

**THE DURHAM UTC LIMITED**  
**(A Company Limited by Guarantee)**

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 AUGUST 2017**

**THE DURHAM UTC LIMITED**  
**(A Company Limited by Guarantee)**

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**THE DURHAM UTC LIMITED**  
**(A Company Limited by Guarantee)**

**REFERENCE AND ADMINISTRATIVE DETAILS**  
**FOR THE YEAR ENDED 31 AUGUST 2017**

**Members**

Gestamp Tallent Limited  
Hitachi Rail Europe Limited  
University of Sunderland

**Trustees**

Prof. G Holmes, Chair  
S A Atkinson  
D W Cumner  
TC Dower, Accounting Officer  
P A Gallone (appointed 17 November 2016)  
A M Jordon  
D Land  
Prof I G Neal (appointed 17 November 2016)  
M Reid (appointed 17 November 2016)  
L Shepherd (appointed 1 February 2017)  
H A Whalley (appointed 1 February 2017)

**Company registered number**

08706625 (England and Wales)

**Company name**

The Durham UTC Limited

**Principal and registered office**

Long Tens Way  
Aycliffe Business Park  
Newton Aycliffe  
DL5 6AP

**Company secretary**

J M Bell

**Senior leadership team**

TC Dower, Headteacher  
J Trapp, Deputy Headteacher  
J M Bell, School Business Manager

**Independent auditors**

Clive Owen LLP  
Chartered Accountants  
and Statutory Auditor  
140 Coniscliffe Road  
Darlington  
Co Durham  
DL3 7RT

**THE DURHAM UTC LIMITED**  
**(A Company Limited by Guarantee)**

**REFERENCE AND ADMINISTRATIVE DETAILS OF THE ACADEMY, ITS TRUSTEES AND ADVISERS  
FOR THE YEAR ENDED 31 AUGUST 2017**

**Bankers**

Barclays Bank plc  
53 Fawcett Street  
Sunderland  
Tyne and Wear  
SR1 1RS

**Solicitors**

Legal, Governance and Business Assurance  
4th Floor, Edinburgh Building  
University of Sunderland  
Chester Road  
Sunderland  
Tyne and Wear  
SR1 3SD

**THE DURHAM UTC LIMITED**  
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**TRUSTEES' REPORT**  
**FOR THE YEAR ENDED 31 AUGUST 2017**

The Trustees present their annual report together with the financial statements and auditor's report of the charitable company for the period 1 September 2016 to 31 August 2017. The Annual Report serves the purposes of both a Trustees' Report, and a Directors' report under company law.

Following the opening in September 2016, the Trust operates a University Technical College (the "academy trust") for pupils aged 14 to 19 years serving a catchment area in County Durham and Darlington.

## **STRUCTURE, GOVERNANCE AND MANAGEMENT**

### **Constitution**

The academy is a company limited by guarantee and an exempt charity. The charitable company's memorandum and articles of association are the primary governing documents of the academy trust. The Trustees of The Durham UTC Limited are also the Directors of the charitable company for the purposes of company law. The charitable company is known as The Durham UTC Limited, trading as UTC South Durham.

Details of the Trustees who served during the year are included in the Reference and Administrative Details on page 1.

### **Members' liability**

Each member of the charitable company undertakes to contribute to the assets of the company in the event of it being wound up while they are a member, or within one year after they cease to be a member, such amount as may be required, not exceeding £10, for the debts and liabilities contracted before they ceased to be a member.

### **Trustees' indemnities**

The academy trust has insurance under the Department for Education's RPA scheme to protect Trustees from claims arising against negligent acts, errors or omissions occurring whilst on academy business. Further details are shown in note 9.

### **Method of recruitment and appointment or election of Trustees**

The first Trustees (referred to as 'Governors' in the academy trust's articles of association) were those persons named in the statement delivered pursuant to sections 9 and 12 of the Companies Act 2006. The Members of the academy trust (being the members of the company) may appoint up to 6 Trustees, ensuring that nominees of the Employer Sponsors and University Sponsor together form a majority. The Employer Sponsors (Gestamp Tallent Limited and Hitachi Rail Europe Limited) and the University Sponsor (University of Sunderland) each have the right to appoint and remove one Trustee. The Headteacher is treated as an ex officio Trustee. The Members may appoint staff trustees through such process as they may determine, provided that the number of Trustees employed by the academy trust, including the Headteacher, does not exceed one third of the total. Parent Trustees shall be elected by parents of registered pupils, but if any vacancies remain they can be filled by appointments by the Members. The Members may appoint three co opted Trustees.

The term of office for any Trustee shall be 4 years, save that this time limit shall not apply to the Headteacher or any post held ex officio. Subject to remaining eligible to be a particular type of Trustee, any Trustee may be re appointed or re elected.

**THE DURHAM UTC LIMITED**  
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**TRUSTEES' REPORT (continued)**  
**FOR THE YEAR ENDED 31 AUGUST 2017**

**Policies and procedures adopted for the induction and training of Trustees**

The training and induction provided for new Trustees depends on their existing experience and tends to be done informally. Where necessary induction and training is provided on charity, educational, legal and financial matters. A skills audit is undertaken periodically to identify skills gaps to support the appointment of Trustees and to identify training needs.

**Organisational structure**

The academy trust opened in September 2016. Day to day management is with the Headteacher but any key decisions continue to be made by the Trustees. Full Trustees' meetings occur five times a year and there are two committees which have delegated decision making powers for their relevant areas of focus. They are the Resources and Finance Committee and the Quality and Standards Committee.

**Arrangements for setting pay and remuneration of key management personnel**

The academy trust has a Staff Pay Policy in place which was agreed by the Trustees on 13 May 2016. Section 13 of the Staff Pay Policy deals with the Senior Leadership Pay, including that of the Headteacher. The Policy states that for new appointments the Governing Body will agree the salary level prior to commencement of the recruitment process, taking into account the performance, context and size of the UTC, responsibilities and challenges of the post and any potential difficulties in filling the post, with consideration to parity and equality. For Headteachers in post, the Policy states that the Governing Body is required to review the performance of the Headteacher against previously set targets and determine whether performance pay progression should be awarded. The process for this is outlined in the Appraisal and Capability Policy. This involves the UTC Achievement Partner and the Chair of the Governing Body and two other Governors.

**Connected organisations, including related party relationships**

As required under the model for a university technical college, the academy trust has Employer Sponsors and a University Sponsor who are members of the academy trust and whose role it is to support the academy trust through the pre opening stage and to support the direction of the academy trust. The sponsors each have at least one representative among the Trustees.

**Risk Management**

The Trustees have assessed the major risks to which the academy is exposed, in particular those related to the operations and finances of the academy, and are satisfied that systems and procedures are in place to mitigate our exposure to the major risks. Financial contingency plans have been developed.

**OBJECTIVES AND ACTIVITIES**

The following sections set out the main objects of the academy trust and the activities undertaken in the past financial year.

**Objects and Aims**

The academy trust's object is specifically restricted to the following: to advance for the public benefit education in the United Kingdom, in particular but without prejudice to the generality of the foregoing by establishing, maintaining, carrying on, managing and developing a school, offering a broad and balanced curriculum which includes provision for technical education.

**THE DURHAM UTC LIMITED**  
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**TRUSTEES' REPORT (continued)**  
**FOR THE YEAR ENDED 31 AUGUST 2017**

**Objects and Aims (Continued)**

The principal activity of the academy trust is the operation of University Technical College South Durham to provide education for students of different abilities between the ages of 14 and 19 with emphasis on Advanced Manufacturing and Engineering.

In accordance with the articles of association the academy trust has adopted a 'Scheme of Government' approved by the Secretary of State for Education. The Scheme of Government specifies, amongst other things, the basis for admitting students to UTC South Durham, the catchment area from which the students are drawn, and that the curriculum should comply with the substance of the national curriculum with emphasis on Advanced Manufacturing and Engineering.

The main objectives of the academy trust during the year ended 31 August 2017 are summarised below:

- Work with the Education and Skills Funding Agency to ensure appropriate new accommodation is ready for September 2016 opening and fit for purpose
- Enroll the first cohort of students in September 2016
- Implementation of Marketing and Student Recruitment Strategy in order to recruit a second cohort of students.
- Train and support staff to ensure high quality education for the first year of operation. Appointment of staff for the second year.
- Procure equipment for the academy trust comprising IT, specialist equipment and furniture and fittings.
- Engage with local businesses to build up a strong employer partner base to support students' education.
- Deliver a comprehensive curriculum to meet both national education requirement and the academy trust's specialism.

**Objectives, Strategies and Activities**

The academy trust's main objectives are set out above. These were achieved through a successful opening, with 140 students and 22 members of staff comprising the UTC community.

The activities undertaken to achieve these objectives are all intended to provide the highest quality of education in the public sector for students between the ages of 14 and 19.

**Public benefit**

The academy trust became an exempt charity when it opened in September 2016. Trustees have therefore been mindful of the responsibilities in relation to achieving a public benefit. The UTC has allowed access to a specialist education for 14-19 year olds from across a wide geographical area of south Durham and Darlington, while also being accessible from North Yorkshire, Redcar and Cleveland and other North Eastern counties.

**STRATEGIC REPORT**

**ACHIEVEMENTS AND PERFORMANCE**

**Achievements and Performance**

During the year the academy trust has successfully completed timely achievement of key indicators, milestones and benchmarks. Student recruitment, staff recruitment and educational delivery all hit key milestones and the academy trust opened on time on 1st September 2016. Financial viability for year 2 was achieved through exceeding a minimum viable number of students, financial planning and the year was ended with a healthy carry-forward.

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**TRUSTEES' REPORT (continued)**  
**FOR THE YEAR ENDED 31 AUGUST 2017**

**Key performance indicators**

As the academy trust was in its first year for the period of this report there is no external pupil performance data to report and no engagement with Ofsted. The relevant significant key performance indicators are listed in the objectives below.

- Work with the Education and Skills Funding Agency to ensure appropriate new accommodation is ready for September 2016 opening and fit for purpose. The building opened on time and snagging has been managed with the main contractor to ensure that the building has been fit for purpose.
- Enroll the first cohort of students in September 2016. The UTC had 85 Year 10 and 60 Year 12 students enrolled in September 2016 (145 in total). The year finished with 140 students enrolled.
- Implementation of Marketing and Student Recruitment Strategy in order to recruit a second cohort of students. Successful recruitment meant that we enrolled new students in September 2017 (140 in year 10 and 50 in Year 12), making 315 students in total across 4 year groups.
- Train and support staff to ensure high quality education for the first year of operation. Appointment of staff for the second year. Training was delivered through weekly twilight CPD sessions, external courses and working with Dyke House Teaching School. The successful appointment of staff meant that the second year started with 42 members of staff (with an additional 4 posts advertised).
- Procure equipment for the academy trust comprising IT, specialist equipment and furniture and fittings. Suitable equipment was procured throughout the year to allow the smooth running of the UTC to enable the UTC to deliver suitable technical courses to honor our focus on Engineering and Advanced Manufacturing.
- Engage with local businesses to build up a strong employer partner base to support students' education. The appointment of a Business Engagement Manager has led to very significant interaction with companies. The UTC have been working directly with over 50 organisations this year with approximately, a further 100 organisations who would like to be involved. Our students have visited companies (typically 15 visits), carried out projects with Hitachi Rail Europe Limited and Gestamp Tallent Limited and had access to work experience placements.
- Deliver a comprehensive curriculum to meet both national education requirement and the academy trust's specialism. The curriculum at KS4 meets the statutory education requirements and focuses on our specialist subject. Students take 9 or 10 GCSEs or equivalent qualifications. At KS5 students are studying 3 or 4 A-levels or equivalent. For 2017/18 we are also running a group for students on a Level 2 pathway.

**Going concern**

The Board of Trustees has a reasonable expectation that the academy trust 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. Further details regarding the adoption of the going concern basis can be found in the Statement of Accounting Policies.

**FINANCIAL REVIEW**

The majority of the academy trust's income for this past financial year was obtained from the Department of Education (DfE) via the Education and Skills Funding Agency (ESFA). In addition to funding received from DfE/ESFA the trust received funds from Hitachi Rail Europe Limited in the form of sponsorship of the Engineering Hall and from Gestamp Tallent Limited in the form of sponsorship of a minibus.

The grants received from the DfE/ESFA and income from the Hitachi Rail Europe Limited and Gestamp Tallent Limited and the associated expenditure are shown as unrestricted funds in the Statement of Financial Activities.

The academy also receives grants for fixed assets from the DfE/ESFA. In accordance with The Charities SORP (FRS102), such grants are shown in the Statement of Financial Activities as restricted income in the fixed asset fund. The restricted fixed asset fund balance is reduced by annual depreciation charges over the expected useful life of the assets concerned.



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**TRUSTEES' REPORT (continued)**  
**FOR THE YEAR ENDED 31 AUGUST 2017**

**FINANCIAL REVIEW (Continued)**

During the year ended 31 August 2017, total expenditure of £2,045,000 was exceeded by recurrent grant funding from the DfE/ESFA together with other incoming resources. The excess of income over expenditure for the year (before transfers and actuarial gains, and excluding restricted fixed asset funds) was £71,000.

All of the expenditure shown in the Statement of Financial Activities is in furtherance of the academies objectives.

At 31 August 2017 the net book value of fixed assets was £10,201,000 and movements in intangible and tangible fixed assets are shown in notes 11 and 12 to the Financial Statements. The assets were used exclusively for providing education and the associated support services to the students of the academy trust.

The provisions of Financial Reporting Standard (FRS) 102 have been applied in full in respect of the LGPS pensions scheme, resulting in a deficit of £93,000 recognised on the balance sheet.

The academy held fund balances at 31 August 2017 of £10,315,000 comprising £10,264,000 of restricted funds and £51,000 of unrestricted funds.

**Reserves policy**

The academy holds restricted and unrestricted funds (the attached financial statements detail these funds). Unrestricted funds are held:

- UTC activity and business engagement to improve the educational attainment and achievement of our students
- To cover ongoing costs in relation to the running of the academy including catering provisions, school trips and uniform costs.

The level of reserves is reviewed by the Trustees regularly throughout the year. The minimum level of reserves for the ongoing needs of an academy is reviewed by the trustees on an annual basis. This review encompasses the nature of income and expenditure streams, the need to match income with commitments and the nature of reserves. The Trustees therefore consider it prudent to hold unrestricted reserves in the general fund in the form of free reserves (total funds less the amount held in fixed assets and restricted funds) of £100,000

This is considered sufficient to cover

- a) Salaries and associated costs for one month

The academy's current level of free reserves being GAG and unrestricted reserves are in surplus by £207,000 and therefore are considered to be above the level of reserves required for the ongoing needs of the academy. The trustees continue to consider additional activities related to the academy's objectives to which the excess reserves may be applied including:

- a) Improving the educational attainment and achievement of our students
- b) UTC business activity
- c) Investing in the infrastructure of the site to ensure facilities continue to meet the needs of our students

**Investments policy**

The academy trust has not yet developed an investment policy.

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**TRUSTEES' REPORT (continued)**  
**FOR THE YEAR ENDED 31 AUGUST 2017**

**Principal risks and uncertainties**

The principal risks and uncertainties are centered on changes in the level of funding from the DfE/ESFA, student recruitment and retention and the management of costs during the opening period.

The Trustees have assessed the major risks, to which the academy trust is currently exposed and keeps those risks under review. The academy has developed an effective system of internal financial controls and this is explained in more detail in the Governance Statement.

**PLANS FOR FUTURE PERIODS**

**Future developments**

During the year 2017-18 the academy trust is working on establishing the UTC as a high quality education provider. The Trust's key objectives over the next 3 years are:

1. Establish awareness and an outstanding reputation amongst the sub-regional community, education and business sectors.
2. Establish UTC South Durham as a highly desirable place to study for students who are excited about STEM subjects.
3. Recruit and develop high quality staff and business partners and run an efficient organisation.
4. Establish an inspirational learning environment where all of our students are safe, happy, confident and develop as young adults.
5. Establish an outstanding academic and technical education for all of our students leading to excellent outcomes.
6. Prepare our students for the world of work by helping them to develop their workplace skills.

**Disclosure of information to auditors**

Insofar as the Trustees are aware:

- there is no relevant audit information of which the charitable company's auditors are unaware, and
- that Trustees have taken all the steps that ought to have been taken as a Trustee in order to be aware of any relevant audit information and to establish that the charitable company's auditors are aware of that information.

The Trustees' Report, incorporating a strategic report, was approved by order of the Board of Trustees, as the company directors, on 24 November 2017 and signed on its behalf by:

**D Land**  
**Chair of Trustees**

**THE DURHAM UTC LIMITED**  
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**GOVERNANCE STATEMENT**

**Scope of Responsibility**

As Trustees, we acknowledge we have overall responsibility for ensuring that The Durham UTC Limited has an effective and appropriate system of control, financial and otherwise. 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 Board of Trustees has delegated the day-to-day responsibility to the Headteacher, as Accounting Officer, for ensuring financial controls conform with the requirements of both propriety and good financial management and in accordance with the requirements and responsibilities assigned to it in the funding agreement between The Durham UTC Limited and the Secretary of State for Education. They are also responsible for reporting to the Board of Trustees any material weaknesses or breakdowns in internal control.

**Governance**

The information on governance included here supplements that described in the Trustees' Report and in the Statement of Trustees' Responsibilities. The Board of Trustees have formally met 5 times during the year. Attendance during the year at meetings of the Board of Trustees was as follows:

Trustee	Meetings attended	Out of a possible
Prof. G Holmes, Chair	5	5
S A Atkinson	4	5
D W Cumner	1	5
TC Dower	5	5
P A Gallone	1	4
A M Jordon	0	5
D Land	5	5
Prof I G Neal	3	4
M Reid	2	2
L Shepherd	2	2
H A Whalley	2	2

**Governance review:**

A governance plan (Scheme of Government) has been adopted by Trustees and approved by the Secretary of State for Education.

The academy trust considered governance at every meeting and met 5 times as a full group during the academic year. During 2016/17 the Trustees approved a suite of policy and procedure documents in order to comply with educational governance practices, adopted a Scheme of Delegation and conducted a skills audit. Most policies are reviewed on a two year cycle though some are reviewed annually (most notably Safeguarding and Admissions). All policies are up to date and are being reviewed either when they are due or when they need adapting in light of emerging practice. Two committees have been established (Quality and Standards, Resources and Finance) with delegated power to make decisions and hold the UTC leadership to account.

UTC South Durham is an academy trust, set up as a company limited by guarantee (this is required by the Academies Act 2010). As a company, the trust has members, the founding three being the University of Sunderland, Hitachi Rail Europe Limited and Gestamp Tallent Limited, but as it is limited by guarantee the liabilities of each member is restricted.

Following opening, the academy trust automatically became an 'exempt' charity (meaning it is not required to register as a charity with the Charity Commission) and is regulated by the Secretary of State. The academy trust has a charitable object in its articles of association.

As a company, the academy trust has a Board of Trustees who are also its Directors (referred to as its 'Governors' in the Articles of Association) and who are appointed in accordance with the Articles of Association. It is the Board who are able to direct and bind the academy trust. The Headteacher is Accounting Officer and is also the Chief Executive Officer of the trust/company.

**THE DURHAM UTC LIMITED**  
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**GOVERNANCE STATEMENT (continued)**

**Governance review: (Conitnued)**

The Resources and Finance Committee is a sub-committee of the main Board of Trustees. Its purpose is to advise the Board of Trustees on all financial and resource matters. The Committee met to establish the terms of reference and approve the budget forecast outturn and the budget forecast return and to approve future staffing levels.

Attendance at meetings in the year was as follows:

Trustee	Meetings attended	Out of a possible
Prof. G Holmes	1	1
D Land	1	1
TC Dower	1	1
H A Whalley	1	1

**Review of Value for Money**

As Accounting Officer, the Headteacher has responsibility for ensuring that the academy trust delivers good value in the use of public resources. The Accounting Officer understands that value for money refers to the educational and wider societal outcomes achieved in return for the taxpayer resources received.

The Accounting Officer considers how the academy trust's use of its resources has provided good value for money during each academic year, and reports to the Board of Trustees where value for money can be improved, including the use of benchmarking data where appropriate. The Accounting Officer for the academy trust has delivered improved value for money during the year by utilising transparent procurement processes to procure resources, appoint staff or obtain other services. He has also referenced other UTCs and used relevant detailed benchmark data in deciding on the priorities for funding.

**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 priorities the risks to the achievement of academy trust 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 finance function was transferred from Sunderland University to the trust during the course of the year. The systems and procedures were not considered fit for purpose and were therefore not transferred, hence were not operated during the year. The system notes for the new system were written during the year to reflect actual practice and these were implemented in October 2017.

**Capacity to Handle Risk**

Over the period, the Project Steering Group and the Trustees identified a number of key risks:

- A failure to recruit sufficient student numbers each year to be economically viable.
- Significant problems in building, facilities or transport so that education is compromised.
- Difficulties in recruiting appropriate and relevantly qualified staff to maintain high quality education.

Each of these risks was embedded within the regular project update reports considered by the Project Steering Group and the Board of Trustees meetings and as noted in the Achievements and Performance section above, all key milestones were met.

**THE DURHAM UTC LIMITED**  
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**GOVERNANCE STATEMENT (continued)**

**The Risk and Control Framework**

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

- comprehensive budgeting and monitoring systems with an annual budget and periodic financial reports which are reviewed and agreed by the Board of Trustees;
- clearly defined purchasing (asset purchase or capital investment) guidelines;
- delegation of authority and segregation of duties and
- identification and management of risks.

The Board of Trustees has considered the need for a specific internal audit function and has decided not to appoint an internal auditor. However, the Trustees have appointed Vicky Robinson, the finance lead at Northern Education Trust, as Responsible Officer (RO).

The RO's role includes giving advice on financial matters and performing a range of checks on the academy trust's financial systems. In particular the checks carried out in the current period included:

- testing of payroll systems
- testing of purchase systems
- testing of control account/ bank reconciliations
- testing of income
- testing of accounting systems and management information produced

On an annual basis, the RO reports to the Board of Trustees through the resource and finance committee on the operation of the systems of control and on the discharge of the Board of Trustees' financial responsibilities.

As Accounting Officer, the Headteacher has responsibility for reviewing the effectiveness of the system of internal control. During the year in question the review has been informed by:

- the work of the Responsible Officer;
- the work of the external auditors;
- the financial management and governance self-assessment process;
- the work of the executive managers within the academy trust who have responsibility for the development and maintenance of the internal control framework.

The Accounting Officer has been advised of the implications of the result of their review of the system of internal control by the Resources and Finance Committee and a plan to ensure continuous improvement of the system is in place.

Approved by order of the members of the Board of Trustees on 24 November 2017 and signed on their behalf, by:

**D Land**  
**Chair of Trustees**

**T C Dower**  
**Accounting Officer**

**THE DURHAM UTC LIMITED**  
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**STATEMENT ON REGULARITY, PROPRIETY AND COMPLIANCE**

As Accounting Officer of The Durham UTC Limited I have considered my responsibility to notify the academy trust Board of Trustees and the Education and Skills Funding Agency (ESFA) of material irregularity, impropriety and non-compliance with ESFA terms and conditions of funding, under the funding agreement in place between the academy trust and the Secretary of State for Education. As part of my consideration I have had due regard to the requirements of the Academies Financial Handbook 2016.

I confirm that I and the academy trust Board of Trustees are able to identify any material irregular or improper use of funds by the academy trust, or material non-compliance with the terms and conditions of funding under the academy trust's funding agreement and the Academies Financial Handbook 2016.

I 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 Board of Trustees and ESFA.

**T C Dower**  
**Accounting Officer**

24 November 2017

**THE DURHAM UTC LIMITED**  
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**STATEMENT OF TRUSTEES' RESPONSIBILITIES**  
**FOR THE YEAR ENDED 31 AUGUST 2017**

The Trustees (who act as Governors of The Durham UTC Limited and are also the Directors of the charitable company for the purposes of company law) are responsible for preparing the Trustees' Report and the financial statements in accordance with the Annual Accounts Direction issued by the Education and Skills Funding Agency, United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) and applicable law and regulations.

Company law requires the Trustees to prepare financial statements for each financial year. Under company law the Trustees must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the charitable company and of its incoming resources and application of resources, including its income and expenditure, for that period. In preparing these financial statements, the Trustees are required to:

- select suitable accounting policies and then apply them consistently;
- observe the methods and principles of the Charities SORP 2015 and the Academies Accounts Direction 2016 to 2017;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards (FRS 102) have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charitable company will continue in business.

The Trustees are responsible for keeping adequate accounting records that are sufficient to show and explain the charitable company's transactions and disclose with reasonable accuracy at any time the financial position of the charitable company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the charitable company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Trustees are responsible for ensuring that in its conduct and operation the charitable company applies financial and other controls, which conform with the requirements both of propriety and of good financial management. They are also responsible for ensuring grants received from ESFA/DfE have been applied for the purposes intended.

The Trustees are responsible for the maintenance and integrity of the corporate and financial information included on the charitable company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Approved by order of the members of the Board of Trustees on 24 November 2017 and signed on its behalf by:

**D Land**  
**Chair of Trustees**

**THE DURHAM UTC LIMITED**  
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**INDEPENDENT AUDITORS' REPORT ON THE FINANCIAL STATEMENTS TO THE MEMBERS OF THE  
DURHAM UTC LIMITED**

**Opinion**

We have audited the financial statements of The Durham UTC Limited for the year ended 31 August 2017 which comprise the Statement of Financial Activities incorporating Income and Expenditure Account, the Balance Sheet, the Statement of Cash Flows and the related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law, United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland', the Charities SORP 2015 and the Academies Accounts Direction 2016 to 2017 issued by the Education and Skills Funding Agency.

This report is made solely to the academy's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the academy's members 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 academy and its members, as a body, for our audit work, for this report, or for the opinions we have formed.

In our opinion the financial statements:

- give a true and fair view of the state of the academy's affairs as at 31 August 2017 and of its incoming resources and application of resources, including its income and expenditure for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006, the Charities SORP 2015 and the Academies Accounts Direction 2016 to 2017 issued by the Education and Skills Funding Agency.

**Basis of 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 academy in accordance with the ethical requirements that are relevant to our audit of the financial statements in the United Kingdom, including the Financial Reporting Council'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**

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Trustees' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Trustees have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the academy's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

**Other information**

The Trustees are responsible for the other information. The other information comprises the information included in the Annual Report, other than the financial statements and our Auditor's report thereon. Our opinion on the financial statements does not cover the information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.



**THE DURHAM UTC LIMITED**  
**(A Company Limited by Guarantee)**

**INDEPENDENT AUDITORS' REPORT ON THE FINANCIAL STATEMENTS TO THE MEMBERS OF THE  
DURHAM UTC LIMITED**

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 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.

**Opinion on other matters prescribed by the Companies Act 2006**

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

- the information given in the Trustees' Report including the Strategic Report for which the financial statements are prepared is consistent with the financial statements.
- the Trustees' Report has been prepared in accordance with applicable legal requirements.

**Matters on which we are required to report by exception**

In the light of our knowledge and understanding of the academy and its environment obtained in the course of the audit, we have not identified material misstatements in the Trustees' Report including the Strategic Report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 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
- certain disclosures of Trustees' remunerations specified by law not made; or
- we have not received all the information and explanations we require for our audit.

**Responsibilities of Trustees**

As explained more fully in the Statement of Trustees' Responsibilities, the Trustees (who are also the Directors of the academy for the purposes of company law) are 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 Trustees 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 Trustees are responsible for assessing the academy'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 Trustees either intend to liquidate the academy's or to cease operations, or have no realistic alternative but to do so.

**THE DURHAM UTC LIMITED**  
**(A Company Limited by Guarantee)**

**INDEPENDENT AUDITORS' REPORT ON THE FINANCIAL STATEMENTS TO THE MEMBERS OF THE  
DURHAM UTC LIMITED**

**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 these financial statements.

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](http://www.frc.org.uk/auditorsresponsibilities). The description forms part of our Auditor's report.

Christopher Beaumont BA (Hons) FCA DChA (Senior Statutory Auditor)

for and on behalf of

**Clive Owen LLP**

Chartered Accountants  
and Statutory Auditor

140 Coniscliffe Road  
Darlington  
Co Durham  
DL3 7RT  
24 November 2017

**THE DURHAM UTC LIMITED**  
**(A Company Limited by Guarantee)**

**INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON REGULARITY TO THE  
DURHAM UTC LIMITED AND THE EDUCATION FUNDING AGENCY**

In accordance with the terms of our engagement letter dated 14 September 2015 and further to the requirements of the Education and Skills Funding Agency (ESFA) as included in the Academies Accounts Direction 2016 to 2017, we have carried out an engagement to obtain limited assurance about whether the expenditure disbursed and income received by The Durham UTC Limited during the year 1 September 2016 to 31 August 2017 have been applied to the purposes identified by Parliament and the financial transactions conform to the authorities which govern them.

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

**Respective responsibilities of The Durham UTC Limited's Accounting Officer and the reporting accountants**

The Accounting Officer is responsible, under the requirements of The Durham UTC Limited's funding agreement with the Secretary of State for Education dated 10 March 2015, and the Academies Financial Handbook extant from 1 September 2016, for ensuring that expenditure disbursed and income received is applied for the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

Our responsibilities for this engagement are established in the United Kingdom by our profession's ethical guidance and are to obtain limited assurance and report in accordance with our engagement letter and the requirements of the Academies Accounts Direction 2016 to 2017. 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 year 1 September 2016 to 31 August 2017 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 Academies Accounts Direction 2016 to 2017 issued by the ESFA. We performed a limited assurance engagement as defined in our engagement letter.

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

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

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

**THE DURHAM UTC LIMITED**  
**(A Company Limited by Guarantee)**

**INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON REGULARITY TO THE  
DURHAM UTC LIMITED AND THE EDUCATION FUNDING AGENCY (continued)**

**Approach (continued)**

The work undertaken to draw our conclusion includes:

- Review of governing body and committee minutes;
- Review of termly Internal Assurance reports;
- Completion of self assessment questionnaire by Accounting Officer;
- Discussions with the Accounting Officer and finance team;
- Review documentation provided to Governors and Accounting Officer setting out responsibilities;
- Obtained formal letter of representation detailing the responsibilities of Governors;
- Review of payroll, purchases and expenses claims on a sample basis;
- Confirmation that the lines of delegation and limits set have been adhered to;
- Evaluation of internal control procedures and reporting lines;
- Review cash payments for unusual transactions;
- Review of credit card transactions;
- Review of register of interests;
- Review related party transactions;
- Review of borrowing agreements;
- Review of land and building transactions;
- Review of potential and actual bad debts; and
- Review an instance of gifts/hospitality to ensure in line with 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 year 1 September 2016 to 31 August 2017 have not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.

**Clive Owen LLP**

Reporting Accountants

140 Coniscliffe Road  
Darlington  
Co Durham  
DL3 7RT

24 November 2017

**THE DURHAM UTC LIMITED**  
(A Company Limited by Guarantee)

**STATEMENT OF FINANCIAL ACTIVITIES INCORPORATING INCOME AND EXPENDITURE ACCOUNT  
FOR THE YEAR ENDED 31 AUGUST 2017**

	Note	Unrestricted funds 2017 £000	Restricted funds 2017 £000	Restricted fixed asset funds 2017 £000	Total funds 2017 £000	Total funds 2016 £000
<b>INCOME FROM:</b>						
Donations and capital grants	2	-	-	1,155	1,155	8,899
Charitable activities	3	110	1,506	-	1,616	151
Other trading activities	4	25	-	-	25	-
<b>TOTAL INCOME</b>		<u>135</u>	<u>1,506</u>	<u>1,155</u>	<u>2,796</u>	<u>9,050</u>
<b>EXPENDITURE ON:</b>						
Charitable activities		84	1,392	475	1,951	258
Transfer from local authority on opening		-	94	-	94	-
<b>TOTAL EXPENDITURE</b>	5	<u>84</u>	<u>1,486</u>	<u>475</u>	<u>2,045</u>	<u>258</u>
<b>NET INCOME BEFORE OTHER RECOGNISED GAINS AND LOSSES</b>						
		51	20	680	751	8,792
Actuarial gains on defined benefit pension schemes	20	-	36	-	36	-
<b>NET MOVEMENT IN FUNDS</b>		<u>51</u>	<u>56</u>	<u>680</u>	<u>787</u>	<u>8,792</u>
<b>RECONCILIATION OF FUNDS:</b>						
Total funds brought forward		-	7	9,521	9,528	736
<b>TOTAL FUNDS CARRIED FORWARD</b>		<u>51</u>	<u>63</u>	<u>10,201</u>	<u>10,315</u>	<u>9,528</u>

**THE DURHAM UTC LIMITED**  
**(A Company Limited by Guarantee)**  
**REGISTERED NUMBER: 08706625 (ENGLAND AND WALES)**

**BALANCE SHEET**  
**AS AT 31 AUGUST 2017**

	Note	£000	2017 £000	2016 £000
<b>FIXED ASSETS</b>				
Intangible assets	11		9	13
Tangible assets	12		10,192	9,508
			<u>10,201</u>	<u>9,521</u>
<b>CURRENT ASSETS</b>				
Debtors	13	2,475	2,454	
Cash at bank and in hand		130	743	
		<u>2,605</u>	<u>3,197</u>	
<b>CREDITORS:</b> amounts falling due within one year	14	(2,398)	(3,190)	
			<u>207</u>	<u>7</u>
<b>NET CURRENT ASSETS</b>			<u>207</u>	<u>7</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			<u>10,408</u>	<u>9,528</u>
Defined benefit pension scheme liability	20		(93)	-
<b>NET ASSETS INCLUDING PENSION SCHEME LIABILITIES</b>			<u>10,315</u>	<u>9,528</u>
<b>FUNDS OF THE ACADEMY</b>				
Restricted income funds:				
Restricted income funds	15	156	7	
Restricted fixed asset funds	15	10,201	9,521	
		<u>10,357</u>	<u>9,528</u>	
Restricted income funds excluding pension liability		10,357	9,528	
Pension reserve		(93)	-	
		<u>10,264</u>	<u>9,528</u>	
Total restricted income funds			10,264	9,528
Unrestricted income funds	15		51	-
<b>TOTAL FUNDS</b>			<u>10,315</u>	<u>9,528</u>

The financial statements on pages 19 to 42 were approved by the Trustees, and authorised for issue, on 24 November 2017 and are signed on their behalf, by:

**D Land**  
**Chair of Trustees**

**THE DURHAM UTC LIMITED**  
**(A Company Limited by Guarantee)**

**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED 31 AUGUST 2017**

	Note	2017 £000	2016 £000
<b>Cash flows from operating activities</b>			
Net cash (used in)/provided by operating activities	17	(423)	378
<b>Cash flows from investing activities:</b>			
Purchase of tangible fixed assets		(1,155)	(8,203)
Capital grants from DfE/ESFA		965	8,477
<b>Net cash (used in)/provided by investing activities</b>		<b>(190)</b>	<b>274</b>
<b>Change in cash and cash equivalents in the year</b>			
Cash and cash equivalents brought forward		743	91
<b>Cash and cash equivalents carried forward</b>	18	<b>130</b>	<b>743</b>

**THE DURHAM UTC LIMITED**  
**(A Company Limited by Guarantee)**

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 AUGUST 2017**

**1. ACCOUNTING POLICIES**

A summary of the principal accounting policies adopted (which have been applied consistently, except where noted), judgments and key sources of estimation uncertainty, is set out below.

**1.1 BASIS OF PREPARATION OF FINANCIAL STATEMENTS**

The financial statements of the academy trust, which is a public benefit entity under FRS 102, have been prepared under the historical cost convention in accordance with the Financial Reporting Standard Applicable in the UK and Republic of Ireland (FRS 102), the Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) (Charities SORP (FRS 102)), the Academies Accounts Direction 2016 to 2017 issued by ESFA, the Charities Act 2011 and the Companies Act 2006.

The Durham UTC Limited constitutes a public benefit entity as defined by FRS 102.

**1.2 FUND ACCOUNTING**

Unrestricted income funds represent those resources which may be used towards meeting any of the charitable objects of the academy at the discretion of the Trustees.

Restricted fixed asset funds are resources which are to be applied to specific capital purposes imposed by the Department for Education where the asset acquired or created is held for a specific purpose.

Restricted general funds comprise all other restricted funds received with restrictions imposed by the funder and include grants from the Department for Education.



**THE DURHAM UTC LIMITED**  
**(A Company Limited by Guarantee)**

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 AUGUST 2017**

**1. ACCOUNTING POLICIES (continued)**

**1.3 INCOME**

All income is recognised once the academy has entitlement to the income, it is probable that the income will be received and the amount of income receivable can be measured reliably.

Grants are included in the Statement of Financial Activities incorporating Income and Expenditure Account on a receivable basis. The balance of income received for specific purposes but not expended during the period is shown in the relevant funds on the Balance Sheet. Where income is received in advance of entitlement of receipt, its recognition is deferred and included in creditors as deferred income. Where entitlement occurs before income is received, the income is accrued.

General Annual Grant is recognised in full in the Statement of Financial Activities incorporating Income and Expenditure Account in the year for which it is receivable and any abatement in respect of the period is deducted from income and recognised as a liability.

Capital grants are recognised when there is entitlement and are not deferred over the life of the asset on which they are expended. Unspent amounts of capital grant are reflected in the balance in the restricted fixed asset fund.

Sponsorship income provided to the academy which amounts to a donation is recognised in the Statement of Financial Activities incorporating Income and Expenditure Account in the period in which it is receivable, where receipt is probable and it is measurable.

Donations are recognised on a receivable basis where receipt is probable and the amount can be reliably measured.

Other income, including mini bus and catering income, is recognised in the period in which it is receivable and to the extent the goods have been provided or on completion of the service.

**1.4 EXPENDITURE**

Expenditure is recognised once there is a legal or constructive obligation to transfer economic benefit to a third party, it is probable that a transfer of economic benefits will be required in settlement and the amount of the obligation can be measured reliably. Expenditure is classified by activity. The costs of each activity are made up of the total of direct costs and shared costs, including support costs involved in undertaking each activity. Direct costs attributable to a single activity are allocated directly to that activity. Shared costs which contribute to more than one activity and support costs which are not attributable to a single activity are apportioned between those activities on a basis consistent with the use of resources. Central staff costs are allocated on the basis of time spent, and depreciation charges allocated on the portion of the asset's use.

Expenditure on charitable activities are costs incurred on the academy's educational operations, including support costs and those costs relating to the governance of the academy appointed to charitable activities.

All expenditure is inclusive of irrecoverable VAT.

**THE DURHAM UTC LIMITED**  
**(A Company Limited by Guarantee)**

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 AUGUST 2017**

**1. ACCOUNTING POLICIES (continued)**

**1.5 GOING CONCERN**

The Trustees assess whether the use of going concern is appropriate, i.e. whether there are any material uncertainties related to events or conditions that may cast significant doubt on the ability of the academy to continue as a going concern. The Trustees make this assessment in respect of a period of at least one year from the date of authorisation for issue of the financial statements and have concluded that the academy trust has adequate resources to continue in operational existence for the foreseeable future and there are no material uncertainties about the academy trust's ability to continue as a going concern, thus they continue to adopt the going concern basis of accounting in preparing the financial statements

**1.6 INTANGIBLE FIXED ASSETS AND AMORTISATION**

Intangible assets costing £1,000 or more are capitalised and recognised when future economic benefits are probable and the cost or value of the asset can be measured reliably. Intangible assets are initially recognised at cost and are subsequently measured at cost net of amortisation and any provision for impairment

Amortisation is provided at the following rates:

Development expenditure	-	
Computer software	-	100% Straight line
Website	-	33% Straight line

**1.7 TANGIBLE FIXED ASSETS AND DEPRECIATION**

All assets costing more than £1,000 are capitalised.

Where tangible fixed assets have been acquired with the aid of specific grants, either from the government or from the private sector, they are included in the Balance Sheet at cost and depreciated over their expected useful economic life. Where there are specific conditions attached to the funding requiring the continued use of the asset, the related grants are credited to a restricted fixed asset fund in the Statement of Financial Activities incorporating Income and Expenditure Account and carried forward in the Balance Sheet. Depreciation on the relevant assets is charged directly to the restricted fixed asset fund in the Statement of Financial Activities incorporating Income and Expenditure Account. Where tangible fixed assets have been acquired with unrestricted funds, depreciation on such assets is charged to the unrestricted fund.

Tangible fixed assets are carried at cost, net of depreciation and any provision for impairment. Depreciation is not charged on freehold land. Depreciation is provided at rates calculated to write off the cost of these assets, less their estimated residual value, over their expected useful lives on the following bases:

Freehold property	-	over 50 years
Freehold land	-	none provided
Plant and machinery	-	over 1 year and over 10 years
Fixtures and fittings	-	over 5 years
Computer equipment	-	over 3 years

A review for impairment of a fixed asset is carried out if events or changes in circumstances indicate that the carrying value of any fixed asset may not be recoverable. Shortfalls between the carrying value of fixed assets and their recoverable amounts are recognised as impairments. Impairment losses are recognised in the Statement of Financial Activities incorporating Income and Expenditure Account.

**THE DURHAM UTC LIMITED**  
**(A Company Limited by Guarantee)**

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 AUGUST 2017**

**1. ACCOUNTING POLICIES (continued)**

**1.8 INTEREST RECEIVABLE**

Interest on funds held on deposit is included when receivable and the amount can be measured reliably by the academy; this is normally upon notification of the interest paid or payable by the Bank.

**1.9 OPERATING LEASES**

Rentals under operating leases are charged to the Statement of Financial Activities incorporating Income and Expenditure Account on a straight line basis over the lease term.

**1.10 DEBTORS**

Trade and other debtors are recognised at the settlement amount after any trade discount offered. Prepayments are valued at the amount prepaid net of any trade discounts due.

**1.11 CASH AT BANK AND IN HAND**

Cash at bank and in hand includes cash and short term highly liquid investments with a short maturity of three months or less from the date of acquisition or opening of the deposit or similar account.

**1.12 LIABILITIES AND PROVISIONS**

Liabilities and provisions are recognised when there is an obligation at the Balance Sheet date as a result of a past event, it is probable that a transfer of economic benefit will be required in settlement, and the amount of the settlement can be estimated reliably. Liabilities are recognised at the amount that the academy anticipates it will pay to settle the debt or the amount it has received as advanced payments for the goods or services it must provide. Provisions are measured at the best estimate of the amounts required to settle the obligation. Where the effect of the time value of money is material, the provision is based on the present value of those amounts, discounted at the pre-tax discount rate that reflects the risks specific to the liability. The unwinding of the discount is recognised within interest payable and similar charges.

**1.13 FINANCIAL INSTRUMENTS**

The academy only holds basic financial instruments as defined in FRS 102. The financial assets and financial liabilities of the academy and their measurement basis are as follows:

*Financial assets* - trade and other debtors are basic financial instruments and are debt instruments measured at amortised cost as detailed in note 13. Prepayments are not financial instruments. Cash at bank is classified as a basic financial instrument and is measured at face value.

*Financial liabilities* - trade creditors, accruals and other creditors are financial instruments, and are measured at amortised costs as detailed in note 14. Taxation and social security are not included in the financial instruments disclosure definition. Deferred income is not deemed to be a financial liability, as the cash settlement has already taken place and there is an obligation to deliver services rather than cash or another financial instruments.

**THE DURHAM UTC LIMITED**  
**(A Company Limited by Guarantee)**

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 AUGUST 2017**

**1. ACCOUNTING POLICIES (continued)**

**1.14 TAXATION**

The academy is considered to pass the tests set out in Paragraph 1 Schedule 6 of the Finance Act 2010 and therefore it meets the definition of a charitable company for UK corporation tax purposes. Accordingly, the academy is potentially exempt from taxation in respect of income or capital gains received within categories covered by Chapter 3 Part 11 of the Corporation Tax Act 2010 or Section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied exclusively to charitable purposes.

**1.15 PENSIONS**

Retirement benefits to employees of the academy trust are provided by the Teachers' Pension Scheme ("TPS") and the Local Governments Pension Scheme ("LGPS"). These are defined benefit schemes.

The TPS is an unfunded scheme and contributions are calculated so as to spread the cost of pensions over employees' working lives with the academy in such a way that the pension cost is a substantially level percentage of current and future pensionable payroll. The contributions are determined by the Government Actuary on the basis of quadrennial valuations using a prospective unit credit method. As stated in note 20, the TPS is a multi-employer scheme and there is insufficient information available to use defined benefit accounting. The TPS is therefore treated as a defined contribution scheme for accounting purposes and the contributions recognised in the period to which they relate.

The LGPS is a funded scheme and the assets are held separately from those of the academy trust in separate trustee administered funds. Pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis using the projected unit credit method and discounted at a rate equivalent to the current rate of return on a high quality corporate bond of equivalent term and currency to the liabilities. 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 is also recognised in the Statement of Financial Activities incorporating Income and Expenditure Account 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.

**1.16 AGENCY ARRANGEMENTS**

The academy acts as an agent distributing 16-19 bursary funds to students for the ESFA. Payments received from the ESFA and subsequent disbursements to students are excluded from the statement of financial activities as the academy does not have control over the charitable application of the funds. The funds received and paid are disclosed in note 23.

**THE DURHAM UTC LIMITED**  
**(A Company Limited by Guarantee)**

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 AUGUST 2017**

**1. ACCOUNTING POLICIES (continued)**

**1.17 CRITICAL ACCOUNTING ESTIMATES AND AREAS OF JUDGEMENT**

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Critical accounting estimates and assumptions:

The academy trust makes estimates and assumptions concerning the future. The resulting accounting estimates and assumptions will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

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. Furthermore a roll forward approach which projects results from the latest full actuarial valuation performed at 31 March 2016 has been used by the actuary in valuing the pensions liability at 31 August 2017. 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.

31 March 2016

Critical areas of judgment:

**Amortisation and Depreciation**

Amortisation of the website is calculated to write off the cost of the website, less the estimated residual value, over the expected useful life. An estimate of the useful life of the Website can be found in the Intangible fixed assets and amortisation accounting policy.

Depreciation is calculated so as to write off the cost of an asset, less its residual value, over the economic life of the asset. An estimate of the useful life of the assets is detailed in the tangible fixed assets and depreciation accounting policy.

As the assets have only recently been brought into use, the value of the amortisation and depreciation charges during the year were £441,000.

**THE DURHAM UTC LIMITED**  
(A Company Limited by Guarantee)

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 AUGUST 2017**

**2. INCOME FROM DONATIONS AND CAPITAL GRANTS**

	Unrestricted funds 2017 £000	Restricted funds 2017 £000	Restricted fixed asset funds 2017 £000	Total funds 2017 £000	Total funds 2016 £000
Donations	-	-	-	-	120
Capital Grants	-	-	1,155	1,155	8,779
	<u>-</u>	<u>-</u>	<u>1,155</u>	<u>1,155</u>	<u>8,899</u>
<i>Total 2016</i>	<u>-</u>	<u>120</u>	<u>8,779</u>	<u>8,899</u>	

**3. FUNDING FOR ACADEMY'S EDUCATIONAL OPERATIONS**

	Unrestricted funds 2017 £000	Restricted funds 2017 £000	Total funds 2017 £000	Total funds 2016 £000
<b>DfE/ESFA grants</b>				
General Annual Grant (GAG)	-	1,005	1,005	-
Post opening grant	-	238	238	151
UTC Transition grant	-	200	200	-
Pupil Premium	-	25	25	-
Other DfE/ESFA grants	-	30	30	-
	<u>-</u>	<u>1,498</u>	<u>1,498</u>	<u>151</u>
<b>Other government grants</b>				
Other government grants	-	8	8	-
	<u>-</u>	<u>8</u>	<u>8</u>	<u>-</u>
<b>Other funding</b>				
Sponsorship income	110	-	110	-
	<u>110</u>	<u>-</u>	<u>110</u>	<u>-</u>
	<u>110</u>	<u>1,506</u>	<u>1,616</u>	<u>151</u>
<i>Total 2016</i>	<u>-</u>	<u>151</u>	<u>151</u>	

**THE DURHAM UTC LIMITED**  
(A Company Limited by Guarantee)

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 AUGUST 2017**

**4. OTHER TRADING ACTIVITIES**

	Unrestricted funds 2017 £000	Restricted funds 2017 £000	Total funds 2017 £000	Total funds 2016 £000
Sundry income	23	-	23	-
Catering	2	-	2	-
	25	-	25	-
	25	-	25	-

**5. EXPENDITURE ON CHARITABLE ACTIVITIES**

	Staff costs 2017 £000	Premises 2017 £000	Other costs 2017 £000	Total 2017 £000	Total 2016 £000
Academy's educational operations:					
Direct costs	651	-	157	808	103
Support costs	335	378	430	1,143	155
	986	378	587	1,951	258
	986	378	587	1,951	258
<i>Total 2016</i>	89	-	169	258	
	89	-	169	258	

In 2017, of the total expenditure, £84,000 (2016 - NIL) was to unrestricted funds and £1,961,000 (2016 - £258,000) was to restricted funds.

There were no individual transactions exceeding £5,000 for:

- Compensation payments
- Gifts made by the trust
- Unrecoverable debts
- Fixed asset losses
- Stock losses
- Cash losses

	Total £	Individual items	
		Amount £	Reason/nature
Honorary payment	6,000	2,000	Additional duties pre opening of academy
		4,000	Additional duties pre opening of academy

The legal authority sought to make honorary payments was in compliance with the Academies Financial Handbook 2016, being delegated authority or approval from the Education and Skills Funding Agency.

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**FOR THE YEAR ENDED 31 AUGUST 2017**

**CHARITABLE ACTIVITIES**

	2017 £000	2016 £000
<b>DIRECT COSTS</b>		
Wages and salaries	492	72
National insurance	48	5
Pension cost	111	12
Educational supplies	59	1
Examination fees	33	-
Staff Development	18	-
Technology Costs	7	-
Educational Consultancy	8	-
Other direct costs	32	13
	808	103
<b>SUPPORT COSTS</b>		
Wages and salaries	273	-
National insurance	28	-
Pension costs	34	-
Depreciation	441	-
Amortisation	34	-
Net interest cost on pension scheme	1	-
Technology Costs	10	-
Travel and subsistence	-	4
Recruitment and support	6	-
Maintenance of premises and equipment	3	-
Cleaning	39	-
Rent	1	11
Rates	37	-
Energy	53	-
Insurance	5	-
Transport	35	-
Catering	39	-
Occupancy Costs	10	-
Bank interest and charges	4	-
Other support costs	79	113
Governance costs	11	27
	1,143	155
	1,951	258



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**6. NET INCOME/(EXPENDITURE)**

This is stated after charging:

	2017	2016
	£000	£000
Amortisation of intangible fixed assets	34	-
Depreciation of tangible fixed assets:		
- owned by the charity	441	-
Auditors' remuneration - audit	6	3
Operating lease rentals	10	-
	391	-

**7. STAFF COSTS**

Staff costs were as follows:

	2017	2016
	£000	£000
Wages and salaries	749	72
Social security costs	76	5
Operating costs of defined benefit pension schemes	145	12
	970	89
Supply teacher costs	16	-
	986	89

Included within operating costs of defined benefit pension schemes is a debit of £34,000 (2016: £Nil) relating to the pension deficit actuarial adjustment.

The average number of persons employed by the academy during the year was as follows:

	2017	2016
	No.	No.
Teachers	12	0
Administration & Support	10	0
Management	3	1
	25	1

The number of employees whose employee benefits (excluding employer pension costs) exceeded £60,000 was:

	2017	2016
	No.	No.
In the band £70,001 - £80,000	0	1
In the band £80,001 - £90,000	1	0

The key management personnel (senior leadership team) of the academy trust comprises the senior leadership team as listed on page 1. The total amount of employee benefits (including employer national insurance and employer pension contributions) received by key management personnel for their services to the academy trust was £231,000 (2016: £92,000).

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**8. TRUSTEES' REMUNERATION AND EXPENSES**

One or more Trustees has been paid remuneration or has received other benefits from an employment with the academy trust. The Principal and other staff Trustees only receive remuneration in respect of services they provide undertaking the roles of principal and other staff members under their contracts of employment, and not in respect of their role as Trustees, The value of Trustees' remuneration and other benefits was as follows:

		2017	2016
		£000	£000
TC Dower, Accounting Officer	Remuneration	85-90	70-75
	Pension contributions paid	10-15	10-15
M Reid	Remuneration	35-40	-
	Pension contributions paid	5-10	-

During the year, no Trustees received any benefits in kind (2016 - £NIL).

During the year ended 31 August 2017, expenses totalling £617 (2016 - £NIL) were reimbursed to 1 Trustee (2016 - £NIL).

**9. TRUSTEES' AND OFFICERS' INSURANCE**

The school has opted into the Department of Education's risk protection arrangement (RPA), an alternative to insurance where UK government funds cover losses that arise. This scheme protects Trustees and officers from claims arising from negligent acts, error or omissions occurring whilst on academy business and provides cover up to £10,000,000. It is not possible to quantify the Trustees and officers indemnity element from the overall cost of the RPA scheme.

**10. OTHER FINANCE INCOME**

	2017	2016
	£000	£000
Interest income on pension scheme assets	2	-
Interest on pension scheme liabilities	(3)	-
	<hr style="border-top: 1px solid black;"/> (1) <hr style="border-top: 1px solid black;"/>	<hr style="border-top: 1px solid black;"/> - <hr style="border-top: 1px solid black;"/>

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 AUGUST 2017**

**11. INTANGIBLE FIXED ASSETS**

	Software £000	Development expenditure £000	Total £000
<b>COST</b>			
At 1 September 2016	-	13	13
Additions	30	-	30
At 31 August 2017	<u>30</u>	<u>13</u>	<u>43</u>
<b>AMORTISATION</b>			
At 1 September 2016	-	-	-
Charge for the year	30	4	34
At 31 August 2017	<u>30</u>	<u>4</u>	<u>34</u>
<b>CARRYING AMOUNT</b>			
At 31 August 2017	<u>-</u>	<u>9</u>	<u>9</u>
At 31 August 2016	<u>-</u>	<u>13</u>	<u>13</u>

**12. TANGIBLE FIXED ASSETS**

	Freehold property £000	Assets under construction £000	Plant and machinery £000	Fixtures and fittings £000	Computer equipment £000	Total £000
<b>COST</b>						
At 1 September 2016	-	9,508	-	-	-	9,508
Additions	102	-	423	290	310	1,125
Transfer between classes	9,508	(9,508)	-	-	-	-
At 31 August 2017	<u>9,610</u>	<u>-</u>	<u>423</u>	<u>290</u>	<u>310</u>	<u>10,633</u>
<b>DEPRECIATION</b>						
At 1 September 2016	-	-	-	-	-	-
Charge for the year	188	-	113	55	85	441
At 31 August 2017	<u>188</u>	<u>-</u>	<u>113</u>	<u>55</u>	<u>85</u>	<u>441</u>
<b>NET BOOK VALUE</b>						
At 31 August 2017	<u>9,422</u>	<u>-</u>	<u>310</u>	<u>235</u>	<u>225</u>	<u>10,192</u>
At 31 August 2016	<u>-</u>	<u>9,508</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,508</u>

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**13. DEBTORS**

	2017	2016
	£000	£000
Trade debtors	9	-
VAT recoverable	2,166	1,735
Prepayments and accrued income	300	719
	<hr/>	<hr/>
	2,475	2,454
	<hr/>	<hr/>

**14. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	2017	2016
	£000	£000
Trade creditors	211	766
Other taxation and social security	20	5
Other creditors	2,135	1,690
Accruals and deferred income	32	729
	<hr/>	<hr/>
	2,398	3,190
	<hr/>	<hr/>

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**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 AUGUST 2017**

**15. STATEMENT OF FUNDS**

	Balance at 1 September 2016 £000	Income £000	Expenditure £000	Gains/ (Losses) £000	Balance at 31 August 2017 £000
<b>UNRESTRICTED FUNDS</b>					
General Funds - all funds	-	135	(84)	-	51
<b>RESTRICTED FUNDS</b>					
General Annual Grant (GAG)	-	1,005	(849)	-	156
Project Development Grant	7	-	(7)	-	-
Rates Grant	-	30	(30)	-	-
Pupil Premium	-	25	(25)	-	-
Other grants	-	8	(8)	-	-
Post opening grant	-	238	(238)	-	-
UTC Transition Grant	-	200	(200)	-	-
Pension reserve	-	-	(129)	36	(93)
	7	1,506	(1,486)	36	63
<b>RESTRICTED FIXED ASSET FUNDS</b>					
DFE/ESFA capital grants	9,508	1,155	(471)	-	10,192
Project development grant	13	-	(4)	-	9
	9,521	1,155	(475)	-	10,201
Total restricted funds	9,528	2,661	(1,961)	36	10,264
Total of funds	9,528	2,796	(2,045)	36	10,315

**STATEMENT OF FUNDS - PRIOR YEAR**

	Balance at 1 September 2015 £000	Income £000	Expenditure £000	Gains/ (Losses) £000	Balance at 31 August 2016 £000
<b>RESTRICTED FUNDS</b>					
Project Development Grant	(6)	151	(138)	-	7
Other Donations	-	120	(120)	-	-
	(6)	271	(258)	-	7

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**NOTES TO THE FINANCIAL STATEMENTS**  
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**15. STATEMENT OF FUNDS (continued)**

**RESTRICTED FIXED ASSET FUNDS**

DFE/ESFA capital grants	13	-	-	-	13
Project development grant	729	8,779	-	-	9,508
	<u>742</u>	<u>8,779</u>	<u>-</u>	<u>-</u>	<u>9,521</u>
Total restricted funds	<u>736</u>	<u>9,050</u>	<u>(258)</u>	<u>-</u>	<u>9,528</u>
Total of funds	<u><u>736</u></u>	<u><u>9,050</u></u>	<u><u>(258)</u></u>	<u><u>-</u></u>	<u><u>9,528</u></u>

The specific purposes for which the funds are to be applied are as follows:

The General Annual Grant (GAG) must be used for the normal running of the academy including salaries and related costs, overheads, repairs and maintenance, and insurance.

Pupil Premium is additional funding to be spent as the school sees fit to support deprived students.

Post Opening Grant is funding to be spent on the additional costs in establishing a new publicly-funded school which cannot be met through the General Annual Grant (GAG).

Transition Grant is a grant to ensure providers can access the best change management skills and have the capacity to make the changes at the pace required. The funding can be spent on relevant skills such as project management, legal, finance, due diligence.

The pension reserves is the liability due to the deficit on the Local Government Pension Scheme. Further details are shown in note 20.

The restricted fixed asset funds represent monies received to purchase fixed assets. Depreciation is charged against each fund over the useful economic life of the associated assets.

Unrestricted funds include the income from uniform sales, school trips and catering with the relevant costs allocated accordingly.

Under the funding agreement with the Secretary of State, the academy was not subject to a limit on the amount of GAG that it could carry forward at 31 August 2017.

**16. ANALYSIS OF NET ASSETS BETWEEN FUNDS**

	Unrestricted funds 2017 £000	Restricted funds 2017 £000	Restricted fixed asset funds 2017 £000	Total funds 2017 £000
Intangible fixed assets	-	-	9	9
Tangible fixed assets	-	-	10,192	10,192
Current assets	51	2,554	-	2,605
Creditors due within one year	-	(2,398)	-	(2,398)
Provisions for liabilities and charges	-	(93)	-	(93)
	<u>51</u>	<u>63</u>	<u>10,201</u>	<u>10,315</u>
	<u><u>51</u></u>	<u><u>63</u></u>	<u><u>10,201</u></u>	<u><u>10,315</u></u>

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**16. ANALYSIS OF NET ASSETS BETWEEN FUNDS (continued)**

**ANALYSIS OF NET ASSETS BETWEEN FUNDS - PRIOR YEAR**

	Unrestricted funds	Restricted funds	Restricted fixed asset funds	Total funds
	2016 £000	2016 £000	2016 £000	2016 £000
Intangible fixed assets	-	-	13	13
Tangible fixed assets	-	-	9,508	9,508
Current assets	-	3,197	-	3,197
Creditors due within one year	-	(3,190)	-	(3,190)
	<u>-</u>	<u>7</u>	<u>9,521</u>	<u>9,528</u>

**17. RECONCILIATION OF NET MOVEMENT IN FUNDS TO NET CASH FLOW FROM OPERATING ACTIVITIES**

	2017 £000	2016 £000
Net income for the year (as per Statement of Financial Activities)	751	8,792
<b>Adjustment for:</b>		
Depreciation charges	475	-
Increase in debtors	(21)	(1,914)
(Decrease)/increase in creditors	(792)	1,977
Capital grants from DfE and other capital income	(965)	(8,477)
Defined benefit pension scheme cost less contributions payable	128	-
Defined benefit pension scheme finance cost	1	-
<b>Net cash (used in)/provided by operating activities</b>	<u>(423)</u>	<u>378</u>

**18. ANALYSIS OF CASH AND CASH EQUIVALENTS**

	2017 £000	2016 £000
Cash in hand	130	743
Total	<u>130</u>	<u>743</u>

**19. CAPITAL COMMITMENTS**

At 31 August 2017 the academy had capital commitments as follows:

	2017 £000	2016 £000
Contracted for but not provided in these financial statements	<u>-</u>	<u>96</u>

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**NOTES TO THE FINANCIAL STATEMENTS**  
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**20. PENSION COMMITMENTS**

The academy's employees belong to two principal pension schemes: the Teacher's Pension Scheme for England and Wales (TPS) for academic and related staff; and the Local Government Pension Scheme (LGPS) for non-teaching staff, which is managed by Durham County Council. Both are Multi-Employer Defined Benefit Pension Schemes.

The latest actuarial valuation of the TPS related to the period ended 31 March 2015 and of the LGPS 31 March 2016.

Contributions amounting to £16,000 were payable to the schemes at 31 August 2017 (2016 - £2,000) and are included within creditors.

**Teachers' Pension Scheme**

**Introduction**

The Teachers' Pension Scheme (TPS) is a statutory, contributory, defined benefit scheme, governed by the Teachers' Pensions Regulations (2010) and, from 1 April 2014, by the Teachers' Pension Scheme Regulations 2014. Membership is automatic for full-time teachers in academies and, from 1 January 2007, automatic for teachers in part-time employment following appointment or a change of contract, although they are able to opt out.

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. Retirement and other pension benefits are paid by public funds provided by Parliament.

**Valuation of the Teachers' Pension Scheme**

The Government Actuary, using normal actuarial principles, conducts a formal actuarial review of the TPS in accordance with the Public Service Pensions (Valuations and Employer Cost Cap) Directions 2014 published by HM Treasury. The aim of the review is to specify the level of future contributions. Actuarial scheme valuations are dependent on assumptions about the value of future costs, design of benefits and many other factors. The latest actuarial valuation of the TPS was carried out as at 31 March 2012 and in accordance with the Public Service Pensions (Valuations and Employer Cost Cap) Directions 2014. The valuation report was published by the Department for Education on 9 June 2014. The key elements of the valuation and subsequent consultation are:

- employer contribution rates set at 16.48% of pensionable pay, including a 0.08% employer administration charge
- total scheme liabilities (pensions currently in payment and the estimated cost of future benefits) for service to the effective date of £191,500 million, and notional assets (estimated future contributions together with the notional investments held at the valuation date) of £176,600 million giving a notional past service deficit of £14,900 million
- an employer cost cap of 10.9% of pensionable pay will be applied to future valuations
- the assumed real rate of return is 3.0% in excess of prices and 2% in excess of earnings. The rate of real earnings growth is assumed to be 2.75%. The assumed nominal rate of return is 5.06%.

During the previous year the employer contribution rate was 16.48%. The TPS valuation for 2012 determined an employer rate of 16.4%, which was payable from September 2015. The next valuation of the TPS is currently underway based on April 2016 data, whereupon the employer contribution rate is expected to be reassessed and will be payable from 1 April 2019.

The employer's pension costs paid to TPS in the period amounted to £90,000 (2016 - £12,000).

A copy of the valuation report and supporting documentation is on the Teachers' Pensions website ([www.teacherspensions.co.uk/news/employers/2014/06/publication-of-the-valuation-report.aspx](http://www.teacherspensions.co.uk/news/employers/2014/06/publication-of-the-valuation-report.aspx)).



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**20. PENSION COMMITMENTS (continued)**

Under the definitions set out in FRS 102, the TPS is a multi-employer pension scheme. The trust has accounted for its contributions to the scheme as if it were a defined contribution scheme. The trust has set out above the information available on the scheme.

The LGPS is a funded defined benefit scheme, with assets held in separate trustee-administered funds. The total contribution made for the year ended 31 August 2017 was £30,000 (2016 - £NIL), of which employer's contributions totalled £21,000 (2016 - £NIL) and employees' contributions totalled £9,000 (2016 - £NIL). The agreed contribution rates for future years are 15.0% for employers and 5.5% - 12.5% for employees.

Parliament has agreed, at the request of the Secretary of State for Education, to a guarantee that, in the event of academy closure, outstanding Local Government Pension Scheme liabilities would be met by the Department for Education. The guarantee came into force on 18 July 2013.

Principal actuarial assumptions:

	2017	2016
Discount rate for scheme liabilities	2.50 %	- %
Rate of increase in salaries	3.40 %	- %
Rate of increase for pensions in payment / inflation	1.90 %	- %
Inflation assumption (CPI)	1.90 %	- %
Commutation of pensions to lump sums	80.00 %	- %
Inflation assumption (RPI)	3.00 %	- %

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

	2017	2016
Retiring today		
Males	23.2	
Females	24.9	
Retiring in 20 years		
Males	25.4	
Females	27.2	

	At 31 August 2017 £000	At 31 August 2016 £000
<b>Sensitivity analysis</b>		
Discount rate +0.1%	193	-
Discount rate -0.1%	205	-
Mortality assumption - 1 year increase	193	-
Mortality assumption - 1 year decrease	205	-
CPI rate +0.1%	202	-
CPI rate -0.1%	196	-

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**20. PENSION COMMITMENTS (continued)**

The academy's share of the assets in the scheme was:

	Fair value at 31 August 2017	Fair value at 31 August 2016
Equities	52	-
Government bonds	33	-
Corporate bonds	9	-
Property	8	-
Cash and other liquid assets	4	-
	<hr/>	<hr/>
Total market value of assets	106	-
	<hr/> <hr/>	<hr/> <hr/>

The actual return on scheme assets was £8,000 (2016 - £NIL).

The amounts recognised in the Statement of Financial Activities incorporating Income and Expenditure Account are as follows:

	2017 £000	2016 £000
Current service cost	(55)	-
Interest income	2	-
Interest cost	(3)	-
	<hr/>	<hr/>
Total	(56)	-
	<hr/> <hr/>	<hr/> <hr/>

Movements in the present value of the defined benefit obligation were as follows:

	2017 £000	2016 £000
Upon opening	163	-
Current service cost	55	-
Interest cost	3	-
Employee contributions	9	-
Actuarial gains	(30)	-
Benefits paid	(1)	-
	<hr/>	<hr/>
Closing defined benefit obligation	199	-
	<hr/> <hr/>	<hr/> <hr/>

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**20. PENSION COMMITMENTS (continued)**

Movements in the fair value of the academy's share of scheme assets:

	2017	2016
	£000	£000
Upon opening	69	-
Interest income	2	-
Actuarial gains	6	-
Employer contributions	21	-
Employee contributions	9	-
Benefits paid	(1)	-
	106	-
Closing fair value of scheme assets	106	-

**21. OPERATING LEASE COMMITMENTS**

At 31 August 2017 the total of the Academy Trust's future minimum lease payments under non-cancellable operating leases was:

	2017	2016
	£000	£000
<b>AMOUNTS PAYABLE:</b>		
Within 1 year	10	-
Between 1 and 5 years	18	-
	28	-
Total	28	-

**22. RELATED PARTY TRANSACTIONS**

Owing to the nature of the academy's operations and the composition of the Board of Trustees being drawn from local public and private sector organisations, transactions may take place with organisations in which the trust has an interest. All transactions involving such organisations are conducted at arm's length and in accordance with the academy's financial regulations and normal procurement procedures.

University of Sunderland a legally independent corporate institute who are also a sponsor of The Durham UTC Limited.

- The academy paid for recharges of all costs incurred by University of Sunderland on the academy trust's behalf totalling £NIL (2016: £105,000) during the period. The amount outstanding at 31 August 2017 totalled £12,000 (2016: £12,000) and were included in other creditors.
- The academy also received materials and training from Gestamp Tallent Limited amounting to £12,600 (2016: £NIL) during the period. The amount outstanding at 31 August 2017 totalled £12,600 (2016: £NIL).
- All transactions and recharges were made at arms' length in accordance with its financial regulations.
- In entering into transactions the academy trust has complied with the requirements of the Academies Financial Handbook 2016.

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**23. AGENCY ARRANGEMENTS**

The academy distributes 16-19 bursary funds to students as an agent for the ESFA. In the accounting period ending 31 August 2017 the academy received £11,000 and disbursed £5,000 from the fund. An amount of £6,000 is included in other creditors relating to undistributed funds that is repayable to ESFA.