

Petroc

Annual report

for the year ended 31 July 2023

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 2022/23:

Sean Mackney	Principal and Chief Executive
Jason Jones	Deputy Principal Education and Learners
Bill Blythe	Vice Principal, Finance, Resources and Regional Affairs
Sheena Murphy-Collett	Vice Principal, People, Organisational Development and Engagement
Craig Litster	Interim Vice Principal - Education and Learners
Rosalind Algar	Assistant Principal - Commercial
Claire Does	Interim Assistant Principal - Performance and Delivery

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
90 Victoria Street
Bristol
BS1 6DP

Internal Auditors

RSM UK Risk Assurance Services
Second Floor
1 The Square
Temple Quay
Bristol
BS1 6DG

Bankers

Lloyds Bank plc
Barclays plc

Validera
Sterling House
97 Lichfield Street
Tamworth
Staffordshire
B79 7QF

Solicitors

Clarke Willmott
Eversheds Sutherland
Mitchell Law
Wollen Michelmores
Michelmores
Irwin Mitchell
Harrison Clark Rickerbys

Petroc

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for the year ended 31 July 2023

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Report of the members of the Corporation for the year ended 31 July 2023

The members present their report and the audited financial statements for the year ended 31 July 2023.

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

Petroc is committed to driving forward educational success in further and higher education. We will raise the aspirations, knowledge and skills of individuals, communities and business in Devon and beyond.

Petroc will enable the highest levels of learner achievement and the highest levels of career and life fulfilment. Excellence is what customers, businesses and other organisations can expect to achieve themselves through working with the College.

The College sets out its aims and objectives through our strategic plan 'Petroc 2025'.

We are extremely passionate to support, create and sustain businesses through a range of business services. We will support local businesses and entrepreneurs to innovate, exchanging knowledge and promoting the application of best practice in the firms it works with, in addition to the development of skills, education, training and apprenticeships.

In line with strategic economic plans for the wider area, we will continue to play a leading role with partners in working to sustain the health, happiness and prosperity of its communities, through contributing strategically and operationally to the implementation of local and regional plans.

As a significantly sized organisation we will impact on current practices and the growth of the green economy through our connections to employers, learners and communities across the South West. We will establish our commitment to the UN Sustainable Development Goals through our practices and curriculum design.

To achieve this, we aim to continue our 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 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.

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
- 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

The College now produces an annual accountability statement reflecting its engagement with the civic community, employers and its response to the Local Skills Improvement Plan. This Statement is published on the College website and shared with the DfE.

Finances

The College reported an operating deficit of £2,137,000 (2022: deficit of £4,248,000). This includes pension charges of £1,148,000 (2022: £3,395,000), fundamental restructuring costs incurred of £357,000 (2022: £761,000).

The Statement of Comprehensive Income reflects an actuarial gain of £14,697,000 (2022: gain of £35,276,000) on pension schemes in respect of FRS 102 (28).

Cash and investment balances have increased by £974,000 due to the timing of receipts/payments especially regarding projects and the capital programme, but a lower operating position largely due to reduced levels of apprenticeship delivery.

Looking forward, the College has prepared a financial strategy and future years forecast, the early years of which are 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.

The Defined Benefit Pension Liability was impacted by positive changes in financial assumptions largely as a result to a change in the discount rate, no asset has been recognised in the accounts.

Performance Indicators

Key Performance Indicator	Target for 2022/23	FEC' Measures / Expectation	Actual for 2022/23
Operating surplus/deficit as a % of income	0%	Greater than 1%	-3.92%
EBITDA as a % of income	6.83%	Greater than 6%	3.14%
Cash generation	£378k	n/a	£2.623m
Cash days	46	Greater than 25 (all months)	79
Adjusted current ratio	1.73	Greater than 1.4	1.19
Borrowing as a % of income	9.67%	n/a	10.31%
Debt Service Cover Ratio	>1.0	Greater than 2	6.20
Reliance on ESFA	Less than 70%	n/a	64%
Financial Health Score	Good	Good/Outstanding	Requires Improvement
Average Class Size – All Provision / Excludes SLDD, HE, Apprenticeships, Tutorials	14	18	10.8 / 11.6
Staff utilisation	Greater than 95%	Greater than 97%	86.40%
Staff costs as a % of income excluding restructuring, sub-contracting and projects	67.28%	Less than 65%	70.44%

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 "Requires Improvement" financial health grading.

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, Resources and Regional Affairs. 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. This includes the elements outlined in the "Dear accounting officer" letter of 29 November 2022 and ESFA's bite size guides.

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 2023 is £2.665m. Debt servicing costs for the two years equate to just over £822k; 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 £2.623m (2022: net cash outflow £172k).

Principal Risks and Uncertainties

Petroc's Risk Management Processes and Procedures have undergone significant development over the past 3 years. This was driven initially by the implementation of the 2020-2025 Strategy, and the creation of the Executive Office Team, who have worked with the Vice Principal, Finance, Resources and Regional Affairs, to embed best practice methodologies into the College systems.

As part of this development, a new Strategic Risk Register was created in Nov 2022 with direct input from the Board of Governors. A 'cause and effect' approach to Strategic Risk was adopted, following Petroc's participation in the Risk Management Development Strand of the College Collaboration Fund Project (working with other colleges, and auditors RSM UK, to create a best practice approach to Risk Management and Board Assurance for Further Education Colleges), which helped to develop a more focused Strategic Risk Register. This resulted in the number of strategic risks reducing from 26 to 11, making the register easier to manage, as well as simplifying the identification of key strategic risks to the organisation and bringing it in line with sector norms. Alongside the register, a new 'non-multiplier' risk scoring matrix was introduced, informed by best practice from across the sector, and new risk appetite categories and scores were developed.

Training was provided to Petroc Staff and Governors by RSM UK to support the implementation of the new processes and enhance governors' ability to interrogate the information within the register.

The strategic risk register has been regularly monitored and updated by the Executive over the past year, with termly presentation to the Audit Committee.

Changes in the political and economic landscape bring with them many risks to the College. The current economic situation, cost of living crisis and energy price increases all have knock on effects for Petroc, whether this be directly through increased financial

pressures, impact on staff, or through potential learners choosing to enter employment rather than education. The College will continue to closely monitor the situation, keeping abreast of new government rules and regulations, and working to mitigate the impacts.

Further to the development of the Strategic Risk Register, Petroc's operational risk register is currently undergoing significant changes to bring it in line with the updated processes. This has included the development of new departmental level risk registers, again using the 'cause and effect' methodology and the new scoring matrices and risk appetites.

The Executive Office have worked closely with department managers, through workshops and one-to-one meetings, to support the creation of the new registers which are expected to supersede the existing operational risk register from December 2023.

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, ONS reclassification and the FE act.

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 "Required Improvement" as described above. 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 and increasing learner recruitment. This risk is mitigated in a number of ways:

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

Compliance with Bank Covenants remains challenging, particularly in respect of debt servicing.

Accommodation Strategy

The College's Estates Strategy was approved in January 2022. 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.

During 2022/23 the College finished its investment in the High Needs area at the Tiverton Campus; and embarked upon a major Public Sector Decarbonisation Scheme (Salix) to reduce by some 98% its natural gas consumption and generate solar electricity to power heat pumps. There were also numerous IT and Equipment purchases 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 'non-visible' 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 learners engaged in supporting community organisations 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
- To establish the UN Sustainable Development Goals into the curriculum of every learner's study programme
- 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

These remain the key performance targets (KPT) for the College. Progress towards meeting each of the KPTs is monitored throughout the year and reported to Audit Committee and Full Governing Board on a termly basis.

The reporting on some of the KPTs, notably those related to achievement (ranking in the top 25 providers), has been hampered over the past three years as the data required to enable ranking was not published by the government. This was as a direct result of the impact of COVID19 on the exams procedure which led to the government choosing to refrain from publishing provider-level achievement data, specifically the National Achievement Rates Tables (NARTS). In March 2023, however, Qualification Achievement Rates data was published at a provider level, and this enabled some comparison/ranking to be made against other colleges.

Similar accessibility issues have been experienced with data from the Teaching Excellence Framework (TEF), specifically continuation, progression, learner experience data, and the School Performance Tables (Progress and Destinations Data), where provider-level data was not published in the first two years. The TEF data, however, has been made available from 2022/23, although in a different format, and Progress data will be available from the School Performance Tables from 2023/24 onwards.

College closure, due to COVID, also impacted on the progress of a number of other KPTs in the first two years, notably the ability to support new business creation, and support community organisations. These saw improvements in year three when COVID restrictions were no longer in place, however, the College's carbon footprint rose significantly as learners and staff returned to campus.

The KPTs have been reported on each term for the past three years and have been RAG rated for Audit Committee and the Full Governing Board to indicate the likelihood of achieving the target. Those that appear to be falling short of the intended target will be discussed by the Executive in November, where plans will be outlined in order to make positive progress going forward.

Value for Money

The College delivers value for money through its Procurement Strategy, managed by a qualified procurement professional. Significant items of expenditure are reviewed prior to orders being placed with tendering procedures or framework agreements adopted where appropriate/necessary. When tenders/quotes are received they are evaluated on the basis of best value not necessarily lowest price.

Student Numbers

We continue to be the primary provider of 16-19 education in Northern Devon. Overall 16-19 learner responsive recruitment remained 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.

Curriculum Developments

During 2022/23 the College underwent a further restructure into 4 curriculum areas with a Director responsible for each area.

The areas were defined as:

- Academic,
- Technical.
- Higher Education,
- Progressive Studies

In January 2022 a new Curriculum Strategy was approved by the Board. The strategy set out the aims and objectives for the curriculum and pedagogy in order to achieve the goals of the College strategy. It explained the operating context and the rationale for change, the aims to pursue and the objectives to implement. It considered the risks associated with the pursuit of the strategy that must be managed and documents the way that its implementation will be monitored. Finally, it described the learner experience of four different learner personas: a 16-19 learner, an adult learner, an employee learner and an HE learner, and the core elements of the experience for each of those learner types. This was reviewed in January 2023 with some minor changes approved by the Board.

Through clearly stating the curriculum that the College will create, the curriculum strategy, together with the Petroc 2025 strategy, functions as a strategic reference point to direct the curriculum and pedagogic design, approval, and refresh over the coming years, and to inform the College estates, people and digital strategies that will deliver changes which will support the character of educational provision set out in the document. A three year curriculum plan is currently being drafted.

The faculties offer programmes from Level 1 to Level 6 at the Barnstaple, Mid Devon and Brannams Campuses (Brannams is set to close as a delivery location from 1 August 2023) 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 2022/23 we recruited nearly 6,000 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.

The College continues to place a strong emphasis on working with local business and civic bodies 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 access to potential Apprentices and other skilled individuals, including T level industrial placements.

The College has developed and maintained a number of programmes in partnership with local employers, such as Eaton Aerospace, Accord, 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 2022/23 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.

Almost all our HE curriculum is delivered in partnership with the University of Plymouth. The College 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. 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, Torbay Hospital and the Royal Devon and Exeter Hospital provides a range of solutions to enable workforce development & recruitment, from Project Search to Nursing Assistant Practitioners.

Future Prospects

The College aims to increase its base number of students in funded learning with growth projected again in apprenticeships and new contracts with employers. As set out above, the 16-18 market continues to be competitive in the west and south of our area.

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.

Going Concern

Financial Health (as measured by the ESFA) is "Requires Improvement" reflective of recent challenges within the FE sector. Bank Covenants were not breached.

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 £16.1m of net assets (including £234k pension liability) and long term debt of £2.67m.

The College employs 476 people (expressed as average full time equivalents), of whom 191 (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 Pass/Achievements

Higher Education showed some excellent results, with 70% of all Honours degrees awarded at 1st or Upper 2nd class and 18% of Foundation Degrees awarded at Distinction.

T-Levels had a 100% pass rate (against a National Average of 90.5%); and 38% D-D* (against a National Average of 22%)

A-Levels had an A*-E pass rate above the National Average for the first time since 2019; with a 100% pass rate for 13 out of 21 subjects; on all measures Petroc has outperformed the average for other General Further Education colleges in A levels by a significant margin.

Level 3 Vocational courses had a Pass rate which was significantly improved compared with 2022 (+4.8 percentage points) and a still more significant improvement on the 2019 figure (+8.8 percentage points)/

Level 1 & 2 Vocational course had some excellent achievement rates in a number of areas

There remain however, some areas of weakness and there is a great deal to do to ensure consistent high-quality provision and outcomes in 2023/24

Quality of Education / Teaching and Learning

The College, through its self-assessment and quality improvement process (QIP), 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. Underperformance is being addressed at whole-

college and curriculum area level, where tailored improvement strategies are being implemented on a team and/or individual basis, as appropriate, in response to specific issues of underperformance.

Whole-college level:

- A Professional Learning cycle, with a focus on dual professionalism – i.e. subject updating and pedagogical updating
- Learner Success Standards, a framework for providing consistent support for learners' achievement and to close the disadvantage gap
- Revised lesson observation approach, including peer observation to support professional learning
- Strengthened approach to employer engagement to support 'sightlines to careers' strategy to improve development of learners' employability
- College QIP formalises and monitors the implementation and impact of whole-college strategies

Curriculum area level:

- Programme Annual Reviews (PARs) identify areas for improvement and Programme QIPs identify team-specific actions for improvement
- Progress towards intended outcomes identified in Programme QIPs monitored through Performance & Improvement Reviews
- Deep dives in areas of underperformance to ensure effective and consistent improvement strategies are applied
- Professional Learning Plans for individual development linked to improvement agenda within curriculum teams and overseen by Faculty Managers and Directors
- Lesson observation links to Performance Development Reviews; and
- Introduction of peer-based lesson observation model for sharing of best practice

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 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 and Senior Leadership 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 again for 2022/23 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.

Petroc

The College maintains effective communications via face to face and digital solutions, 1:1s between staff and their line managers, all staff meetings, 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
2	1.25

Percentage of time	Number of employees
0%	
1-50%	2
51-99%	
100%	
Total cost of facility time	£5,156
=Total pay bill	£17,174,891
Percentage of total bill spent on facility time	0.03%

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 2022 to 31 July 2023, the College paid 87% of its invoices within 30 days (year ended 31 July 2022 – 84%). 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

2022/23 saw a return to normality in terms of overseas travel meaning we were able to send 9 Petroc Go trips, to 4 European countries, using Erasmus+ European funding with 137 students and 44 staff participating. As we still had a significant Erasmus+ contract available, we did not submit an application for Turing funding for trips during 2022/23. However, we have secured a contract for activity in 2023/24 and this will give us an exciting opportunity to send students and staff anywhere across the world rather than just European countries.

Numerous other student trips in the UK went ahead including to London and around the South West Region. Many of our staff have attended events during the year including national conferences.

Projects

The College delivered 24 different projects in 2022/23 with a total value of almost £11m and an in-year value of over £3.3m. The team also provides secretariat and coordination support to Northern Devon Futures, leads on business process and system reviews across the College, manages the operation of the Cotie (Centre of Technology, Innovation and Excellence) at the Barnstaple campus and has provided programme lead support to the Sustain and Grow programme throughout 2022/23.

Notable successes during the 2022/23 academic year include securing funding through Mid Devon Council's Shared Prosperity Fund to develop a Business Innovation Hub at the Tiverton campus alongside an outreach programme to support businesses in the area. The College also secured a sizeable contract to deliver a range of Skills Bootcamps in the 2023/24 academic year and was successful in the application to the Turing fund to run a number of overseas student placements throughout 2023/24. Two separate National Citizen Service Community Experience contracts were also secured, again for activity through 2023/24 and into 2024/25.

The College was part of a HotSW wide project through the Strategic Development Fund to provide investment to reshape our teaching and training provision and update facilities in preparation for the rollout of Local Skills Improvement Plans.

Construction work has now been completed on the Environmental Space Living Lab and Cotie phase 2 and this new space will allow the College to demonstrate and facilitate the use of cutting-edge technology to improve farming and other practices which have a direct impact on the local environment, as well as building on the existing support available to local manufacturing and engineering companies.

2022/23 saw 9 Petroc Go trips support 137 learners to access overseas work placements in a range of countries including France, Germany, Spain and Sweden. In addition, 44 staff places were filled allowing them to see best practice in other countries and embed this in their own roles on return.

Once again funding for Next Steps South West has been secured for a further 12 months allowing us to continue to promote higher education opportunities across Northern and Mid Devon.

A number of projects completed during the year, including the two Community Grants projects, Skills Support for the Workforce, Skills for Young People, Empowering Enterprise, National Citizen Service residential programme and the two Community Renewal Funded projects.

In regard to Empowering Enterprise, receipts totalling £3,883,893 have been received up to 31 July 2023 and a final debtor of £8,638 is included on the balance sheet.

Experience Works is now closing down and, despite best efforts across the partnership, has not met the revised financial or participant targets. However, over 400 young people have been supported through the programme and of these over 30% have secured a positive outcome on leaving the project.

The College has continued to work closely with the Education and Training Foundation to deliver the two Centres for Professional Excellence across two T-Level routes and has secured funding to develop a third CPTE in Sales, Marketing & Procurement.

In terms of support for business, SMART SKILLS continues to operate well with a range of business focussed support being provided both face-to-face and online. Overall, it is predicted that all targets will be met or exceeded by the end of the project. Big Benefits for Small Businesses has now completed the delivery phase and has exceeded all contractual targets. The project has also led to a number of relationships being developed with local employers and these have resulted in further activity both through other funded projects and more widely within the Business Engagement team. The HSSAP project has also completed all delivery and has exceeded the overall output target with overall results predicted to be achieved as well by the end of the programme.

New Bids Secured 2022/23

Funding Stream	Bid Title
BEIS Public Sector Decarbonisation Fund Phase 3	Public Sector Decarbonisation Fund Phase 3
DCC Tackling Loneliness with Transport	Connecting You
European Regional Development Fund	PCR for Centre of Technology & Innovation Excellence (Cotie)
Devon County Council Multiply	Breaking the Maths Cycle
The NCS Trust Digital Experience Partner(s) Dynamic Purchasing System (DPS)	Digital Experience Partner(s) Dynamic Purchasing System (DPS)
DfE Higher Technical Education Skills Injection Fund	Higher Technical Education Skills Injection Fund
DLUHC UK Shared Prosperity Fund	Tiverton Business Innovation Hub
DLUHC UK Shared Prosperity Fund	Outreach & Knowledge Transfer Programme
ETF Centres for Professional Technical Education	CPTE for Sales, Marketing & Procurement
ETF Apprenticeship Workforce Development	SDC Collaborative Proposal
Devon County Council Skills Bootcamps	Skills Bootcamps Wave 4
NCS Community Experiences: Open to All	NCS Community Experiences: Open to All (Groundwork)
Lovelace Trust Extreme Hardship Funds	Extreme Hardship Funds
Innovate UK Net Zero Living	Net Zero Living
Taking Teaching Further 2023	Taking Teaching Further 2023

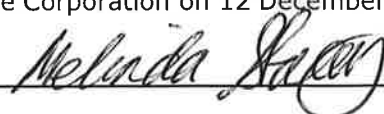
NCS Community Experiences: Targeted	NCS Community Experiences: Targeted
DfE T Levels Capital Fund (Wave 5)	T Levels Capital Fund (Wave 5)
Home Office Refugee Employability Programme - ESOL Element	Refugee Employability Programme - ESOL Element - IRC
DfE Turing Scheme	Petroc Go VIII

Current Projects Live 2022/23

Funding Stream	Project
NLCF ESF Co-financed	Empowering Enterprise 18-24
Erasmus+ KA1	Petroc Go VI
ESFA ESF Co-financed	Skills for Young People Skills Support for the Workforce Community Grants – Devon Community Grants – Somerset
OfS	Next Steps South West
Direct ESF	Experience Works Big Benefits for Small Businesses SMART SKILLS Health and Social Care Skills Accelerator Programme
UK Community Renewal Fund	Promoting Innovation & Entrepreneurship Innovation for Youth & Community
Other Grants	Centre for Professional Technical Education - Business Administration Centre for Professional Technical Education - Health & Science National Citizen Service 2.0 Seale-Hayne Educational Trust – Pollinator Project Apprenticeship Workforce Development
Local Authority Projects	Ukrainian Summer Camp Multiply Mid Devon Council Business Innovation Hub
ESFA Other	Strategic Development Fund 2 BTC Academic Progression Pathway Pilot Higher Technical Education Skills Injection Fund

Approved by order of the Corporation on 12 December 2023 and signed on its behalf by:

Chair of Governors



Melinda Stacey

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 2023 and up to and including 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 always observe the highest standards of corporate governance. 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 and subsequent updates made in January 2019 and September 2021. It is noted that the new Code of Good Governance was issued in September 2023 and account of this will be taken moving forward into the new academic year.

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 2022/23:

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	Curriculum and Quality	Finance and General Purposes	Attendance
David Chalmers	01/04/2017 Re-appt 01/04/2018 01/04/2021 01/04/2022	1 year 3 years 1 year 3 years	31/07/2023	External	2/4	X	X	0/2	X	X	1/3	34%
Andrew Champion	01/01/2019 Agreed sabbatical Jan-March 2023. 01/03/2023	4 years		External	4/4	0/2	X	X	3/3	X	X	78%
Rob Nicholls	01/04/2020 01/04/2021 01/04/2022	1 year 1 year 2 years		External	2/4	1 / 2	X	X	2/3	X	X	56%
Iain Springate	01/04/2017 Re-appt 01/04/2018 01/04/2021 01/04/2022	1 year 3 years 1 year 3 years		External	4/4	X	X	2/2	3/3	X	X	100%
Melinda Stacey	01/08/2016 Re-appt 07/10/2019	3 years 4 years		External	4/4	2/2	1/1	2/2	X	2/3	3/3	93%
Neil Tanton	01/04/2020	3 years	May 2023 term ended	Staff	3/3	X	X	X	X	X	2/2	100%
Val Parsons	01/06/2023	3 years		Staff	1/1	X	X	X	X	X	X	100%
Jon Price	01/09/2022	3 years		Staff	2/4	X	X	X	X	2/3	X	57%
Deborah Watson	01/04/2020 01/04/2021 01/04/2022	1 year 1 year 2 years		External	3/4	X	1/1	X	X	3/3	X	88%
Richard Bevan	01/10/2021	4 years		External	4/4	X	X	2/2	X	X	3/3	100%
Patricia Denham	01/10/2021	4 years		External	3/4	2/2	1/1	1/ 2	X	3/3	X	83%
Katerina Kolyva	01/10/2021	4 years		External	3/4	X	X	2/2	X	1/3	X	67%
Bella Dash	01/10/2022	1 year	31/07/2023	Student	3/4	X	X	X	X	2/3	X	71%
Stephen Wells	01/10/2022	4 years		External	4/4	X	X	2/2	X	X	4/4	100%
Dawn Stabb	10/10/2022	1 year		External	3/4	X	1/1	X	X	3/3	X	88%
Neil Sherman	01/10/2023	4 years		External								N/A
Hermione Williams-Copp	01/10/2023	4 years		External								N/A
Keira Keen	01/10/2023	1 year		Student								N/A
Lewis Wilcocks	01/10/2023	1 year		Student								N/A

Audit Committee Meetings 2022/23

	Iain Springate	Andy Champion	Rob Nicholls	Vacancy	Mark Tibbert (Co-Opted)
29/11/22	X	X	X		X
28/03/23	X	X	O		X
13/07/23	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.

The Board was made up of 11 External members, the Principal and Chief Executive, 2 Staff Governors and 1 Student Governor. 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 2022/23 it met on 4 occasions (in 2021/22 it met on 5 occasions).

Full Board meetings are held in person and committee meetings are held virtually. Where an extraordinary Board meeting must be called it can be virtual to allow maximum attendance.

The Corporation has six formal committees, each of which had terms of reference, which have been approved by the Corporation. The committees were Audit, Remuneration, Strategic Review, Search & Governance, Curriculum and Quality and Finance and General Purposes. 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, Full Board and Audit Committee minutes 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.

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.

The Corporation undertakes a self-review of effectiveness on an annual basis which for this period took place in October 2022. The board further took part in the External Review Pilot Programme through the Education Training Foundation in 2020/21 and has appointed Governance4FE to complete the next review in 2023/24 starting in February 2024.

Training and development of the Corporation is undertaken through mandatory modules across a range of subjects provided by the College. In addition to this the Education Training Foundation has an online governor programme which is available to Governors although has only recently been released again following access issues. Ofsted preparedness training has also been included this year with more to follow in the coming year.

The Governance Professional has undertaken online Association of Colleges (AOC) Masterclasses in Audit Committee, Funding and Planning and Curriculum Planning, attended the AOC Governance professionals Annual Conference, is a member of the South West Clerks Network, completed the Governance Professionals Leadership Programme with the Education Training Foundation and has been awarded the Level 3 Certificate in Development for School and Trust Governance Professionals with the National Governance Association. They are also scheduled to take the Level 5 Governance award with the ETF in October 2023.

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 a minimum of three to a maximum of 5 members and during 2022/23 there were 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 CEO, Deputy Principal and two Vice Principals during 2022/23) and the Governance Adviser. Details of remuneration for the year ended 31 July 2023 are set out in note 5 to the financial statements.

Audit Committee

The Audit Committee comprises a minimum of three to a maximum of five external members of the Corporation (excluding the Principal and Chief Executive and Chair). In 2022/23 there were 4 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 advise the Corporation on the appointment of Internal and Financial Statements Auditors and their remuneration for both audit and non-audit work.

Curriculum and Quality Committee

The Curriculum and Quality Committee comprises a minimum of three to a maximum of five external members of the Corporation. In 2022/23 there were 5 members. The committee's responsibilities are to focus on, and scrutinise curriculum strategy and performance, including the quality of teaching and learning. This forum provides an opportunity for Governors to become more closely involved in the development of the College's curriculum and the College's pursuit of high standards in all aspects of its work.

Finance and General Purposes Committee

The Finance and General Purposes Committee comprises a minimum of three to a maximum of five external members of the Corporation. In 2022/23 there were 4 members. The committee's responsibilities are to focus on, and scrutinise the College's Financial and People Strategies. Areas contributing to the production and monitoring of Financial Regulations and Human Resources Policies and Procedures of the College will be considered by this Committee.

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 2023 and up to and including 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 2023 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.

Specific attention has been paid to the reclassification of colleges to the Public Sector through amendments to the Instruments and Articles of Board and related changes to Terms of Reference on relevant committees which assess such matters. This includes the oversight of the newly established systems and processes as well as updated and new policies and approvals designed to identify and handle any transactions for which Department for Education approval is now required.

Briefings in such matters have been supplied to the Board in papers and through discussion about the impact of the reclassification and what changes that has made or may make to the business of the College.

At its December 2023 meeting the Corporation carried out the annual assessment for the year ended 31 July 2023 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 2023. 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

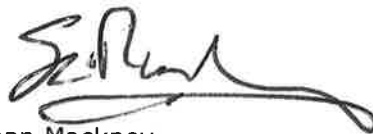
The Corporation has considered its responsibility to notify the Education Skills Funding Agency (ESFA) of material irregularity, impropriety and non-compliance with ESFA terms and conditions of funding, under the financial memorandum/funding agreement in place between the College and the ESFA. As part 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. This includes the elements outlined in the "Dear accounting officer" letter of 29 November 2022 and ESFA's bite size guides. 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:



Melinda Stacey
Chair of Governors



Sean Mackney
Principal and Chief Executive

12 December 2023

Statement of Responsibilities of the Members of the Corporation for the year ended 31 July 2023

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, including that any transactions entered into by the corporation are within the delegated authorities set out in the "Dear accounting officer" letter of 29 November 2022 and ESFA's bite size guides. Members of the Corporation must ensure that there are appropriate financial and management controls in place in

Petroc

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 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 12 December 2023 and signed on its behalf by:

A handwritten signature in black ink, appearing to read 'Melinda Stacey', written in a cursive style.

Melinda Stacey
Chair of Governors

12 December 2023

Independent auditor's report to the members of Petroc

Opinion

We have audited the financial statements of Petroc (the 'College') for the year ended 31 July 2023 which comprise the Statement of Comprehensive Income and Expenditure, the Statement of Changes in Reserves, the Balance Sheet, the Statement of Cashflows 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 2023 and of its deficit of income over expenditure for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice.

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 of the Corporation's 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 annual report, other than the financial statements and our auditor's report thereon. The Corporation is 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.

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; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of Corporation

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 Corporation 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 intend 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.

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

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 considered that non-compliance with the following laws and regulations might have a material effect on the financial statements: compliance with the ESFA funding agreements, the OfS regulatory framework, the OFSTED regulatory framework, safeguarding, pensions legislation, employment regulation and health and safety regulation, anti-bribery, corruption and fraud, money laundering, HM Treasury's Managing public money".

To help us identify instances of non-compliance with these laws and regulations, and in identifying and assessing the risks of material misstatement in respect to non-compliance, our procedures included, but were not limited to:

- Inquiring of management and, where appropriate, those charged with governance, as to whether the College is in compliance with laws and regulations, and discussing their policies and procedures regarding compliance with laws and regulations;
- Inspecting correspondence, if any, with relevant licensing or regulatory authorities;
- Communicating identified laws and regulations to the 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.

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.

In addition, we evaluated the members' and management's incentives and opportunities for fraudulent manipulation of the financial statements, including the risk of management override of controls, and determined that the principal risks 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 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 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.

Mazars LLP
Mazars LLP (Dec 15, 2023 12:02 GMT)

Mazars LLP
Chartered Accountants and Statutory Auditor
90 Victoria Street, Bristol, BS1 6DP
Date Dec 15, 2023

Petroc Statement of Comprehensive Income for the year ended 31 July 2023

	Note	2023 £'000	2022 £'000
Income			
Funding body grants	2	18,970	20,194
Tuition fees and education contracts	3	4,579	4,920
Other income	4	3,457	3,779
Investment income		-	-
Total income		27,006	28,893
Expenditure			
Staff costs (including pension charges of £675,000 (2022: £2,652,000))	5	17,966	21,388
Fundamental restructuring costs	5	357	761
Other operating expenses	6	7,373	7,316
Depreciation		2,828	2,748
Interest and other finance costs (including pension charges of £473,000 (2022: £743,000))	7	644	925
Total expenditure		29,168	33,138
(Deficit) for the year before other gains and losses		(2,162)	(4,245)
Unrealised gain/(loss) in respect of foreign exchange transactions		25	(17)
Profit on disposal of assets			14
(Deficit) for the year		(2,137)	(4,248)
Actuarial gain in respect of pension schemes	20	14,697	35,276
Total Comprehensive Income for the year		12,560	31,028

All operations are continuing.

Petroc Statement of Changes in Reserves

	Income and expenditure account	Revaluation reserve	Total
	£'000	£'000	£'000
Balance at 1 August 2021	(30,366)	2,881	(27,485)
(deficit) from the income and expenditure account	(4,245)	-	(4,245)
Other comprehensive income	35,273	-	35,273
Transfers between revaluation and income and expenditure reserves	274	(274)	-
	31,302	(274)	31,028
Balance at 31 July 2022	936	2,607	3,543
(deficit) from the income and expenditure account	(2,162)	-	(2,162)
Other comprehensive income	14,722	-	14,722
Transfers between revaluation and income and expenditure reserves	274	(274)	-
Total comprehensive income for the year	12,834	(274)	12,560
Balance at 31 July 2023	13,770	2,333	16,103

Petroc Balance sheet as at 31 July 2023

	Note	2023 £'000	2022 £'000
Non current assets			
Tangible fixed assets	9	37,308	36,632
Intangible fixed assets	10	90	119
		37,398	36,751
Current assets			
Stocks	11	32	43
Trade and other receivables	12	2,756	3,084
Cash and cash equivalents	17	5,374	4,400
		8,162	7,527
Creditors: amounts falling due within one year	13	(8,824)	(6,974)
Net current (liabilities)/assets		(662)	553
Total assets less current liabilities		36,736	37,304
Creditors: amounts falling due after more than one year	14	(20,081)	(19,943)
Provisions			
Defined benefit obligations	16	(234)	(13,810)
Other provisions	16	(318)	(8)
Total net assets		16,103	3,543
Unrestricted reserves			
Income and expenditure account reserve		13,768	936
Revaluation reserve		2,335	2,607
Total reserves		16,103	3,543

The financial statements on pages 29 to 56 were approved by the Corporation on 12 December 2023 and were signed on its behalf by:



Melinda Stacey
Chair of Governors



Sean Mackney
Principal and Chief Executive

Petroc Statement of Cash Flows

	Note	2023 £'000	2022 £'000
Cash flow from operating activities			
(Deficit) for the year		(2,137)	(4,248)
Adjustment for non-cash items			
Release of capital grants		(1,167)	(1,040)
Depreciation		2,828	2,748
Loss on disposal of fixed assets		-	3
Decrease/(Increase) in stocks		11	(5)
Decrease/(Increase) in debtors		933	(908)
Increase/(Decrease) in creditors		553	(261)
Increase/(Decrease) in provisions		292	(16)
Pensions costs less contributions payable		1,139	3,390
Adjustment for investing or financing			
Investment income		-	-
Profit on disposal of non-current assets		-	(17)
Interest payable		171	182
Net cash flow from operating activities		2,623	(172)
Cash flows from investing activities			
Investment income		-	-
Receipts from sale of non-current assets		4	17
Payments made to acquire fixed assets		(1,230)	(1,133)
		(1,226)	(1,116)
Cash flows from financing activities			
Interest paid		(173)	(184)
Repayments of amounts borrowed		(250)	(243)
		(423)	(427)
Increase/(Decrease) in cash and cash		974	(1,715)
Cash and cash equivalents at beginning of the year	17	4,400	6,115
Cash and cash equivalents at end of the year	17	5,374	4,400

Notes to the financial statements for the year ended 31 July 2023

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 2022 to 2023*, 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.

Following the Office for National Statistics (ONS) reclassification of FE colleges and their subsidiaries on the 29th November 2022 to the central government sector, the regulatory framework for colleges has expanded to take into account the financial management requirements of HMT Managing Public Money (MPM). 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 £2.665m 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 core 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, Managing Public Money requirements 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 Vice Principal, People, Organisational Developmental and Engagement.

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	Between 3 and 5 years on a straight-line basis
Other	Between 3 and 5 years 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 Learner 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 23, 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 20, 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 2022 to value the pensions liability at 31 July 2023. 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

	2023 £'000	2022 £'000
Recurrent grant		
Education and Skills Funding Agency – 16-18	13,094	13,240
Education and Skills Funding Agency – Adult	1,173	1,885
Education and Skills Funding Agency – Apprenticeships	2,409	2,950
Office for Students	161	172
European Union Co-Financed	258	367
Teacher Pensions Scheme contribution grant	635	571
Other Non-recurrent grants – ESFA	246	143
Release of ESFA capital grants	965	841
Release of HE capital grants	29	25
	18,970	20,194

2a OfS

	2023 £'000	2022 £'000
Grant income from the OfS	161	172
Fee income for taught awards	1,631	1,517
Fee income from non-qualifying courses	1	5
	1,793	1,694

3 Tuition fees and education contracts

	2023 £'000	2022 £'000
Adult education fees	89	60
FE Loans	389	714
Higher education fees	1,631	1,517
Full cost fees	181	321
Apprenticeship contracts	31	34
	2,321	2,646
Local authorities and schools	1,977	2,023
Higher education	281	251
	4,579	4,920

4 Other Income

	2023 £'000	2022 £'000
European grant income	1,114	902
Other grant income	927	1,643
Other income	1,416	1,234
	3,457	3,779

Other Income includes deferred grant release of £172,610 (2022: £173,983)

5 Staff costs

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

Headcount	2023 No.	2022 No.
Teaching staff	235	285
Non-teaching staff	392	408
	627	693
Full-time equivalents	2023 No.	2022 No.
Teaching staff	191	213
Non-teaching staff	285	301
	476	514

	2023 £'000	2022 £'000
Staff costs for the above persons		
Wages and salaries	12,988	13,937
Social security costs	1,117	1,223
Other pension costs including pension charges of £675,000 (2022: £2,652,000)	3,356	5,508
Payroll sub total	17,461	20,668
Contracted out staffing services	505	720
	17,966	21,388
Fundamental restructuring costs - contractual	357	761
- non-contractual	-	-
Total staff costs	18,323	22,149

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, Deputy Principal and Vice Principals. Staff costs include compensation paid to key management personnel for loss of office.

Emoluments of key management personnel including the Principal and Chief Executive

	2023 No.	2022 No.
The number of key management personnel including the Principal and Chief Executive was:	7	6

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	
	2023	2022
	No.	No.
£60,001 to £65,000 p.a.	1	1
£65,000 to £70,000 p.a.	1	1
£75,001 to £80,000 p.a.	1	1
£90,001 to £95,000 p.a.	1	1
£95,001 to £100,000 p.a.	1	-
£140,001 to £145,000 p.a.	1	1
	<u>6</u>	<u>5</u>

There is 1 key management personnel who is part time and when grossed up to full time equivalent, were paid in the £75,001 to £80,000 banding in 2023 (2022: 1 key management personnel were similarly paid in the £75,001 to £80,000 banding).

Key management personnel emoluments are made up as follows:

	2023	2022
	£'000	£'000
Salaries	465	490
Employers National Insurance contributions	60	62
Benefits in kind	-	-
	<u>525</u>	<u>552</u>
Pension contributions	82	92
Total key management personnel emoluments	<u>607</u>	<u>644</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:

	2023 £'000	2022 £'000
Salary	140	139
Benefits in Kind	-	-
	140	139
Pension Contributions	25	23

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

	2023	2022
Principal and Chief Executive's basic salary as a multiple of the median of all staff	5.7	5.7
Principal and Chief Executive's total remuneration as a multiple of the median of all staff	5.7	5.7

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

	2023 £'000	2022 £'000
Compensation paid to former senior post-holder	26	-
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 and in accordance with Management Public Money requirements.

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.

Severance payment for all staff

The College paid 26 severance payments in the year, disclosed in the following bands:

	2023	2022
	No.	No.
0 – £25,000	23	49
£25,001 to £50,000	3	9
£50,001 to £100,000	-	-
£100,001 to £150,000	-	-
£150,000+	-	-
	<u>26</u>	<u>58</u>

Included in staff restructuring costs are special severance payments totaling £14,000, 1 payment (2022: £26,000, the payments were £8,000 and £18,000).

5a Access and participation spending

	2023	2022
	£'000	£'000
Access investment	45	49
Financial support to students	110	72
Disability support	13	6
Research and evaluation	48	50
	<u>216</u>	<u>177</u>

Includes staffing costs of £95,911 (2022: £87,494) which are included within Note 5.

A copy of our published Access and Participation Plan 2020-21 to 2024-25 is available here: <https://www.petroc.ac.uk/about-the-college/statutory-documentation/higher-education-public-information>

6 Other operating expenses

	2023	2022
	£'000	£'000
Teaching costs	2,381	2,444
Non-teaching costs	2,964	2,993
Premises costs	2,028	1,879
	<u>7,373</u>	<u>7,316</u>

Other operating expenses include:

Auditors' remuneration:

- Financial statements audit	31	27
- Internal audit	31	30
Hire of plant and machinery under operating leases	29	37

	2023 £'000	2022 £'000
Hire of other assets under operating leases	754	754

A total of 308 approved write offs occurred during the year at a value of £64,417, (2022: 94 at a value of £33,963).

7 Interest and other finance costs

	2023 £'000	2022 £'000
On bank loans	171	182
Interest on enhanced pension provision (note 16)	9	5
Net interest on defined pension liability (note 20)	438	714
Administration expenses (note 20)	26	24
	644	925

8 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.

9 Tangible assets

	Land and buildings freehold	Equipment	Assets under construction	Total
	£'000	£'000	£'000	£'000
Cost or valuation				
At 31 July 2022	57,256	13,924	681	71,861
Transfers	2,454	142	(2,596)	-
Additions	-	781	2,698	3,479
Disposals	-	(306)	(4)	(310)
At 31 July 2023	59,710	14,541	779	75,030
Accumulated depreciation				
At 31 July 2022	23,642	11,587	-	35,229
Charge for the year	1,944	855	-	2,799
Disposals	-	(306)	-	(306)
At 31 July 2023	25,586	12,136	-	37,722
Net book value				
At 31 July 2023	34,124	2,405	779	37,308
At 31 July 2022	33,614	2,337	681	36,632
Inherited at valuation	5,505	-	-	5,505
Financed by capital grant	17,108	1,392	459	18,959
Other at cost/valuation	11,511	1,013	320	12,844
	34,124	2,405	779	37,308

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 £5,505,000 (2022: £5,779,000) 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.

10 Intangible assets

	Software	Other	Total
	£'000	£'000	£'000
Cost or valuation			
At 31 July 2022	93	50	143
Transfers	-	-	-
Additions	-	-	-
Disposals	-	-	-
At 31 July 2023	93	50	143
Accumulated depreciation			
At 31 July 2022	14	10	24
Charge for the year	19	10	29
Disposals	-	-	-
At 31 July 2023	33	20	53
Net book value			
At 31 July 2023	60	30	90
At 31 July 2022	79	40	119
Inherited at valuation	-	-	-
Financed by capital grant	8	-	8
Other at cost/valuation	52	30	82
	60	30	90

11 Stocks

	2023 £'000	2022 £'000
Commercial trading activities	32	43

12 Debtors

	2023 £'000	2022 £'000
Trade receivables	701	877
Prepayments and accrued income	822	756
Amounts owed by the ESFA	313	487
Other receivables	920	964
	2,756	3,084

13 Creditors: amounts falling due within one year

	2023 £'000	2022 £'000
Bank loans	258	250
Payments received in advance	1,752	860
Trade payables	2,255	2,535
Other taxation and social security	241	431
Accruals and deferred income	837	738
Amounts owed to the ESFA	2,110	945
Deferred income – government capital grants	1,285	1,117
Other payables	86	98
	8,824	6,974

Trade payables include holiday accrual of £676,025 (2022: £683,004).

14 Creditors: amounts falling due after more than one year

	2023 £'000	2022 £'000
Bank loans	2,407	2,666
Deferred income – government capital grants	17,674	17,277
	20,081	19,943

Analysis of Change in net Debt

	As at 31 July 2022 £'000	Cash Flows £'000	Finance Leases £'000	Other non- cash changes £,000	As at 31 July 2023 £'000
Cash and cash equivalent					
Cash	4,400	974	-	-	5,374
Treasury Deposits	-	-	-	-	-
	4,400	974	-	-	5,374
Borrowings					
Debt due within 1 year	(250)	250	-	(258)	(258)
Debt more than 1 year	(2,666)	-	-	258	(2,408)
Finance Leases	-	-	-	-	-
	1,484	1,224	-	-	2,708

15 Analysis of borrowing of the College

	2023 £'000	2022 £'000
Bank loans		
Repayable as follows:		
- in one year or less	258	250
- between one and two years	267	258
- between two and five years	844	829
- in five years or more	1,296	1,579
	2,665	2,916

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.

16 Provisions for liabilities and charges

	Defined benefit obligations	Restructuring	Enhanced pensions	Other	Total
	£'000	£'000	£'000	£'000	£'000
At 1 August 2022	13,530	8	280	-	13,818
Expenditure in period	(1,139)	(8)	(19)	-	(1,166)
Additions in period	(12,391)	80	(27)	238	(12,100)
At 31 July 2023	-	80	234	238	552

The College has accrued restructuring costs of £80,127 (2022: £8,328) as a result of an efficiency savings programme. Other provisions relate to a proposed pay award.

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:

	2023 %	2022 %
Interest rate	5.2	3.4
Inflation rate	2.9	2.8

The provision includes £Nil (2022: £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 20.

The recent *Harper Trust v Brazel* case regarding holiday allowance; part of the working time regulations may lead to a potential liability. Legal advice is ongoing due to the Government consultation and technicalities around the case, and it is currently not possible to calculate the potential impact.

17 Cash and cash equivalents

	At 1 August 2022 £'000	Cash flows £'000	Other changes £'000	At 31 July 2023 £'000
Cash and cash equivalents	4,400	974	-	5,374
Overdrafts	-	-	-	-
Total	4,400	974	-	5,374

18 Lease obligations

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

	2023 £'000	2022 £'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	1,006	1,760
Later than five years	-	-
	1,760	2,514
Other		
Not later than one year	29	34
Later than one year and not later than five years	7	42
Later than five years	-	-
	36	76

Lease payments recognised as an expense during the year was £783,393 (2022: £790,976)

19 Lessee obligations

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

	2023 £'000	2022 £'000
Future minimum lessor payments due		
Land and buildings		
Not later than one year	23	29
Later than one year and not later than five years	59	2
Later than five years	20	-
	102	31

20 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 2023 £'000	Year ended 31 July 2022 £'000
TPS: contributions paid	1,275	1,457
LGPS:		
Contributions paid	1,406	1,398
Pension charge	675	2,652
Charge to the statement of comprehensive income	2,081	4,050
Total pension cost for year (note 5)	3,356	5,507

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 £278,014 (2022: £298,099) were payable to the scheme at 31 July 2023 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 2023 was £1,802,395 (2022: £1,810,873) of which employer's contributions totalled £1,406,221 (2022: £1,397,927) and employees contributions totalled £396,174 (2022: £412,946). This includes an employer secondary (deficit recovery) rate value paid monthly of £22,204 (August 2022 to March 2023) and £18,583 (April 2023 to July 2023).

For the period from 1 August 2022 to 31 March 2023 the employer contribution was 16.90% this increased to 18.80% from 1st April 2023 (2022: 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 2023 by a qualified independent actuary.

	2023 %	2022 %
Rate of increase in salaries	3.85	3.80
Future pensions increase	2.85	2.80
Discount rate for scheme liabilities	5.15	3.40
Inflation assumption (CPI)	2.85	2.80

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 2023	At 31 July 2022
	Years	Years
<i>Retiring today</i>		
Males	21.4	21.7
Females	22.6	22.9
<i>Retiring in 20 years</i>		
Males	22.7	23.0
Females	24.0	24.3

The College's share of the assets in the plan (which is estimated to be 0.80%) at the balance sheet date and the expected rates of return were:

	Fair value at 31 July 2023 £'000	Fair value at 31 July 2022 £'000
Equity instruments	23,498	22,484
Government bonds	-	7,279
Property	3,644	4,199
Cash	610	295
Target return portfolio	2,645	3,930
Infrastructure	3,963	3,104
Other bonds	9,440	943
Private equity	-	-
Alternative assets	(2)	(10)
Total fair value of plan	43,798	42,224

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 (5.15% as at 31 July 2023).

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

	2023 £'000	2022 £'000
Fair value of plan assets	43,798	42,224
Asset Cap	(209)	-
Present value of plan liabilities	(43,589)	(55,754)
Net pensions (liability) (note 16)	-	(13,530)

The FRS 102 asset has not been recognised as it does not reflect any asset ceiling and a decision was taken not to recognise one given that contributions have not reduced materially and the data is very volatile, amongst other factors.

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

	2023	2022
	£'000	£'000
Amounts included in staff costs		
Current service cost	2,073	4,062
Past service cost	44	-
	2,117	4,062
Amounts included in investment income		
Net interest income	(438)	(714)
	(438)	(714)
Amount recognised in Other Comprehensive Income		
Return on pension plan assets	(183)	(732)
Experience losses arising on defined benefit obligations	(6,772)	(183)
Other actuarial gain on assets	113	-
Changes in assumptions underlying the present value of plan liabilities	21,720	36,151
	14,878	35,236
Asset Cap	(209)	-
	14,669	-
Enhanced Pension Provision		
Actuarial gain or (loss)	28	40
	14,697	35,276

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

	2023	2022
	£'000	£'000
Net defined benefit (liability) in scheme at 1 August	(13,530)	(45,376)
Movement in year:		
Current service cost	(2,117)	(4,062)
Employer contributions	1,190	1,114
Deficit payments	252	296
Administration expenses	(26)	(24)
Past service cost	-	-
Net interest on the defined (liability)	(438)	(714)
Actuarial gain or (loss)	14,878	35,236
Net defined benefit (liability) at 31 July	209	(13,530)

Asset and Liability Reconciliation

	2023	2022
	£'000	£'000
Changes in the present value of defined benefit obligations		
Defined benefit obligations at start of period	55,754	87,026
Current service cost	2,073	4,062
Interest cost	1,877	1,386
Contributions by scheme participants	397	414
Experience gains and losses on defined benefit obligations	6,772	183
Changes in financial assumptions	(20,049)	(31,812)
Changes in demographic assumptions	(1,671)	(4,339)
Estimated benefits paid	(1,608)	(1,166)
Past Service cost, including curtailments	44	-
Defined benefit obligations at end of period	43,589	55,754
Changes in fair value of plan assets		
Fair value of plan assets at start of period	42,224	41,650
Interest on plan assets	1,439	672
Return on plan assets	(183)	(732)
Other actuarial (losses)	113	-
Administration expenses	(26)	(24)
Employer contributions	1,442	1,410
Contributions by scheme participants	397	414
Estimated benefits paid	(1,608)	(1,166)
Fair value of plan assets at end of period	43,798	42,224

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 since 2019/20 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 £1,274,734 (2022: £1,457,498).

21 Capital commitments

	2023	2022
	£'000	£'000
Commitments contracted for at 31 July	128	868

22 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 £385 (2022: £279). 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 (2022: None).

The College is not a subsidiary and neither owns any subsidiaries, therefore no related party transactions have occurred.

23 Discretionary Support Funds and Other Bursaries

	2023 £'000	2022 £'000
Grant funding	1,140	1,119
Interest earned	-	-
	1,140	1,119
Disbursed to students	(981)	(786)
Staffing	-	-
Administration costs	(43)	(35)
Balance unspent at 31 July	116	298

Included within creditors is £492,199 (2022: £465,383) of money not yet paid across or repaid as at the year-end.

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

24 Guarantees, letters of comfort and indemnities

The College has not entered into any guarantees, letters of comfort or indemnities outside the normal course of business.

25 Post Balance Sheet Event

There are no events after the reporting period.

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 dated 9th of October 2023 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 2022 to 31 July 2023 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 ESFA and in any relevant conditions of funding concerning adult education notified by a relevant funder.

This report is made solely to the corporation of Petroc and 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 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 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 the Code 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 2022 to 31 July 2023 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 and propriety.

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 and propriety 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.
- Tested a sample of individual learner records.
- 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 2022 to 31 July 2023 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
Mazars LLP (Dec 15, 2023 12:02 GMT)

Date: Dec 15, 2023

