plc
Barclays plc

Internal Auditors

RSM Risk Assurance Services LLP
Hartwell House
55-61 Victoria Street
Bristol
BS1 6AD

Solicitors

Clarke Willmott
Eversheds
Michelmores LLP
Mitchell Law
Dunn & Baker
Brewer Harding & Rowe

Petroc
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for the year ended 31 July 2021
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Report of the members of the Corporation for the year ended 31 July 2021

The members present their report and the audited financial statements for the year ended 31 July 2021.

Mission

'Excellence through Learning'

At the heart of what the College does, its area of greatest expertise and its typical starting point for developing solutions or making a difference is Learning. That is how it makes a positive difference in the world and how it equips others to do so. Learning is also central to how the College creates the organisational capability to achieve impact – through individual and organisational learning that provides the capability to effect change whatever the change in context.

Excellence sets a high bar for the College's own performance - an excellent institution, benchmarked against the best in England. The College is ambitious and will strive to achieve more. Excellence is also what the College supports others to attain. The College will enable the highest levels of learner achievement and the highest levels of career and life fulfilment, through learning that will stretch and challenge. Excellence is what customers, businesses and other organisations can expect to achieve themselves through working with the College.

Public Value/Benefit Statement

The College aims to lead our community in learning, enterprise and skills; equipping it for the future, economically, socially and culturally. Our Mission is 'Excellence through Learning', our strategy 'Petroc 2025' sets out how we will deliver it.

Our College values are Respect, Community and Empowerment.

Our Strategy sets out the impacts we will make to produce public value. We do this through Creating Outstanding Learner Achievement; Transforming Life Chances and Employment Prospects, Boosting Productivity, Innovation and Agility of Businesses and Organisations; Building Community and Prosperity Within North and Mid Devon and the Wider South West of England; and through Tackling the Climate Emergency.

The character of the College, how it will generate that public value is articulated through our 'Team Petroc' ways of working: Personalised and customer-focused; Agile and entrepreneurial; Digitally-able; Achieving value for money; and Continuously learning and improving.

In line with strategic economic plans for the wider area, we will continue to contribute towards creating a responsive environment where businesses and individuals can reach their potential through working together to ensure they have what is required to capitalise on our area's distinctive assets.

To achieve this, we aim to forge effective dialogue and relationships with all stakeholders to plan our delivery to meet the needs of our communities and to ensure that information on the activities and aspirations of the College is made widely available and reported on annually to our communities.

Implementation of Strategic Plan

A new Strategic Plan for 2020 to 2025 was adopted by the Board to run from 1 August 2020.

In July 2020 the College updated its Strategic Plan for the period 2020-2025 with five strategic priorities:

- Create outstanding learner achievement in all areas
- Transform life chances and employment prospects for all
- Boost productivity, innovation and agility of businesses and organisations
- Build community and prosperity within North and Mid Devon and the wider South West of England
- Tackle the climate emergency

The College similarly adopted five ways of working:

- Personalised and customer-focused
- Agile and entrepreneurial
- Digitally Able
- Achieving Value for Money
- Continuously learning and improving

The College's financial objectives are to:

- Set ourselves ambitious but achievable financial targets that can support the learners who are with us now whilst creating space for investment in the future. Focussing on the interaction between students and the estate to create a unique environment hosting recreational, academic and social functions, our vision is about encouraging synergy and social behaviour in a space that learners find welcoming.
- Aim for an environment where Information and Learning Technologies are deployed effectively to enable learners, staff and businesses to thrive and succeed. We provide information and support services that are sector-leading with a clear focus on providing an outstanding learner experience.
- We will expect all our staff to own the responsibility for achieving the best value for money. We will be unrelenting in our focus on delivering it. We will achieve economy and efficiency in how the College delivers outcomes and impact, demonstrating effectiveness and equity between those who benefit. We will strive for the highest levels of performance, continually assessing the effectiveness of our methods and adopting a new relationship with data, so that it informs day-to-day changes in search of improved outcomes for all. We prize the value for money we deliver because every pound not saved is a pound not spent on delivering excellence through learning.

Covid-19 virus control measures affected activities and operations across the whole of the year. The College's circumstances, as with all other businesses, changed radically in Mid-March 2020 and these changes continued to be managed effectively by the Pandemic Advisory Group, Executive Team and the Board of Governors. A member of the Governing body and a student were co-opted onto the pandemic advisory group to support its work.

The College moved rapidly to digital delivery for the vast majority of its learning, involving the deployment of substantial IT resources to Staff and Learners for home working and learning. The College remained open for students of key workers and vulnerable learners. When allowed to return to face to face teaching the College implemented a social distancing approach which, from November 2020 began to move, on a phased basis to the introduction of student group 'Bubbles'. In January 2021 onsite testing was implemented and in the spring the Teacher Assessed Grades (TAG) process was adopted as required by OFQUAL.

Stakeholders

The College has many stakeholders including:

- its current, future and past students
- its staff and their trade unions. The main trade unions of which College staff are members of are UCU, NEU and Unison
- the employers it works with
- its funding bodies; ESFA and OfS plus the GLA and WECA
- its partner schools across Devon and North Cornwall and universities, namely Plymouth, Bolton and Exeter
- the wider College community
- its local councils, and the Local Enterprise Partnership
- Banks; Lloyds and Barclays

Finances

The College reported an operating deficit of £2,981,000 (2020: deficit of £2,139,000). This includes pension charges of £2,770,000 (2020: £2,186,000), fundamental restructuring costs incurred of £425,000 (2020: £313,000) and a loss of income of £252,000 regarding two DWP/ESF contracts.

The Statement of Comprehensive Income reflects an actuarial gain of £233,000 (2020: loss of £10,154,000) on pension schemes in respect of FRS 102 (28).

Cash and investment balances have increased by £1,215,000 due to the timing of receipts/payments, late changes to the capital programme, changes in spending due to Covid-19, true results and good cash management.

Looking forward, the College has prepared a financial forecast for the next two years which is based on detailed business plans, but during a time of ongoing uncertainty will require constant review and appropriate action taken to ensure the College's financial health is maintained and strategic objectives are achieved.

Covid-19 continued to negatively impact on the College's commercial activities as Catering (Commercial and Student Restaurant); Lettings; Hair and Beauty; Performing Arts & Music; Gyms; the Centre of Technology and Innovation Excellence and other facilities closed to the General Public.

The Coronavirus Job-Retention Scheme (CJRS or Furlough) was used to mitigate much of the impact of these closures.

With grant income being largely protected the College was able to honour its subcontracting obligations and other core supplier contracts (including exams, licenses etc.) as required under the Public Procurement Notice 02/20.

The Defined Benefit Pension Liability was impacted by Covid-19 as asset valuations, discount rates and assumptions were impacted considerably by the Pandemic.

Performance Indicators

Key Performance Indicator	Target/Measure	Actual for 2020/21
Operating surplus/deficit as a % of income	Greater than 1%	-0.77%
EBITDA as a % of income	Greater than 6%	5.66%
Cash generation	Greater than £1.2m	£2.176m
Cash days	Above 60	87.12
Adjusted current ratio	Greater than 1.4	1.50
Borrowing as a % of income	Less than 40%	11.53%

Debt Service Cover Ratio	Greater than 2	5.03
Reliance on ESFA	Less than 70%	69.85%
Financial Health Score	Good or Better	Good
Average Class Size – All Provision / Excludes SLDD, HE, Apprenticeships, Tutorials	14	10.88 / 12.10
Staff utilisation	Greater than 95%	94.63%
Staff costs as a % of income excluding restructuring, sub-contracting and projects	Less than 65%	69.02%

The College is committed to observing the importance of sector measures and indicators and uses the FE Choices data available on the GOV.UK website which looks at measures such as achievement rates. The College is required to complete the annual Finance Record for the Education and Skills Funding Agency (ESFA). The College is assessed by the ESFA as having a "Good" financial health grading. The current rating of Good is considered an acceptable outcome.

Treasury Management Policy

Petroc defines its treasury management activities as:

'The management of the College's cash flows, its banking, money market and capital market transactions, the effective control of risks associated with those activities and the pursuit of optimum performance consistent with those risks'.

Under Petroc's policy, deposits are restricted to periods not exceeding 12 months with approved institutions only, for amounts up to £3m, and must be authorised by the Vice Principal Finance and Resources. Any bank overdraft or borrowing facilities require the approval of the Governing Body and shall comply with the requirements of the Financial Memorandum/Funding Agreement between Petroc and the Department for Education.

Liquidity

Loans of £8.4m were taken out with repayment of up to twenty seven years with the final repayment dates being 2037 for a £2m loan, £2.8m ending in 2030, £0.6m ending in 2027, and £3m ending in 2017. The outstanding balance at 31 July 2021 is £3.158m. Debt servicing costs for the two years equate to just over £842k; the financial forecast recognises this challenging schedule by balancing the operating and capital expenditure needs of the College with a requirement to make a modest operating surplus and ensuring an ability to service debt repayments.

The net cash inflow from operating activities was £2,176k (2020: £1,872k).

No external cash-flow support was requested from the ESFA or others to mitigate the impact of Covid-19 as with the support of CJRS, Technology Scheme, additional funding for Free Meals and onsite testing, guaranteed funding from the Funding bodies and reduced operating costs the College was able to maintain a modest but healthy cash reserve.

Principal Risks and Uncertainties

In November 2020, Petroc's Strategic Risk Register was updated to include risks that were

- i) directly linked to the new Strategic Operating Plans and
- ii) scored using a new risk scoring matrix.

Alongside the review of the Strategic Risk Register, a similar review and update took place of the Operational Risk Register. This involved updating the scoring matrix but also adding in a residual risk score and risk appetite score in order to align it with the new format of the Strategic Risk Register.

In light of the internal audit of Risk Management and further work with the executive the process will remain under review over the summer and the audit committee will be updated in the November meeting.

All risks are linked to the College Strategic Plan and are rigorously monitored by an appropriate Committee. The risk management system is further strengthened by the use of a Board Assurance process, providing further reassurance that risk mitigation and controls are in place.

Strategic risks are regularly reviewed by the Executive Management Team and are presented to the Audit Committee at each meeting.

The Internal Auditors have access to the College's online Risk Register and tailor the Audit Plans, with Governors approval, to the higher level risks identified therein.

Covid-19 continued to bring with it additional risks to both income and expenditure as employers sought to consolidate and protect their workforce and learners were more hesitant to commit to programmes that require community contacts and/or financial commitments. Costs to make the College Covid-19 Secure remained relatively substantial and commercial income weakened considerably.

The Digital curriculum that the College has, and is, developing requires some different skills-sets and resources but can be deployed relatively cost effectively although the Department for Education remain relatively unsupportive of digital delivery.

Longer term the area is heavily dependent upon Manufacturing, Tourism, Farming and Pharmaceuticals for its economic well-being and ensuring that these sectors can continue to develop and grow in the light of Covid-19 and Brexit will be critical to the College's recruitment patterns.

Government Funding

The College is managing the ongoing changes that impact on current and future funding, including apprenticeship reforms, the devolution of the adult education budget and Covid-19 regulations alongside the consultations on more radical reform of funding and the FE White Paper.

Maintain adequate funding of pension liabilities

The financial statements report the share of the Local Government Pension Scheme (LGPS) deficit on the College's balance sheet in line with the requirements of FRS 102.

The risk is mitigated by an agreed deficit recovery plan with the Devon County Council LGPS.

Failure to maintain the financial viability of the College

The College's current financial health grade is classified as "Good" as described above. This is largely the consequence of continuing strong financial management. Notwithstanding that, the continuing challenge to the College's financial position remains the constraint on the further education funding arising from the ongoing cuts in public sector spending whilst maintaining the learner experience. This risk is mitigated in a number of ways:

- By rigorous budget setting procedures and sensitivity analysis
- Regular in year budget monitoring
- Robust financial controls
- Exploring ongoing procurement efficiencies
- Benchmarking against other similar Colleges

Accommodation Strategy

The College's Estates Strategy, endorsed by Governors, was comprehensively updated in 2017; and reviewed in 2018 and 2019. A summary strategy was adopted in 2020/2021 and a new strategy was consulted upon with the Executive team, Staff, and Students.

The New Strategy will be finalised and approved in 2021. The key objective of the estates strategy remains to provide all learners and staff with excellent teaching and learning facilities. The College is committed to operating the estate in a sustainable and efficient manner that will minimise the carbon footprint and enhance the learning experience. The College has retained the "Planet Mark" (an independent award for sustainability and carbon reduction), with a further reduction in its carbon footprint.

During 2020/21 the College completed the refurbishment project to create a centre of excellence as part of the South West Institute of Technology with DfE funding; as well as numerous IT and Equipment purchase for the departments.

Taxation

The College is not liable to be charged for Corporation Tax.

Employment of People with Disabilities

The College continues to be registered as a 'Disability Confident Scheme' employer and this is achieved by the College demonstrating that it is a proactive employer when seeking to employ people with disabilities.

The College actively invites applications for employment from people with disabilities as a routine element of its recruitment and selection procedures; and people who declare a disability and meet the essential criteria for a job role are shortlisted.

The College also actively encourages existing staff to declare a disability, so that appropriate support and reasonable adjustments can be made. In addition, where an existing employee develops a disability, reasonable adjustments, as far as practical, are made to ensure that employment can continue and that these staff are fully supported in their job roles.

The College also supports 'hidden' disabilities and the College's Wellbeing & Mental Health Strategy and associated action plan strives to facilitate this, with initiatives such as the College becoming a Mindful Employer, which provides the College with easy access to professional workplace mental health training, information and advice; our goal is to help empower organisations – large or small – to take a lead in supporting the mental wellbeing of staff. The College has also signed the AoC Wellbeing & Mental Health charter, supporting all staff with wellbeing and good mental health.

Equality, Diversity and Inclusion (EDI)

Petroc is passionate about the value of people and all that they bring, diversity is welcomed and enriches our organisation.

Petroc is committed to challenging inequality and celebrating diversity to achieve the following vision:

- people achieve their own potential and a good quality of life
- everyone can access our services, facilities or information
- there is customer involvement and influence in decision-making, planning, policy and service delivery
- people have trust and confidence in us to report incidents of abuse or discrimination
- our community, at all levels, is supported and broadly reflects the local diversity

Petroc believes an environment free from discrimination and equality of opportunity are basic rights. The College has a zero tolerance approach to any form of discrimination.

College has signed a LGBTQ (lesbian, gay, bisexual, transgender and questioning) Pledge. We know that it can be difficult to fully be yourself at work, at home, or in your local community. If we want to live in a world where people are accepted without exception, we all need to be part of the solution, that's why Petroc has decided to sign a pledge to support LGBTQ people. We want Petroc to be a safe place to be 'out' at work.

The College's Additional Learning Support Policy outlines the type of learning support that a learner can expect and how they should apply for support.

The College and its staff maintain the confidentiality and integrity of all information about individuals by complying with requirements set out in the General Data Protection Regulations 2018, the Special Educational Needs and Disabilities Regulations 2014, the Special Educational Needs and Disabilities Code of Practice, the Children and Families Act 2014 and the Equality Act 2010.

Performance Indicators

OFSTED inspected the College in March 2012 and we were judged to have 'Outstanding' features and to be 'Good' overall. The College continued to be judged as 'Good' overall following a short inspection in November 2015; and again, in November 2019.

The Board approved thirteen "tier 1" Key Performance Indicators for the College to achieve by 2025 and started work on the lower level indicators to support them.

Key Performance Targets:

- To be ranked in the top 25 General FE Colleges in England in a weighted composite ranking of FE and HE educational performance
- To have one of the 25 smallest gaps between the progress rates of disadvantaged learners and those of College learners as a whole of all General FE Colleges in England
- To be ranked in the top 25 General FE Colleges in England for successful destinations in a weighted composite ranking of FE and HE destinations
- The number of Personal Development Awards achieved by 16-19 learners grows to 7500 per annum
- The number of enterprises created increases to 150 per annum
- The number of organisations that have improved their productivity or business innovation exceeds 500 per annum
- A Strategic and operational contribution is recognised by the Board as having been made in each year of the Strategy
- The number of staff and learner contributing increases by 30% over a baseline established by survey in 2020-21

- The College reduces its production of CO2 equivalent by 420 metric tonnes of Carbon Dioxide
- Establish baseline performance in 2020-21 through audit of practice and measure change each year
- Cash days remain above 60
- To achieve a positive reporting rate of 92% equivalent to the top 10% of performers in externally benchmarked College staff engagement survey.
- The proportion of learners and employers reporting positive satisfaction with the College is 90% or above

Value for Money

The College delivers value for money through its Procurement Strategy, managed by a qualified procurement professional.

Student Numbers

We continue to be the primary provider of 16-19 education in Northern Devon. Overall 16-19 learner responsive recruitment was marginally below area demographics with increasing competition in the West and South from other providers as well as from the two Northern Devon 11-18 Secondary schools.

Covid-19 impacted less than expected on the College's student numbers in 2020/21 as the CJRS (Furlough scheme) continued to be used by many employers that we work with to retain staff. The Government allowed furloughed staff to continue to pursue their learning aims which resulted in a very limited reduction in student volumes.

Curriculum Developments

During 2020 the College underwent a restructure into 2 curriculum areas with an Assistant Principal responsible for each area, and removed the Technical Department and the associate separate structure for the management of Mid Devon. The faculty for Higher Education which also contained Access to Higher Education was also removed as a separate entity.

The areas were broadly defined as:

- Academic Studies
 - Academic and Scientific (including most A levels)
 - Business and Management
 - Digital and Engineering; and
 - Health and Care
- Applied General (vocational)
 - Arts and Creative Industries
 - Construction
 - Lifestyle
 - Progressive Studies

The Departments offer programmes from Level 1 to Level 6 at the Barnstaple, Mid Devon and Brannams Campuses as well as online. They continued to seek to develop a broad, responsive curriculum to suit the needs of our local community and a variety of stakeholder groups. This meant in 2020/21 we again recruited nearly 10,000 learners; this comprised 16-18 year old students, adults on vocational programmes, young and adult apprentices (including at Degree Level) and Higher Education students on full and part-time programmes. We also delivered a number of bespoke full cost programmes aimed specifically at satisfying the requirements of local businesses.

The curriculum range meant it was possible for a learner to enrol on an Entry Level or Level 1 programme and ultimately achieve a full honours degree. The College is particularly proud of the number of learners who have achieved a BA or BSc qualification who initially enrolled upon a Level 2 or Level 3 qualification.

Petroc

The College continues to place a strong emphasis on working with local business to raise the profile of Petroc and to support social mobility within our communities. The past 12 months has again seen a series of activities aimed at raising the profile of Apprenticeships and giving local employers great access to potential Apprentices.

The College has developed and maintained a number of programmes in partnership with local employers, such as Applegate, North Devon Hospital Trust, Torridge District Council, James Electrics and others which has ensured curriculum design is based upon actual business need, these programmes have proved sustainable recruiting students year on year.

In 2020/21 the College continued to offer 23 separate A Levels and a Level 3 Vocational Science programme alongside a range of Access to HE and HE programmes. Approximately 80% of A levels students successfully progress onto their HE institution of choice.

All our HE curriculum is delivered in partnership with the University of Plymouth. The faculty offers in excess of 20 foundation degree programmes and 5 BA. honours courses. These programmes offer our local community the opportunity to study for a higher education qualification whilst residing in North and Mid Devon. All our programmes have direct progression onto University of Plymouth programmes at undergraduate and post-graduate levels. In addition to levels 4, 5, and 6 we also offer a range of Access to Higher Education programmes, these full and part-time programmes enable over 100 adults every year the opportunity to progress onto degree level study in Science, Social Science, Humanities and Nursing.

As a College we continued to strive towards outstanding outcomes for our staff, students & employers during what was a turbulent year.

Our year was dominated by our continued response to Covid-19, which saw lessons go entirely online again for a period and our work over the past 3 years to develop the Colleges' online provision stood us in good stead and enabled us to engage learners effectively to ensure their safety, wellbeing and progression.

The College continued to support all vulnerable learners across both sites during the pandemic.

Progression both internally and externally remains strong, with outstanding partnerships providing students with exciting, local opportunities to upskill in their chosen sector. Work with North Devon District Hospital (NDDH) provides a range of solutions to enable workforce development & recruitment, from Project Search to Nursing Assistant Practitioners.

In 2020/21 fewer 16-18 learners were, as a result of Covid-19, able to directly engage with local employers to for work placements, although digital engagement was substituted in many areas to ensure employer readiness

Whilst learners in 2019/20 had access to a wide variety of trips prior to lockdown, totalling over 300 local, national and international trips, as part of Petroc Go this programme was unable to run in 2020/21.

Future Prospects

The College aims to maintain a base number of students in funded learning with growth projected in apprenticeships and new contracts with employers.

The College would like to reduce dependency on the funding bodies and is seeking opportunities particularly in the areas where the College currently performs well such as with Office for Students and other project grants.

The College is clear that it will be able to continue in operation and meet its liabilities taking account of the current position and principal risks for the duration of the strategic plan and beyond.

As set out above, Covid-19 impacted less than expected on the College's student numbers in 2020/21 but there are reduced student numbers coming through in Higher Education and Apprenticeships in particular.

We anticipate these reductions to be a temporary effect as businesses are clearly now more confident to re-start hiring and for individuals to pursue Higher Education with Student Debts.

Competition from traditional HE providers also, continues to play a part in the decline in HE numbers and, as set out above, the 16-18 market continues to be competitive in the west and south of our area.

Whilst this will impact into 2021/22 with reduced year 2 cohorts (and carry-in apprentices); the College remains committed to seeking to grow in both these areas.

Going Concern

Covid-19 impacted negatively on the 2020/21 financial results but not to the extent that was feared during the budget setting process. This was primarily due to the measures put in place by Government and the Funding Bodies. The College received £85,398 in CJRS support which partially offset commercial losses. Support of £36,550 was received towards the costs of setting up on-site Covid-19 testing; and the College received some 175 laptops and 50 chromebooks from the DFE's technology support scheme. Devon County Council provided support of £70,620 across the academic breaks to allow the continuation of Free Meals in that period. No other external support was requested or received.

Financial Health (as measured by the ESFA) was "good" and whilst Bank Covenants were not breached, Barclays identified that the College was technically in default of its conditions on our loans (totalling some £3.2m) as the College's overall net worth (as a result of them including provisions for the Local Government Pensions Scheme) remained a deficit position. As a result, the bank required asset based security at 140% on those loans and, in July, the board accepted letters of variation to protect the College's position and, in September the bank took security through a charge against the College's North Devon (Sticklepath Hill) Campus market valued at £18.6m.

Going forward the College will continue to operate prudently to ensure its cash position is not jeopardised and has a strong history of cost-control. Learner Number Growth will be key to ensuring the College can invest in facilities but the College will ensure that invest to grow plans are carefully evaluated before they are implemented.

After making appropriate enquiries, the Corporation considers that the College has adequate resources to continue in operational existence for the foreseeable future. For this reason it continues to adopt the going concern basis in preparing the financial statements.

Resources

The College has various resources that it can deploy in pursuit of its strategic objectives.

Tangible resources include the main College site at Old Sticklepath Hill, the leasehold at Brannams and the Tiverton campus.

The College has £27.49m of net liabilities (including £45.72m pension liability) and long term debt of £3.16m.

The College employs 535 people (expressed as average full time equivalents), of whom 242 (expressed as average full time equivalents) are teaching staff.

The College has a good reputation locally and nationally. Maintaining a quality brand is essential for the College's success at attracting students and external relationships.

Student Achievements

Members of the Corporation are pleased to report another successful year for students at the College.

The overall 16-18 years pass rate for A Levels was 84% which is above the national average for 2018/19 of 82.6%. Overall, A*-A grades were 32.8%. consistent with the previous year's results. A*-B grades were 57%.

The pass rate for Level 3 (excluding AS and A Level) is 87.8%.

GCSE English Language overall achievement rate according to the QAR is 78.2%.

GCSE Maths overall achievement rate is 82.4%.

The College, through its self-assessment process, continues to set improvement targets in relation to retention and achievement; the aim is to secure outstanding results and ensure learners who attend Petroc to reach their potential in all subjects across all areas.

Overall timely outcomes from Apprenticeships have been hit on retention during Covid-19 and the resulting closure of businesses. Our final achievement rate for timely completions is 44.8% with many apprentices still to complete. Pass rates for Apprentices aged 19-23 is now much improved to 95.2% and 24+ to 96.2% (an improvement of 5.9%).

Staff and Student Involvement

The College supports an active Student Union and maintains communication with students via regular Learner Voice Forums, and various events including theme weeks. The College also consulted its students formally over the draft Estates direction. The Student Union have been supported in gathering a wide range of opinions from the wider student body in order to bring about improvement to ensure all students receive the very best experience and development of learning and teaching. The College promotes student involvement by holding student forums where possible each term. These provide an opportunity for all tutor groups, via an elected representative, to have dialogue with the Principal and Chief Executive, Executive Team and Senior Managers. Feedback on issues raised and how they have been resolved is provided via various communication channels.

Our monthly student newsletter, 'The Vision', provides all learners with updates, information and enrichment opportunities to support engagement within our College community. The Vision includes student written features and supports the empowerment of the Learner Voice. The Petroc Student Union continues to provide financial assistance to learners in receipt of the bursary, where there is an additional need for support.

The College effectively uses 16-18 bursary funds, Learner Support and Free College Meals funds (including for 2020/21 during the academic breaks) to alleviate the financial burden on learners as much as possible, including support for travelling from remote geographical areas outside bus routes, within government guidelines. Petroc has specialist Supported Learning provision within both North and Mid Devon campuses, and aims to promote skills which will lead students into developing employability skills through working in the Liberty Cafe in North Devon and The Exe Cafe in Mid Devon, and progress into supported employment.

The College maintains effective communications via face to face and digital solutions, 1:1s between staff and their line managers, all staff digital "Easi-meets", team meetings, recorded video blogs, a Staff Forum, the Equality, Diversity and Inclusion committee, Safeguarding committee, the management meeting structures, specialist events/conferences, staff development days and training sessions, and various research initiatives, including an annual Scholarly Conference. In addition, "In The Know", a weekly online staff magazine, is a key means for communicating what is happening across the College that staff are invited to contribute to and the College has an e-Message of the Day alert for staff to important activities to note.

The College is keen to celebrate learner and staff success and seizes every opportunity to share such good news across the community. In addition, celebration events, for both students and staff, are held annually.

Petroc is proud to be a member or partner of, and achieved kite marks with the following organisations



Trade Union Facility Time

The Trade Union (Facility Time Publication Requirements) Regulations 2017 require the College to publish information on facility time arrangements for trade union officials at the College

Numbers of employees who were relevant period	FTE employee number
4	3.11

Percentage of time	Number of employees
0%	
1-50%	4
51-99%	
100%	
Total cost of facility time	£15,837
=Total pay bill	£18,307,517
Percentage of total bill spent on facility time	0.09%

Time spent on paid trade union activities as a percentage of total paid facility time	100%
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Payment Performance

The Late Payment of Commercial Debts (Interest) Act 1998, which came into force on 1 November 1998, requires Colleges, in the absence of agreement to the contrary, to make payments to suppliers within 30 days of either the provision of goods or services or the date on which the invoice was received. The target set by the Treasury for payment to suppliers within 30 days is 95%. During the accounting period 1 August 2020 to 31 July 2021, the College paid 84% of its invoices within 30 days (year ended 31 July 2020 – 87%). Every effort is being made to maintain improvement in this area. The College incurred no interest charges in respect of late payment for this period.

Events

2020/21 remained a challenging year for Petroc students, staff and prospective learners. With the arrival of Covid-19 in March 2020 and the subsequent lockdowns, many of our planned events had to be cancelled or moved online.

Events for learners included the virtual raising of the Rainbow Flag for LGBT month but unfortunately, due to Covid-19 restrictions, our Higher Education graduation and the end of term award ceremonies had to be cancelled.

Projects

The College delivered 25 different projects in 2020/21 with a total value in excess of £12m. The team is also responsible for the coordination of the Northern Devon Employment and Skills Board (ESB).

Notable successes during the 2020/21 academic year include securing in excess of £1m to play a significant role in two further European Social Fund partnership projects (Health & Social Care Skills Accelerator Programme and SMART SKILLS). The College also secured funding from a number of sources to provide enhanced support in response to the Covid-19 pandemic, including £49,999 from Devon County Council to run a Hospitality Sector support pilot. In addition, Petroc was pleased to secure two contracts to be the ETF Centre for Professional Technical Education for Health & Science and Business & Administration, in recognition of the College's high quality and innovative work in these areas; the CPTs are providing support, advice and training materials for other colleges across the country to develop best practice in the delivery of T Levels. Petroc also secured two grants through the new Turing Scheme, which replaces the UK's access to the EU Erasmus+ mobility programme, following Brexit and the UK's withdrawal from that programme. Whilst the College still has access to substantial amounts of funding through contracts already secured under Erasmus+, early stage involvement in Turing is important to enable the College to gain experience of the new ways of working and new opportunities, as well as having a strong voice in helping to shape the new scheme as it develops.

Empowering Enterprise was given a last-minute contract extension in Autumn 2020 which meant that although the project had started to formally close down, the partnership was funded to recommence work with some of Devon's most disadvantaged 18-24 year olds who need significant intensive support to engage with education, training or employment. This was swiftly followed by a further extension in the Spring which means that the project will run until the ESF programme closes in 2023; these extensions have added £2,035,395.19 to the contract value. Fortunately, all delivery partners have been able to reengage with the project and young people are already feeling the benefit of this continued support. Figures in the latest impact report covering the period to end 2020 showed that 50% of the 657 participants had moved into education, training or job search and that this had involved over 18,000 hours of direct support for young people. Reassuringly, all partners agreed that as a result of Petroc's management they were able to develop and grow their capacity to support young people. We are confident that this good work will be continued in the next phase of the project. Receipts totalling £2,681,410 have been received up to 31 July 2021 of which

£148,200 remains unspent and has been treated as payments in advance on the balance sheet

Having secured the contract for ESF-funded Experience Works in June 2019 the project is now operational. Petroc is leading a partnership of 11 organisations to support NEET 15-24 year olds with employability programmes that will move them into employment or training. Lockdowns through 2020/21 have meant a slow start to recruitment, but participants are now engaged and the partnership has had its first financial claim approved and paid by DWP.

The Community Grants Scheme continues to administer funding to organisations in Devon and Somerset working with the unemployed and a business case was accepted to grow the Devon contract by £315,000. 81% of all grant funding for Devon has now been allocated, as has 88% of all Somerset funding.

An extension of funding was also granted to the Next Steps South West team who promote higher education to those who may not have previously considered it as a pathway. In 2020/21, though the majority of engagement was online, almost 50 sessions were delivered to local schools including year 11 options sessions, student finance workshops, articulation and presentation skills, and a CSI forensics day. The extension supports this work into the 2021/22 academic year and will see the project broaden its reach to also work with adult learners who haven't considered Higher Education.

With Summer 2020 activity having been cancelled, the NCS Team (National Citizen Service) diverted their expertise and resource to focus on a Skills Support programme in the autumn term 2020 which supported Petroc's new learners to transition into C-College life after months of home schooling. Although the Summer 2021 NCS programme was adapted to remove the residential element, the team still delivered an exciting skills-building and community-focussed programme to over 100 young people.

The impact of Covid-19 on international travel has meant that sadly we were not able to send any learners on our Erasmus+ funded Petroc Go trips. However, this period has been a useful one in which to review and celebrate past successes and plan for the future. Our entry to the 2021 AoC Beacon Awards (British Council International Award) earned commended status, and, as mentioned above, we have secured £43,557 funding for future trips through the UK government's new Turing Scheme, which replaces Erasmus+ post-Brexit.

The three new ESF contracts (Big Benefits for Small Businesses, SMART SKILLS and Health and Social Care Skills Accelerator Programme) all became operational in 2020/21 and whilst progress has been slower than profiled due to Covid-19 etc, these are now all up and running with staff in place and activities underway.

In terms of other support available to local businesses, SSW continues to deliver training to SMEs, primarily in the Health and Social Care sector and during 2020/21, Petroc was awarded a contract to replicate this work in the Somerset area. The Techknowledge Transfer randomised control trial also became fully operational in 2020/21. This project supports business & administration students and works with local business partners to deliver a research trial to test the relative effectiveness of two models of support to encourage micro, small and medium-sized enterprises to adopt existing business and administrative technologies.

New Bids Secured 2020/21

Funding Stream	Bid Title
HotSW LEP Growth Deal	Digital Accelerator
European Social Fund	Health & Social Care Skills Accelerator Programme (HSSAP)
European Social Fund	Smart Specialisation
Active Devon	Sport Sessions
Department for Transport	E-Scooter Trials
DWP Work Focussed Activity	DPS for Work Focussed Activity
DWP Low Value Welfare to Work	DPS for Low Value Welfare to Work Training
Devon County Council	Hospitality Sector Support Pilot
CAVA Covid-19 College Support Grant	Covid-19 College Support Grant
ETF Centres for Professional Technical Education	CPTe for Business & Administration
DfE T Levels Capital Fund (Wave 2)	T Levels Capital Fund (Wave 2)
ETF Taking Teaching Further R4	Taking Teaching Further
Seale Hayne Educational Trust	Enhancing, monitoring and recording insect pollinator density across sites in North and mid Devon
ESF Skills Support for the Workforce	Heart of the South West MD (Somerset) Health & Social Care
DfE Employer Led Training Initiatives - Lot 1 Digital Skills Bootcamps	Agile/Lean and Web Development Bootcamps
Turing Scheme (Schools)	Petroc Go VII (School)
DfE College Collaboration Fund	Project led by Cirencester College
Turing Scheme (FE&VET)	Petroc Go VII (FE&VET)

Current Projects Live 2020/21

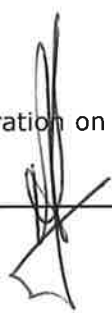
Funding Stream	Project
Big Lottery ESF Co-financed	Empowering Enterprise 18-24
Erasmus+ KA1	Petroc Go V Petroc Go VI
ESFA ESF Co-financed	Skills for Young People Skills Support for the Workforce Community Grants – Devon Community Grants – Somerset
HEFCE/OfS	Next Steps South West
Direct ESF	Hidden Talent in Devon (HTiD) Strategic Employer Engagement in Devon (SEED) Experience Works Big Benefits for Small Businesses SMART SKILLS Health and Social Care Skills Accelerator Programme
Other Grants	National Citizen Service 2.0 The Code for The Future Techknowledge Transfer Education & Training Foundation Mentoring OTLA7 College Collaboration Fund x 2 Hospitality Training Pilot CAVA Centre for Professional Technical Education x 2

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Approved by order of the Corporation on 7 December 2021 and signed on its behalf by:

Chair of Governors

Andrew Jackson

A handwritten signature in black ink, appearing to be 'AJ', is written over a horizontal line. The signature is stylized and somewhat abstract.

Statement of Corporate Governance and Internal Control

The College is committed to exhibiting best practice in all aspects of corporate governance. This summary describes the manner in which the College has applied the principles set out in the UK Corporate Governance Code 2018. Its purpose is to help the reader of the accounts understand how the principles have been applied.

In the opinion of the Governors, the College complies with all the provisions of the Code in so far as they apply to the Further Education Sector; and it has complied throughout the year ended 31 July 2021 and up to the date of approval of the financial statements. The Governing Body recognises that, as a body entrusted with both public and private funds, it has a particular duty to observe the highest standards of corporate governance at all times. In carrying out its responsibilities, it takes full account of The Code of Good Governance for English Colleges issued by the Association of Colleges which it formally adopted in July 2015.

The College is an exempt charity within the meaning of part 3 of the Charities Act 2011. The Governors, who are also the Trustees for the purposes of the Charities Act 2011, confirm they have due regard for the Charity Commission's guidance on public benefit and that the required statements appear elsewhere in these financial statements.

The Corporation

The members (Governors) who served on the Corporation during the year and up to the date of signature were as listed in Table 1.

Table 1: Governors serving on the College Board during 2020/21

Name	Date of appointment	Term of office	Date of resignation	Status of appointment	Full Governing Body	Search and Governance	Remuneration	Strategic Review Committee	Audit Committee	Attendance
Mr D Chalmers	01/04/2017 Re-appt 01/04/2018 01/04/2021	1 year 3 years 1 Year		External	9/9	2/2	n/a	n/a	n/a	100%
Mr A Champion	01/01/2019	4 years		External	6/9	n/a	n/a	1/1	n/a	70%
Ms H Milton-Jeffries	01/12/19	1 year	01/06/21	Student	4/9	n/a	n/a	n/a	n/a	44%
Ms P Adams	01/09/2020	1 year	01/06/21	Student	4/9	n/a	n/a	n/a	n/a	44%
Mr K Finan (Chair from 01/01/2018)	25/04/2016	2 years 4 years		External	7/9	2/2	3/3	1/1	n/a	86%
Ms L Marvao	28/03/2019	2 years	31/07/21	External	6/9	2/2	n/a	n/a	n/a	72%
Mr R Nicholls	01/04/2020	1 year		External	8/9	n/a	n/a	0/1	3/3	84%

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Mrs M Padgham	01/11/2018	3 years	31/07/21	External	5/9	n/a	n/a	n/a	2/3	58%
Mr M Rogers	01/11/2018	4 years		External	5/9	2/2	3/3	n/a	n/a	71%
Mr I Springate	01/04/2017 Re-appt 01/04/2018 01/04/2021	1 year 3 years 1 Year		External	9/9	n/a	n/a	n/a	3/3	100%
Ms M Stacey	01/08/2016 Re-appt 07/10/2019	3 years 4 years		External	9/9	1/1	1/1	n/a	3/3	100%
Mr N Tanton	01/04/2020	3 years		Staff	7/9	n/a	n/a	n/a	n/a	77%
Mr L Thommen	09/12/2015 Re-appt 07/10/2019	3 years 4 years		Staff	5/9	n/a	n/a	n/a	n/a	55%
Mrs J Wallace Vice Chair	01/02/2017 Re-appt 07/10/2019	3 years 2 years	31/03/21	External	4/5	1/1	2/2	n/a	1/1	88%
Mrs D Watson	01/04/2020	1 year		External	9/9	n/a	n/a	0/1	n/a	90%
Mr C Williams	31/12/2017 Re-appt 31/12/2020	3 years 4 years		External	9/9	n/a	1/3	1/1	n/a	84%
Andrew Jackson (new Chair)	01/10/21	4 years		External						N/A
Richard Bevan	01/10/21	4 years		External						N/A
Patricia Denham	01/10/21	4 years		External						N/A
Karen Taylor	01/10/21	4 years		External						N/A
Andrew Willis	01/10/21	4 years		External						N/A
Katerina Kolyva	01/10/21	4 years		External						N/A

Audit Committee Meetings 2020/21

	Jenny Wallace	Maxine Padgham	Melinda Stacey	Iain Springate	Rob Nicholls	Mark Tibbert (Co-Opted)
24/11/2020	x	x	X	X	X	x
17/03/2021		x	X	X	X	
30/06/2021			x	x	x	x

The Instrument and Articles of Government permit the appointment of up to 16 members "who appear to the Corporation to have the necessary skills to ensure that the Corporation carries out its functions under article 3 of the Articles of Government". For ease of reference, these are designated as "External" members in the list above.

From April 2016, the maximum complement of members of the Corporation of Petroc was 17 which is made up of 12 External members, the Principal and Chief Executive, 2 Staff Governors and 2 Student Governors. It is the Corporation's responsibility to bring independent judgement to bear on issues of strategy, performance, resources and standards of conduct.

The Corporation is provided with regular and timely information on the overall financial performance of the College together with other information such as performance against funding targets, proposed capital expenditure, quality matters and personnel related matters such as health and safety and environmental issues. The Corporation usually meets three times per term. In 2020/21 it met on 9 occasions (in 2019/20 it met on 9 occasions).

Meetings since the Covid-19 lockdown in March have been held successfully online over zoom with limited connectivity issues and this has had a positive response from the Board.

The Corporation has four formal committees, each of which had terms of reference, which have been approved by the Corporation. The committees were Audit, Remuneration, Strategic Review and Search & Governance. Full minutes of all meetings, except those deemed to be confidential by the Corporation, are available from the Governance Adviser at:

Petroc
Old Sticklepath Hill
Barnstaple
Devon
EX31 2BQ

Once approved, they are also available on the College website www.petroc.ac.uk.

The Governance Adviser maintains a register of financial and personal interests of the Governors. The register is available for inspection at the above address and a summary is included on the College website.

All members of the Corporation are able to take independent professional advice in furtherance of their duties at the College's expense and have access to the Governance Adviser, who is responsible to the Board for ensuring compliance with all applicable procedures and regulations. The appointment, evaluation and removal of the Governance Adviser are matters for the Corporation as a whole.

Formal agendas, minutes, papers and reports are supplied to Corporation members in a timely manner, prior to Board meetings. Briefings are also provided on an ad-hoc basis.

The Corporation has a strong and independent non-executive element and no individual or group dominates its decision making process. The Corporation considers that each of its non-executive members is independent of management and free from any business or other relationship which could materially interfere with the exercise of their independent judgement. There is a clear division of responsibility in that the roles of the Chair of the Corporation and the Principal and Chief Executive of the College are separate.

Appointments to the Corporation

Any new appointments to the Corporation are a matter for the consideration of the Corporation as a whole. The Corporation has a Search and Governance Committee, comprising 5 members, which is responsible for the selection and nomination of external members for the Corporation's consideration. The Corporation is responsible for ensuring that appropriate training is provided as required. Members of the Corporation are appointed for a term of office normally one year in the first instance, followed by a three year term.

Remuneration Committee

The Remuneration Committee comprises of 4 external members of the Corporation. The committee's responsibilities are to review and make decisions on the remuneration and benefits of senior post holders (the Principal and Chief Executive and two Vice Principals during 2020/21) and the Governance Adviser. Details of remuneration for the year ended 31 July 2021 are set out in note 6 to the financial statements.

Audit Committee

The Audit Committee comprises at least three external members of the Corporation (excluding the Principal and Chief Executive and Chair). In 2020/21 there were 6 members. The committee operates in accordance with written terms of reference approved by the Corporation.

The Audit Committee meets on a termly basis and provides a forum for reporting by the College's Internal and Financial Statements Auditors (including their work on regularity) who have access to the Committee for independent discussion, without the presence of College management. The Committee also receives and considers reports from the Funding Bodies as they affect the College's business.

The College's Internal Auditors monitor the systems of internal control, risk management controls and governance processes in accordance with an agreed plan of input and report their findings to management and the Audit Committee. Management is responsible for the implementation of agreed audit recommendations, and Internal Audit undertakes periodic follow up reviews to ensure that such recommendations have been implemented.

The Audit Committee also advised the Corporation on the appointment of Internal and Financial Statements Auditors and their remuneration for both audit and non-audit work.

Internal Control

Scope of responsibility

The Corporation is ultimately responsible for the College's system of internal control and for reviewing its effectiveness. However, such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can provide only reasonable and not absolute assurance against material misstatement or loss.

The Corporation has delegated to the Principal and Chief Executive, as Accounting Officer, the day-to-day responsibility for maintaining a sound system of internal control that supports the achievement of the College's policies, aims and objectives, whilst safeguarding the public funds and assets for which they are personally responsible, in accordance with the responsibilities assigned to the Principal and Chief Executive in the Financial Memorandum/Funding Agreement between the College and the Education Skills Funding Agency (ESFA). The Principal and Chief Executive is also responsible for reporting to the Corporation any material weaknesses or breakdowns in internal control.

The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level, rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable, and not absolute, assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of College policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in Petroc for the year ended 31 July 2021 and up to the date of approval of the financial statements.

Capacity to handle risk

The Corporation has reviewed the key risks to which the College is exposed, together with the operating, financial and compliance controls that have been implemented to mitigate those risks. The Corporation is of the view that there is a formal ongoing process for identifying, evaluating and managing the College's significant risks that has been in place for the period ending 31 July

2021 and up to the date of approval of the financial statements. This process is regularly reviewed by the Corporation.

The risk and control framework

The system of internal control is based on a framework of regular management information, administrative procedures including the segregation of duties, and a system of delegation and accountability. In particular, it includes:

- comprehensive budgeting systems with an annual budget which is reviewed and agreed by the Governing Body
- regular reviews by the Governing Body of periodic and annual financial reports which indicate financial performance against forecasts
- setting targets to measure financial performance
- clearly defined capital investment approval and monitoring
- the adoption of formal project management disciplines, where appropriate.

The College has an Internal Audit Service which operates in accordance with the requirements of the Post 16 Audit Code of Practice. The work of the Internal Audit Service is informed by an analysis of the risks to which the College is exposed, and annual internal audit plans are based on this analysis. The analysis of risks and the internal audit plans, are endorsed by the Corporation on the recommendation of the Audit Committee. At a minimum annually, the Head of Internal Audit (HIA) provides the governing body with a report on internal audit activity in the College. The report includes the HIA's independent opinion on the adequacy and effectiveness of the College's system of risk management, controls and governance processes.

Review of effectiveness

As Accounting Officer, the Principal and Chief Executive has responsibility for reviewing the effectiveness of the system of internal control. The Principal and Chief Executive's review of the effectiveness of the system of internal control is informed by:

- the work of the Internal Auditors
- the work of the executive managers within the College who have responsibility for the development and maintenance of the internal control framework
- comments made by the College's Financial Statements and Regularity Auditors in their management letters and other reports.

The Principal and Chief Executive has been advised on the implications of the result of the review of the effectiveness of the system of internal control by the Audit Committee which oversees the work of the Internal Auditor, and a plan to address weaknesses and ensure continuous improvement of the system is in place.

The Executive Team receives reports setting out key performance and risk indicators and considers possible control issues brought to its attention by early warning mechanisms, which are embedded within the departments and reinforced by risk awareness training. The appropriate managers and the Audit Committee also receive regular reports from Internal Audit, which include recommendations for improvement. The Audit Committee's role in this area is confined to a high-level review of the arrangements for internal control. The Corporation's agenda includes a regular item for consideration of risk and control and receives reports thereon from the College management and the Audit Committee, which also reviews the Strategic Risk Management and Board Assurance Plan at each of its termly meetings. The Board Assurance Framework adopted, which complements the College's existing risk management procedures, enables the Committee to assess what controls are in place, how these controls are monitored and whether they are sufficient to support the Board's and Accounting Officer's roles and responsibilities in providing the assurances required to be given. The emphasis is on obtaining the relevant degree of assurance and not merely reporting by exception.

At its December 2021 meeting the Corporation carried out the annual assessment for the year ended 31 July 2021 by considering the Annual Report of the Internal Auditors, the Annual Report of the Audit Committee (including the Risk Management Report), the Board Assurance Framework

and the Financial Audit Summary, and taking account of events since July 2021. Following consideration, the Board is of the opinion that it has adequate and effective governance, risk management and control processes to manage the achievement of its statutory responsibilities for the effective and efficient use of resources, the solvency of the institution and the body and the safeguarding of their assets.

Regularity, propriety and compliance

The Corporation has considered its responsibility to notify the Education Skills Funding Agency (ESFA) of material irregularity, impropriety and non-compliance with ESFA terms and conditions of funding, under the financial memorandum/funding agreement in place between the College and the ESFA. As part of its consideration the Corporation has had due regard to the requirements of the financial memorandum/funding agreement.


We confirm, on behalf of the Corporation, that after due enquiry and to the best of its knowledge, the Corporation believes it is able to identify any material irregularity or improper use of funds by the College, or material non-compliance with the ESFA terms and conditions of funding under the College's Financial Memorandum/Funding Agreement. We confirm that no instances of material irregularity, impropriety or funding non-compliance have been discovered to date. If any instances are identified after the date of this statement these will be notified to the ESFA.

Approved by order of the members of the Corporation and signed on its behalf by:



Andrew Jackson
Chair of Governors

7 December 2021



Sean Mackney
Principal and Chief Executive

Statement of Responsibilities of the Members of the Corporation for the year ended 31 July 2021

The members of the Corporation of the College are required to present audited financial statements for each financial year.

Within the terms and conditions of the Financial Memorandum/Funding Agreement agreed between the Education Skills Funding Agency (ESFA) and the Corporation of the College, the Corporation, through its Principal and Chief Executive, is required to prepare financial statements for each financial year, in accordance with the Statement of Recommended Practice – Accounting for Further and Higher Education, the Accounts Direction issued by the ESFA and the UK's Generally Accepted Accounting Practice, and which give a true and fair view of the state of affairs of the College and the result for that year.

In preparing the financial statements the Corporation is required to:

- Select suitable accounting policies and then apply them consistently
- Make judgements and estimates that are reasonable and prudent
- State whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements
- Assess whether the corporation is a going concern, noting the key supporting assumptions qualifications or mitigating actions as appropriate
- Prepare financial statements on a going concern basis unless it is inappropriate to assume that the College will continue in operation.

The Corporation is also required to prepare a report to the members which describes what it is trying to do and how it is going about it, including the legal and administrative status of the College.

The Corporation is responsible for keeping proper accounting records which disclose with reasonable accuracy, at any time, the financial position of the College, and which enable it to ensure that the financial statements are prepared in accordance with the relevant legislation of incorporation and other relevant accounting standards. It has general responsibility for taking such steps that are reasonably open to it to safeguard assets of the College and to prevent and detect fraud and other irregularities.

The maintenance and integrity of the College website is the responsibility of the Corporation of the College; the work carried out by the auditors does not involve consideration of these matters, and accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Disclosure of Information to Auditors


The members who held office at the date of approval of this report confirm that, so far as they are each aware, there is no relevant audit information of which the College's auditors are unaware; and each member has taken all the steps that he or she ought to have taken to be aware of any relevant audit information and to establish that the College's auditors are aware of that information.

Members of the Corporation are responsible for ensuring that expenditure and income are applied for the purposes intended by Parliament and that the financial transactions conform to the authorities that govern them. In addition they are responsible for ensuring that funds from the ESFA are used only in accordance with the Financial Memorandum/Funding Agreement with the ESFA and any other conditions that the ESFA may from time to time prescribe. Members of the Corporation must ensure that there are appropriate financial and management controls in place in order to safeguard public and other funds and to ensure that they are used properly. In addition, members of the Corporation are responsible for securing the economical, efficient and effective

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management of the College's resources and expenditure, so that the benefits that should be derived from the application of public funds by the ESFA are not put at risk.

Approved by order of the members of the Corporation on 7 December 2021 and signed on its behalf by:



Andrew Jackson
Chair of Governors

7 December 2021

Independent auditor's report to the Members of the Corporation of Petroc

Opinion

We have audited the financial statements of Petroc (the 'College') for the year ended 31 July 2021 which comprise the Statement of Comprehensive Income and Expenditure, the Statement of Changes in Reserves, the Balance Sheet, the Cash Flow Statement and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice) and the 2019 Statement of Recommended Practice: Accounting for Further and Higher Education.

In our opinion, the financial statements:

- give a true and fair view of the state of the College's affairs as at 31 July 2021 and of the Colleges deficit of expenditure over income for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the College in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the members' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the College's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the members of the corporation with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the Report of the Members of the Corporation, other than the financial statements and our auditor's report thereon. The Corporation's members are responsible for the other information contained within the annual

report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Report of the Members of the Corporation for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the report of the Members of the Corporation has been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Post 16 Audit Code of Practice issued by the Education and Skills Funding Agency requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- the information given in the report of the Members of the Corporation, including the operating and financial review and statement of corporate governance, is inconsistent with the financial statements; and
- we have not received all the information and explanations we require for our audit.

Responsibilities of Corporation Members

As explained more fully in the Statement of Responsibilities of the Members of the Corporation set out on page 23, the Corporation is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the members determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Corporation is responsible for assessing the College's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Corporation either intends to liquidate the College or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Based on our understanding of the College and its industry, we identified that the principal risks of non-compliance with laws and regulations related to pensions legislation, employment regulation and health and safety regulation, anti-bribery, corruption and fraud, and non-compliance with implementation of government support schemes relating to COVID-19, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the preparation of the financial statements, such as the Companies Act 2006.

We evaluated the members' and management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls) and determined that the principal risks were related to posting manual journal entries to manipulate financial performance, management bias through judgements and assumptions in significant accounting estimates, in particular in relation to defined benefit pension schemes and significant one-off or unusual transactions.

Our audit procedures were designed to respond to those identified risks, including non-compliance with laws and regulations (irregularities) and fraud that are material to the financial statements. Our audit procedures included but were not limited to:

- Discussing with the members of the corporation and management their policies and procedures regarding compliance with laws and regulations;
- Communicating identified laws and regulations throughout our engagement team and remaining alert to any indications of non-compliance throughout our audit; and
- Considering the risk of acts by the College which were contrary to applicable laws and regulations, including fraud.

Our audit procedures in relation to fraud included but were not limited to:

- Making enquiries of the members of the corporation and management on whether they had knowledge of any actual, suspected or alleged fraud;
- Gaining an understanding of the internal controls established to mitigate risks related to fraud;
- Discussing amongst the engagement team the risks of fraud; and
- Addressing the risks of fraud through management override of controls by performing journal entry testing.

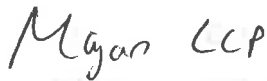
There are inherent limitations in the audit procedures described above and the primary responsibility for the prevention and detection of irregularities including fraud rests with management. As with any audit, there remained a risk of non-detection of irregularities, as these

may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal controls.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of the audit report

This report is made solely to the Corporation as a body in accordance with Article 22 of the College's Articles of Government. Our audit work has been undertaken so that we might state to the Corporation those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the College and the Corporation as a body for our audit work, for this report, or for the opinions we have formed.

A handwritten signature in black ink that reads "Mazars LLP". The signature is written in a cursive, flowing style.

Mazars LLP

Chartered Accountants and Statutory Auditor

Address: 90 Victoria Street, Bristol, BS1 6DP

Date: 15 December 2021

Petroc Statement of Comprehensive Income for the year ended 31 July 2021

	Note	2021 £'000	2020 £'000
Income			
Funding body grants	2	21,313	19,714
Tuition fees and education contracts	3	5,020	5,101
Other income	4	1,867	2,807
Investment income	5	-	14
Total income		28,200	27,636
Expenditure			
Staff costs (including pension charges of £2,154,000 (2020: £1,534,000))	6	20,732	19,689
Fundamental restructuring costs	6	425	313
Other operating expenses	7	6,784	6,659
Depreciation		2,350	2,188
Interest and other finance costs (including pension charges of £616,000 (2020: £652,000))	8	828	906
Total expenditure		31,119	29,755
(Deficit) for the year before other gains and losses		(2,919)	(2,119)
Unrealised (loss) in respect of foreign exchange transactions		(62)	(10)
(Loss) on disposal of assets		-	(10)
(Deficit) for the year		(2,981)	(2,139)
Actuarial gain/(loss) in respect of pension schemes	21	233	(10,154)
Total Comprehensive Income for the year		(2,748)	(12,293)

All operations are continuing.


Petroc Statement of Changes in Reserves

	Income and expenditure account	Revaluation reserve	Total
	£'000	£'000	£'000
Balance at 1 August 2019	(15,873)	3,429	(12,444)
(Deficit) from the income and expenditure account	(2,119)	-	(2,119)
Other comprehensive income	(10,174)	-	(10,174)
Transfers between revaluation and income and expenditure reserves	274	(274)	-
	(12,019)	(274)	(12,293)
Balance at 31 July 2020	(27,892)	3,155	(24,737)
(Deficit) from the income and expenditure account	(2,919)	-	(2,919)
Other comprehensive income	171	-	171
Transfers between revaluation and income and expenditure reserves	274	(274)	-
Total comprehensive income for the year	(2,474)	(274)	(2,748)
Balance at 31 July 2021	(30,366)	2,881	(27,485)


Petroc Balance sheet as at 31 July 2021

	Note	2021 £'000	2020 £'000
Non current assets			
Tangible fixed assets	10	37,335	35,517
Intangible fixed assets	11	54	0
		37,389	35,517
Current assets			
Stocks	12	38	45
Trade and other receivables	13	2,146	1,692
Cash and cash equivalents	18	6,115	4,900
		8,299	6,637
Creditors: amounts falling due within one year	14	(7,257)	(5,423)
Net current assets		1,042	1,214
Total assets less current liabilities		38,431	36,731
Creditors: amounts falling due after more than one year	15	(20,196)	(18,144)
Provisions			
Defined benefit obligations	17	(45,715)	(42,839)
Other provisions	17	(5)	(485)
Total net liabilities		(27,485)	(24,737)
Unrestricted reserves			
Income and expenditure account reserve		(30,366)	(27,892)
Revaluation reserve		2,881	3,155
Total reserves		(27,485)	(24,737)

The financial statements on pages 29 to 55 were approved by the Corporation on 7 December 2021 and were signed on its behalf by:



Andrew Jackson
Chair of Governors



Sean Mackney
Principal and Chief Executive

Petroc Statement of Cash Flows

	Note	2021 £'000	2020 £'000
Cash flow from operating activities			
(Deficit) for the year		(2,981)	(2,139)
Adjustment for non-cash items			
Release of capital grants		(798)	(697)
Depreciation		2,350	2,188
Loss on disposal of fixed assets		-	10
Unrealised loss in respect of foreign exchange		62	10
Decrease/(Increase) in stocks		7	(7)
(Increase) in debtors		(454)	(300)
Increase in creditors		1,164	326
(Decrease)/Increase in provisions		(141)	89
Pensions costs less contributions payable		2,770	2,186
Adjustment for investing or financing activities			
Investment income		-	(14)
Loss on disposal of non-current assets		-	10
Interest payable		197	210
Net cash flow from operating activities		2,176	1,872
Cash flows from investing activities			
Investment income		-	14
Receipts from sale of non-current assets		-	-
Payments made to acquire fixed assets		(528)	(679)
		(528)	(665)
Cash flows from financing activities			
Interest paid		(197)	(210)
Repayments of amounts borrowed		(236)	(228)
		(433)	(438)
Increase in cash and cash equivalents in the year		1,215	769
Cash and cash equivalents at beginning of the year	18	4,900	4,131
Cash and cash equivalents at end of the year	18	6,115	4,900

Notes to the financial statements for the year ended 31 July 2021

1 Accounting policies

Standard Information

The Corporation was established in the United Kingdom under the Further and Higher Education Act 1992 for the purpose of conducting the activities of a College. In August 2008, North Devon College merged with East Devon College and, with effect from 23 September 2009, the Secretary of State for the Department for Business Innovation and Skills formally approved the change of name of the Corporation and College to Petroc. The College is an Exempt Charity under part 3 of the Charities Act 2011 and following the Machinery of Government changes in July 2016 is regulated by the Secretary of State of Education.

Registered Address:

Old Sticklepath Hill

Barnstaple

Devon

EX31 2BQ

Statement of accounting policies and estimation techniques

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements.

Basis of preparation

These financial statements have been prepared in accordance with the *Statement of Recommended Practice: Accounting for Further and Higher Education 2019* (the 2019 FE HE SORP), the *College Accounts Direction for 2020 to 2021*, the *OfS Accounts Direction* and in accordance with Financial Reporting Standard 102 – “*The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland*” (FRS 102). The College is a public benefit entity and has therefore applied the relevant public benefit requirements of FRS 102.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the College's accounting policies.

Basis of accounting

The financial statements are prepared in accordance with the historical cost convention as modified by the use of previous valuations as deemed cost at transition for certain non-current assets.

Going concern

The activities of the College, together with the factors likely to affect its future development and performance are set out in the Operating and Financial Review. The financial position of the College, its cash flow, liquidity and borrowings are described in the financial statements and accompanying notes.

The College currently has £3.2m of secured loans outstanding with Barclays Bank PLC. The College's forecasts and financial projections indicate that it will be able to operate within the current terms of the loan covenants for the foreseeable future.

Accordingly, the College has a reasonable expectation that it has adequate resources to continue in operational existence for the foreseeable future, and for this reason will continue to adopt the going concern basis in the preparation of its financial statements.

Recognition of income

Government revenue grants include funding body recurrent grants and other grants and are accounted for under the accrual model as permitted by FRS 102.

Recurrent grant income receivable from the ESFA is recognised in line with the latest estimates of grant receivable for an academic year. Any under or over achievement for the Adult Skills Budget is adjusted for and reflected in the level of recurrent grant recognised in the income and expenditure account. The final grant income is normally determined with the conclusion of the year end reconciliation process with the funding body following the year end, and the results of any funding audits. 16-18 learner responsive funding is not subject to reconciliation and is therefore not subject to contract adjustments.

The recurrent grant from OFS represents the funding allocation attributable to the current financial year and is credited direct to the Statement of Comprehensive Income.

Grants (including research grants) from non-government sources are recognised in income when the College is entitled to the income and performance related conditions have been met. Income received in advance of performance related conditions being met is recognised as deferred income within creditors on the balance sheet and released to income as the conditions are met.

Government capital grants are capitalised, held as deferred income and recognised in income over the expected useful life of the asset, under the accrual method as permitted by FRS 102. Other capital grants are recognised in income when the College is entitled to the funds subject to any performance related conditions being met.

Income from tuition fees is recognised in the period for which it relates to and includes all fees chargeable to students or their sponsors.

Post-retirement benefits

Retirement benefits to employees of the College are provided by the Teachers' Pension Scheme ("TPS") and the Local Government Pension Scheme ("LGPS"). These are defined benefit schemes which are externally funded and contracted out of the State Earnings Related Pension Scheme.

TPS

Contributions to the TPS are charged to the income and expenditure so as to spread the cost of pensions over employees' working lives with the College in such a way that the pension cost is a substantially level percentage of current and future pensionable payrolls. The contributions are determined by qualified actuaries on the basis of quinquennial valuations using a prospective benefit method. The TPS is a multi-employer scheme and the College is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis. The TPS is therefore treated as a defined contribution scheme and the contributions recognised as an expense in the income statement in the periods during which services are rendered by employees.

LGPS

The assets of the LGPS are measured using bid values. The scheme liabilities are measured using a projected unit credit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability. The actuarial valuations are obtained at least triennially and are updated at each balance sheet date. The amounts charged to operating surplus are the current service costs and the costs of scheme introductions, benefit changes, settlements and curtailments. They are included as part of staff costs as incurred. Net interest on the net defined benefit liability/asset is also recognised in the Statement of Comprehensive Income and comprises the interest cost on the defined benefit obligation and interest income on the scheme assets, calculated by multiplying the fair value of the scheme assets at the beginning of the period by the rate used to discount the benefit obligations. The difference between the interest income on the scheme assets and the actual return on the scheme assets is recognised in other recognised gains and losses.

Actuarial gains and losses are recognised immediately in other recognised gains and losses.

Short term Employment benefits

Short term employment benefits such as salaries and compensated absences (holiday pay) are recognised as an expense in the year in which the employees render service to the College. Any unused benefits are accrued and measured as the additional amount the College expects to pay as a result of the unused entitlement.

Termination benefits

Payments made in accordance with statutory Government regulations and in accordance with the policies approved by the Governing Body. All such payments must be authorised by the Principal and Chief Executive, and calculations checked by the Director for HR and Organisational Development.

Enhanced Pensions

The actual cost of any enhanced ongoing pension to a former member of staff is paid by the College annually. An estimate of the expected future cost of any enhancement to the ongoing pension of a former member of staff is charged in full to the College's income and expenditure account in the year that the member of staff retires. In subsequent years a charge is made to the provisions in the balance sheet using the enhanced pension spreadsheet provided by the funding bodies.

Non-Current Assets – Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses.

Land and buildings

Land and buildings inherited from the local education authority are stated in the balance sheet at valuation on the basis of depreciated replacement cost as the open market value for existing use is not readily obtainable. Land and buildings acquired since incorporation are included in the balance sheet at historic purchase cost less accumulated depreciation. Freehold land is not depreciated. Freehold buildings are depreciated using component account principles, depreciation rates are as follows;

Component Heading	Depreciation Years
Roof Structure	30
Lift	10
Windows & External doors	25
Electrics	20
Mechanical Engineering	20
Other	Equal instalments over their estimated remaining useful life

Leasehold building improvements are depreciated over the life of the lease.

Where land and buildings are acquired with the aid of specific grants they are capitalised and depreciated as above. The related grants are credited to a deferred income account within creditors and are released to the income and expenditure account over the expected useful economic life of the related asset on a basis consistent with the depreciation policy. The deferred income is allocated between creditors due within one year and those due after more than one year. A review for impairment of a fixed asset is carried out if events or changes in circumstances indicate that the carrying amount of fixed asset may not be recoverable.

On adoption of FRS 102, the College followed the transitional provision to retain the book value of land and buildings, which were revalued in 1997, as deemed cost but not to adopt a policy of revaluations of these properties in the future.

Assets under construction

Assets under construction are accounted for at cost, based on the value of architects' certificates and other direct costs, incurred to 31 July. They are not depreciated until they are brought into use.

Equipment

Generally, equipment costing less than £2,000 per individual item is written off to the income and expenditure account in the period of acquisition. Equipment inherited from the local education authority is included in the balance sheet at valuation. All other equipment is stated at historic purchase cost less accumulated depreciation. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use.

Equipment is depreciated over its useful economic life as follows:

Fixtures, fittings and general equipment	20% per year on a straight-line basis
Computer equipment	20% per year on a straight-line basis

Where equipment is acquired with the aid of specific grants, it is capitalised and depreciated in accordance with the above policy, with the related grant being credited to a deferred income account within creditors and released to the income and expenditure account over the expected useful economic life of the related equipment. The deferred income is allocated between creditors due within one year and those due after more than one year.

Intangible Fixed Assets

Combinations that are in substance a gift are accounted for in accordance with FRS 102 Section 19 except that the excess/deficit of the fair value of assets received over the fair value of the liabilities assumed is recognised as a gain/loss in income and expenditure.

Intangible assets are amortised over their useful economic life as follows:

Software	20% per year on a straight-line basis
Other	20% per year on a straight-line basis

Amortisation is included within depreciation on the Statement of Comprehensive Income.

Investments

Investments include sums on short-term deposits with recognised banks.

Leased assets

Costs in respect of operating leases are charged on a straight-line basis over the lease term. Any lease premiums or incentives relating to leases signed after 1 August 2014 are spread over the minimum lease term. The College has taken advantage of the transitional exemptions in FRS 102 and has retained the policy of spreading lease premiums and incentives to the date of the first market rent review for leases signed before 1 August 2014.

Inventories

Inventories consist of consumables. Inventories are stated at the lower of their cost and net realisable value. Where necessary, provision is made for obsolete, slow moving and defective stocks. Inventories are measured using the FIFO basis.

Maintenance of premises

The cost of routine corrective maintenance is charged to the income and expenditure account in the year in which it is incurred.

Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies are translated at the rates of exchange ruling at the end of the financial period with all resulting exchange differences being taken to the income and expenditure account in the period in which they arise.

Taxation

As an Exempt Charity the College benefits by being broadly exempt from Corporation Tax on income it receives from tuition fees, interest and rents.

The College is partially exempt in respect of Value Added Tax, so that it can only recover a minor element of VAT charged on its inputs. Irrecoverable VAT on inputs is included in the costs of such inputs and added to the cost of tangible assets as appropriate.

Cash & Cash Equivalents

Liquid resources include sums on short-term deposits with recognised banks, building societies and government securities.

Reserves

The College has no formal Reserves Policy but recognises the importance of reserves in the financial stability of any organisation, and ensures that there are adequate reserves to support the College's core activities.

Provisions

Provisions are recognised when the College has a present legal or constructive obligation as a result of a past event, it is probable that a transfer of economic benefit will be required to settle the obligation, and a reliable estimate can be made of the amount of obligation.

Agency arrangements

The College acts as an agent in the collection and payment of Discretionary Support Funds. Related payments received from the funding bodies and subsequent disbursements to students are excluded from the income and expenditure account and are shown separately in Note 24, except for the 5 per cent of the grant received which is available to the College to cover administration costs relating to the grant.

Judgements in applying accounting policies

In preparing these financial statements, management have made the following judgements:

- Determine whether leases entered into by the College either as a lessor or a lessee are operating or finance leases. These decisions depend on an assessment of whether the risks and rewards of ownership have been transferred from the lessor to the lessee on a lease by lease basis.
- Determine whether there are indicators of impairment of the group's tangible assets. Factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance of the asset and where it is a component of a larger cash-generating unit, the viability and expected future performance of that unit.

Other key sources of estimation uncertainty

- Tangible fixed assets, other than investment properties, are depreciated over their useful lives taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In re-assessing asset lives, factors such as technological innovation and maintenance programmes are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.
- The present value of the Local Government Pension Scheme defined benefit liability depends on a number of factors that are determined on an actuarial basis using a variety of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions, which are disclosed in note 21, will impact the carrying amount of the pension liability. The actuary has used a roll forward approach which projects results from the latest full actuarial valuation performed at 31 March 2019 to value the pensions liability at 31 July 2021. Any differences between the figures derived from the roll forward approach and a full actuarial valuation would impact on the carrying amount of the pension liability.

2 Funding body grants

	2021 £'000	2020 £'000
Recurrent grant		
Education and Skills Funding Agency – 16-18	13,267	11,753
Education and Skills Funding Agency – Adult	3,014	3,212
Education and Skills Funding Agency – Apprenticeships	2,831	2,885
Office for Students	266	290
European Union Co-Financed	444	267
Teacher Pensions Scheme contribution grant	656	617
Other Non-recurrent grants – ESFA	121	62
Releases of ESFA capital grants	650	581
Release of HE capital grants	64	47
	21,313	19,714

2a OfS

	2021 £'000	2020 £'000
Grant income from the OfS	265	323
Fee income for taught awards	1,743	2,095
Fee income from non-qualifying courses	2	6
	2,010	2,424

3 Tuition fees and education contracts

	2021 £'000	2020 £'000
Adult education fees	131	124
FE Loans	885	840
Higher education fees	1,743	2,095
Full cost fees	354	405
Apprenticeship contracts	39	55
Careers learning pilot	-	1
	3,152	3,520
Local authorities and schools	1,651	1,484
Higher education	217	97
	5,020	5,101

4 Other Income

	2021 £'000	2020 £'000
European grant income	42	261
Other grant income	1,009	1,117
Coronavirus Job Retention Scheme	85	226
Other income	731	1,203
	1,867	2,807

Other Income includes deferred grant release of £84,352 (2020: £68,826)

The corporation furloughed staff roles within catering, cleaning and commercial activity under the government's Coronavirus Job Retention Scheme. The funding received in respect of 112 staff of £85,398 relates to staff costs which are included within the staff cost Note 6.

5 Investment income

	2021 £'000	2020 £'000
Interest receivable	-	14

6 Staff costs

The average number of persons (including key management personnel) employed by the College during the year, was:

Headcount	2021 No.	2020 No.
Teaching staff	322	357
Non-teaching staff	411	431
	733	788

Full-time equivalents	2021 No.	2020 No.
Teaching staff	242	264
Non-teaching staff	293	289
	535	553

	2021 £'000	2020 £'000
Staff costs for the above persons		
Wages and salaries	14,223	14,039
Social security costs	1,227	1,192
Other pension costs (including pension charges of £2,154,000 (2020: £1,534,000))	5,132	4,376
Payroll sub total	20,582	19,607
Contracted out staffing services	150	82
	20,732	19,689
Fundamental restructuring costs - contractual	425	313
- non-contractual	-	-
Total staff costs	21,157	20,002

Key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the College and are represented by the College Executive Team which comprises the Principal and Chief Executive, Vice Principals, Assistant Principals and Director. Staff costs include compensation paid to key management personnel for loss of office.

Emoluments of key management personnel including the Principal and Chief Executive

	2021 No.	2020 No.
The number of key management personnel including the Principal and Chief Executive was:	9	8

The number of key management personnel and other staff who received annual emoluments, excluding pension contributions and employer's national insurance but including benefits in kind, in the following ranges was:

	Key management personnel	
	2021	2020
	No.	No.
£50,001 to £55,000	1	-
£55,001 to £60,000 p.a.	1	1
£60,001 to £65,000 p.a.	1	3
£70,001 to £75,000 p.a.	2	-
£85,001 to £90,000 p.a.	2	2
£130,001 to £135,000 p.a.	-	1
£135,001 to £140,000 p.a.	1	-
	<u>8</u>	<u>7</u>

Including part time workers grossed up to full time equivalent, 1 key management personnel were paid in the £65,001 to £70,000 banding in 2021 (2020: 1 key management personnel were paid in the £65,001 to £70,000 banding).

Key management personnel emoluments are made up as follows:

	2021	2020
	£'000	£'000
Salaries	581	620
Employers National Insurance contributions	71	76
Benefits in kind	-	-
	<u>652</u>	<u>696</u>
Pension contributions	113	117
Total key management personnel emoluments	<u>765</u>	<u>813</u>

There were no amounts due to key management personnel that were waived in the year, nor any salary sacrifice arrangements in place.

The above emoluments includes amounts payable to the Principal and Chief Executive (who is also the highest paid senior post-holder) of:

	2021	2020
	£'000	£'000
Salary	138	135
Benefits in Kind	-	-
	138	135
Pension Contributions	23	21

The governing body adopted AoC's Senior Staff Remuneration Code in July 2019 and assesses pay in line with its principles.

The remuneration package of key management staff, including the Principal and Chief Executive, is subject to annual review by the Remuneration Committee of the governing body who use benchmarking information to provide objective guidance. This means that the AoC Senior Pay survey is the benchmark used and the college seeks to follow the median salary paid within the 'South' (of the country).

The Remuneration Committee receives annual performance reviews through the Chair of Board (for the Principal and CEO and the Governance Advisor) and the Principal and CEO (for other Senior roles). Performance is assessed against the College's Performance and Development Review process, which is structured to show performance against the College's overall objectives and aims set out in the college strategy. This may use qualitative and quantitative measures depending on the objective.

Relationship of Principal and Chief Executive pay and remuneration expressed as a multiple

	2021	2020
Principal and Chief Executive's basic salary as a multiple of the median of all staff	5.5	5.9
Principal and Chief Executive's total remuneration as a multiple of the median of all staff	5.3	5.9

Based on staff on the payroll at the end of the year (contracted and casual) and excludes agency workers.

Compensation for loss of office paid to former key management personnel

	2021	2020
	£'000	£'000
Compensation paid to 1 former senior post-holder	-	31
Estimated value of other benefits, including provisions for pension benefits	-	-

Severance payments are made in accordance with relevant legislation and in accordance with the policies approved by the Governing Body. Professional advice is obtained where necessary. All such payments must be authorised by the Principal and Chief Executive.

The members of the Corporation other than the Principal and Chief Executive and the staff members did not receive any payment from the institution other than the reimbursement of travel and subsistence expenses incurred in the course of their duties.

6a Access and participation spending

	2021 £'000	2020 £'000
Access investment	61	74
Financial support to students	17	18
Disability support	12	12
Research and evaluation	43	39
	133	143

Includes staffing costs of £99,327 (2020: £106,745) which are included within Note 6.

7 Other operating expenses

	2021 £'000	2020 £'000
Teaching costs	2,181	2,246
Non-teaching costs	2,761	2,639
Premises costs	1,842	1,774
	6,784	6,659

Other operating expenses include:

Auditors' remuneration:

- Financial statements audit	25	26
- Internal audit	24	16
Hire of plant and machinery under operating leases	41	38
Hire of other assets under operating leases	754	718

8 Interest and other finance costs

	2021 £'000	2020 £'000
On bank loans	195	210
Interest on enhanced pension provision (note 17)	17	44
Net interest on defined pension liability (note 21)	592	627
Administration expenses (note 21)	24	25
	828	906

9 Taxation

The Members do not believe that the College is liable for any Corporation Tax on income arising out of its charitable activities during the year.

10 Tangible assets

	Land and buildings freehold £'000	Equipment £'000	Assets under construction £'000	Total £'000
Cost or valuation				
At 31 July 2020	53,711	12,405	332	66,448
Transfers	3,186	-	(3,186)	-
Additions	-	1,077	3,120	4,197
Disposals	-	(235)	(30)	(265)
At 31 July 2021	56,897	13,247	236	70,380
Accumulated depreciation				
At 31 July 2020	20,098	10,833	-	30,931
Charge for the year	1,718	631	-	2,349
Disposals	-	(235)	-	(235)
At 31 July 2021	21,816	11,229	-	33,045
Net book value				
At 31 July 2021	35,081	2,018	236	37,335
At 31 July 2020	33,613	1,572	332	35,517
Inherited at valuation	6,053	-	-	6,053
Financed by capital grant	17,234	936	105	18,275
Other at cost/valuation	11,794	1,082	131	13,007
	35,081	2,018	236	37,335

Land and buildings were valued at 25 July 1997 at depreciated replacement cost by King Sturge and Co, chartered surveyors. Other tangible fixed assets inherited from the local education authority at incorporation were valued on incorporation on a depreciated replacement cost basis with the assistance of independent professional advice.

Land and buildings with a net book value of £6,053,000 (2020: £6,327,000) have been funded from local education authority sources. Should these assets be sold, the College may be liable, under the terms of its Financial Memorandum, to surrender the proceeds.

If inherited fixed assets had not been revalued before being deemed as cost on transition they would have been included at nil cost.

11 Intangible assets

	Software	Other	Total
	£'000	£'000	£'000
Cost or valuation			
At 31 July 2020	-	-	-
Transfers	-	-	-
Additions	15	40	55
Disposals	-	-	-
At 31 July 2021	15	40	55
Accumulated depreciation			
At 31 July 2020	-	-	-
Charge for the year	1	-	1
Disposals	-	-	-
At 31 July 2021	1	-	1
Net book value			
At 31 July 2021	14	40	54
At 31 July 2020	-	-	-
Inherited at valuation	-	-	-
Financed by capital grant	14	-	14
Other at cost/valuation	-	40	40
	14	40	54

12 Stocks

	2021 £'000	2020 £'000
Commercial trading activities	38	45

13 Debtors

	2021 £'000	2020 £'000
Trade receivables	660	531
Prepayments and accrued income	644	708
Amounts owed by the ESFA	431	202
Other receivables	411	251
	2,146	1,692

14 Creditors: amounts falling due within one year

	2021 £'000	2020 £'000
Bank loans	243	236
Payments received in advance	1,989	905
Trade payables	2,184	1,819
Other taxation and social security	345	299
Accruals and deferred income	951	1,177
Amounts owed to the ESFA	426	103
Deferred income – government capital grants	1,008	801
Other payables	111	83
	7,257	5,423

Trade payables include holiday accrual of £711,705 (2020: £678,426).

15 Creditors: amounts falling due after more than one year

	2021 £'000	2020 £'000
Bank loans	2,915	3,158
Deferred income – government capital grants	17,281	14,986
	20,196	18,144

Analysis of Change in net Debt

	As at 31 July 2020 £'000	Cash Flows £'000	Finance Leases £'000	Other non- cash changes £,000	As at 31 July 2021 £'000
Cash and cash equivalent					
Cash	4,900	1,215	-	-	6,115
Treasury Deposits	-	-	-	-	-
	4,900	1,215	-	-	6,115
Borrowings					
Debt due within 1 year	(236)	236	-	(243)	(243)
Debt more than 1 year	(3,158)	-	-	243	(2,915)
Finance Leases	-	-	-	-	-
	1,506	1,451	-	-	2,957

16 Analysis of borrowing of the College

	2021 £'000	2020 £'000
Bank loans		
Repayable as follows:		
- in one year or less	243	236
- between one and two years	251	243
- between two and five years	800	775
- in five years or more	1,864	2,140
	3,158	3,394

The loans are from Barclays Bank PLC and are repayable within the period shown. The balance is made up of three separate facility agreements at fixed interest rates varying from 5.95% to 6.51% and a fourth, variable rate loan. All loans are secured.

17 Provisions for liabilities and charges

	Defined benefit obligations	Restructuring	Enhanced pensions	Other	Total
	£'000	£'000	£'000	£'000	£'000
At 1 August 2020	42,839	49	348	88	43,324
Expenditure in period	(2,770)	(44)	(17)	(88)	(2,919)
Additions in period	5,307	-	8	-	5,315
At 31 July 2021	45,376	5	339	-	45,720

The College has accrued restructuring costs of £4,863 (2020: £48,730) as a result of an efficiency savings programme.

The enhanced pensions provision relates to the entitlements of staff taking early retirement under the 1993 incorporation reorganisation programme. This amount represents the extent to which the capital cost charged exceeds actual payments made. The provision will be released against the cost to Petroc of enhanced pension entitlements over the estimated life expectancy of each relevant employee. This provision has been recalculated in accordance with guidance issued by the ESFA.

The principal assumptions for this calculation are:

	2021 %	2020 %
Interest rate	1.6	1.3
Inflation rate	2.9	2.2

The provision includes £Nil (2020: £Nil in respect of former senior post-holders).

Defined benefit obligations relate to the liabilities under the College's membership of the Local Government pension scheme. Further details are given in Note 21.

18 Cash and cash equivalents

	At 1 August 2020 £'000	Cash flows £'000	Other changes £'000	At 31 July 2021 £'000
Cash and cash equivalents	4,900	1,215	-	6,115
Overdrafts	-	-	-	-
Total	4,900	1,215	-	6,115

19 Lease obligations

At 31 July the College had minimum lease payments under non-cancellable operating leases as follows:

	2021 £'000	2020 £'000
Future minimum lease payments due		
Land and buildings		
Not later than one year	754	754
Later than one year and not later than five years	2,517	3,018
Later than five years	-	251
	3,271	4,023
Other		
Not later than one year	38	41
Later than one year and not later than five years	18	55
Later than five years	-	-
	56	96

Lease payments recognised as an expense during the year was £795,316 (2020: £757,260)

20 Lessee obligations

At 31 July the College had minimum lessee payments under non-cancellable operating leases as follows:

	2021 £'000	2020 £'000
Future minimum lessor payments due		
Land and buildings		
Not later than one year	75	56
Later than one year and not later than five years	39	18
Later than five years	-	-
	114	74

21 Pensions and similar obligations

The College's employees belong to two principal pension schemes, Local Government Pension Scheme (LGPS) and the Teachers' Pension Scheme (TPS). Both schemes are defined benefit schemes.

Total pension cost for the year	Year ended 31 July 2021 £'000	Year ended 31 July 2020 £'000
TPS: contributions paid	1,631	1,597
LGPS:		
Contributions paid	1,347	1,245
Pension charge	2,154	1,534
Charge to the statement of comprehensive income	3,501	2,779
Total pension cost for year (note 6)	5,132	4,376

The pension costs are assessed in accordance with the advice of independent qualified actuaries. The latest formal actuarial valuations of the TPS was 31 March 2016 and the LGPS was valued at 31 March 2019.

Contributions amounting to £314,899 (2020: £302,302) were payable to the scheme at 31 July 2021 and are included within trade creditors.

Local Government Pension Scheme (LGPS)

The LGPS is a funded defined benefit scheme, with the assets held in separate funds administered by Devon County Council. The College is not liable for other entities obligations. The total contribution made for the year ended 31 July 2021 was £1,748,138 (2020: £1,618,196) of which employer's contributions totalled £1,346,917 (2020: £1,244,921) and employees contributions totalled £401,221 (2020: £373,275). This includes an employer secondary (deficit recovery) rate value paid monthly of £20,670 (August 2020 to March 2021) and £21,423 (April 2021 to July 2021).

For the period from 1 August 2020 to 31 July 2021 the employer contribution was 16.90% (2020: 1 August 2019 to 31 March 2020 was 14.90% then increasing to 16.90%).

Principal actuarial assumptions

The following information is based upon a full actuarial valuation of the fund at 31 March 2019 updated to 31 July 2021 by a qualified independent actuary.

	2021 %	2020 %
Rate of increase in salaries	3.85	3.20
Future pensions increase	2.85	2.20
Discount rate for scheme liabilities	1.60	1.40
Inflation assumption (CPI)	2.85	2.20
Commutation of pensions to lump sums	50.0	50.0

The current mortality assumptions include sufficient allowance for future improvements in mortality rates. The assumed life expectations on retirement age 65 are:

	At 31 July 2021	At 31 July 2020
	Years	Years
<i>Retiring today</i>		
Males	22.7	22.9
Females	24.0	24.1
<i>Retiring in 20 years</i>		
Males	24.0	24.3
Females	25.4	25.5

The College's share of the assets in the plan (which is estimated to be 0.78%) at the balance sheet date and the expected rates of return were:

	Fair value at 31 July 2021 £'000	Fair value at 31 July 2020 £'000
Equity instruments	26,137	19,768
Government bonds	5,517	1,252
Property	3,280	2,731
Cash	397	381
Target return portfolio	3,974	4,273
Infrastructure	1,544	1,414
Other bonds	798	1,593
Private equity	-	-
Alternative assets	3	2,150
Total fair value of plan	41,650	33,562
Actual return on plan assets	6,508	1,157

For accounting years beginning on or after 1 January 2015, the expected return and the interest cost have been replaced with a single net interest cost, which effectively sets the expected return equal to the discount rate (1.60% as at 31 July 2021).

The amount included in the balance sheet in respect of the defined benefit pension is as follows:

	2021 £'000	2020 £'000
Fair value of plan assets	41,650	33,562
Present value of plan liabilities	(87,026)	(76,401)
Net pensions (liability) (note 17)	(45,376)	(42,839)

Amounts recognised in the Statement of Comprehensive Income in respect of the plan are as follows:

	2021	2020
	£'000	£'000
Amounts included in staff costs		
Current service cost	3,485	2,836
Past service cost	26	-
	3,511	2,836
Amounts included in investment income		
Net interest income	(592)	(652)
	(592)	(652)
Amount recognised in Other Comprehensive Income		
Return on pension plan assets	6,027	(1,886)
Experience losses arising on defined benefit obligations	1,431	(885)
Other actuarial (losses) on assets	-	(149)
Changes in assumptions underlying the present value of plan liabilities	(7,225)	(7,234)
	233	(10,154)

Movement in net defined benefit (liability)/asset during year

	2021	2020
	£'000	£'000
Net defined benefit (liability) in scheme at 1 August	(42,839)	(30,499)
Movement in year:		
Current service cost	(3,485)	(2,836)
Employer contributions	1,061	1,051
Deficit payments	296	251
Administration expenses	(24)	(25)
Past service cost	(26)	-
Net interest on the defined (liability)	(592)	(627)
Actuarial gain or (loss)	233	(10,154)
Net defined benefit (liability) at 31 July	(45,376)	(42,839)

Asset and Liability Reconciliation

	2021	2020
	£'000	£'000
Changes in the present value of defined benefit obligations		
Defined benefit obligations at start of period	76,401	65,062
Current service cost	3,485	2,836
Interest cost	1,073	1,356
Contributions by scheme participants	401	373
Experience gains and losses on defined benefit obligations	(1,431)	885
Changes in financial assumptions	8,185	8,706
Changes in demographic assumptions	(960)	(1,472)
Estimated benefits paid	(154)	(1,345)
Past Service cost, including curtailments	26	-
Defined benefit obligations at end of period	87,026	76,401
Changes in fair value of plan assets		
Fair value of plan assets at start of period	33,562	34,563
Interest on plan assets	481	729
Return on plan assets	6,027	(1,886)
Other actuarial (losses)	-	(149)
Administration expenses	(24)	(25)
Employer contributions	1,357	1,302
Contributions by scheme participants	401	373
Estimated benefits paid	(154)	(1,345)
Fair value of plan assets at end of period	41,650	33,562

Teachers' Pension Scheme

The Teachers' Pension Scheme (TPS) is a statutory, contributory, defined benefit scheme, governed by the Teachers' Pension Scheme Regulations 2014. These regulations apply to teachers in schools, colleges and other educational establishments. Membership is automatic for teachers and lecturers at eligible institutions. Teachers and lecturers are able to opt out of the TPS.

The TPS is an unfunded scheme and members contribute on a 'pay as you go' basis – these contributions, along with those made by employers, are credited to the Exchequer under arrangements governed by the above Act. Retirement and other pension benefits are paid by public funds provided by Parliament.

Under the definitions set out in FRS 102 (28.11), the TPS is a multi-employer pension plan. The College is unable to identify its share of the underlying assets and liabilities of the plan.

Accordingly, the College has taken advantage of the exemption in FRS 102 and has accounted for its contributions to the scheme as if it were a defined-contribution plan. The College has set out above the information available on the plan and the implications for the College in terms of the anticipated contribution rates.

The valuation of the TPS is carried out in line with regulations made under the Public Service Pension Act 2013. Valuations credit the teachers' pension account with a real rate of return assuming funds are invested in notional investments that produce that real rate of return.

The latest actuarial review of the TPS was carried out as at 31 March 2016. The valuation report was published by the Department for Education (the Department) in April 2019. The valuation reported total scheme liabilities (pensions currently in payment and the estimated cost of future benefits) for service to the effective date of £218 billion, and notional assets (estimated future contributions together with the notional investments held at the valuation date) of £198 billion giving a notional past service deficit of £22 billion.

As a result of the valuation, new employer contribution rates were set at 23.68% of pensionable pay from September 2019 onwards (compared to 16.48% during 2018/19. DfE has agreed to pay a teacher pension employer contribution grant to cover the additional costs during the 2019/20 and 2020/21 academic year.

A full copy of the valuation report and supporting documentation can be found on the Teachers' Pension Scheme website.

The pension costs paid to TPS in the year amounted to £1,631,223 (2020: £1,596,922).

22 Capital commitments

	2021	2020
	£'000	£'000
Commitments contracted for at 31 July	550	1,559

23 Related party transactions

Owing to the nature of the College's operations and the composition of the board of governors being drawn from local public and private sector organisations, it is inevitable that transactions will take place with organisations in which a member of the board of governors may have an interest. All transactions involving such organisations are conducted at arm's length and in accordance with the College's financial regulations and normal procurement procedures.

The total expenses paid to or on behalf of the Governors during the year was £0 (2020: £471; 2 Governors). This represents travel and subsistence expenses and other out of pocket expenses incurred in attending Governor meetings and events in their official capacity.

No Governor has received any remuneration or waived payments from the College (2020: None)

24 Discretionary Learner Support Funds and Other Bursaries

	2021 £'000	2020 £'000
Grant funding	1,088	1,049
Interest earned	-	-
	1,088	1,049
Disbursed to students	(963)	(878)
Staffing	(36)	(56)
Administration costs	(42)	(34)
Balance unspent and repayable at 31 July	47	81

Included within creditors is £253,086 (2020: £258,916) of money not yet paid across or repaid as at the year-end.

Funding Council grants are available solely for students; the College acts only as a paying agent. The grants and related disbursements are therefore excluded from the income and expenditure account.

To: The corporation of Petroc and Secretary of State for Education acting through Education and Skills Funding Agency (“ESFA”)

In accordance with the terms of our engagement letter and further to the requirements and conditions of funding in the ESFA’s grant funding agreements and contracts, or those of any other public funder, we have carried out an engagement to obtain limited assurance about whether anything has come to our attention that would suggest, in all material respects, the expenditure disbursed and income received by Petroc during the period 1 August 2020 to 31 July 2021 have not been applied to the purposes identified by Parliament and the financial transactions do not conform to the authorities which govern them.

The framework that has been applied is set out in the Post-16 Audit Code of Practice (the Code) issued by the ESFA and in any relevant conditions of funding concerning adult education notified by a relevant funder. In line with this framework, our work has specifically not considered income received from the main funding grants generated through the Individualised Learner Record data returns, for which the ESFA has other assurance arrangements in place.

This report is made solely to the corporation of Petroc and the ESFA in accordance with the terms of our engagement letter. Our work has been undertaken so that we might state to the corporation of Petroc and the ESFA those matters we are required to state in a report and for no other purpose. To the fullest extent permitted by law, we do not accept, or assume, responsibility to anyone other than the corporation of Petroc and the ESFA for our work, for this report, or for the conclusion we have formed.

Respective responsibilities of Petroc and the reporting accountant

The corporation of Petroc is responsible, under the requirements of the Further & Higher Education Act 1992, subsequent legislation and related regulations and guidance, for ensuring that expenditure disbursed, and income received, are applied for the purposes intended by Parliament, and the financial transactions conform to the authorities that govern them.

Our responsibilities for this engagement are established in the United Kingdom by our profession’s ethical guidance and are to obtain limited assurance and report in accordance with our engagement letter and the requirements of the Code. We report to you whether anything has come to our attention in carrying out our work which suggests that in all material respects, expenditure disbursed and income received, during the period 1 August 2020 to 31 July 2021 have not been applied to purposes intended by Parliament or that the financial transactions do not conform to the authorities which govern them.

Approach

We conducted our engagement in accordance with the Code issued by the ESFA. We performed a limited assurance engagement as defined in that framework.

The objective of a limited assurance engagement is to perform such procedures as to obtain information and explanations in order to provide us with sufficient appropriate evidence to express a negative conclusion on regularity.

A limited assurance engagement is more limited in scope than a reasonable assurance engagement and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in a reasonable assurance engagement. Accordingly, we do not express a positive opinion.

Our engagement includes examination, on a test basis, of evidence relevant to the regularity of the corporation's income and expenditure.

The work undertaken to draw to our conclusion includes:

- Reviewed the statement on the College's regularity, propriety and compliance with Funding body terms and conditions of funding.
- Reviewed the College's completed self-assessment questionnaire on regularity.
- Read the financial memorandum with the ESFA/funding agreement with the ESFA.
- Tested a sample of expenditure disbursed and income received to consider whether they have been applied to purposes intended by Parliament and in accordance with funding agreements where relevant.
- Obtained the policy for personal gifts and/or hospitality.
- Obtained the register of personal interests.
- Obtained the financial regulations/financial procedures.
- Obtained the College's whistleblowing policy.

Conclusion

In the course of our work, nothing has come to our attention which suggests that in all material respects, the expenditure disbursed and income received during the period 1 August 2020 to 31 July 2021 has not been applied to purposes intended by Parliament, and the financial transactions do not conform to the authorities that govern them.

Signed: *Mazars LLP*

Mazars LLP

Date: *15/12/21*