

THE DURHAM UTC LIMITED
(A Company Limited by Guarantee)

ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2020

THE DURHAM UTC LIMITED
(A Company Limited by Guarantee)

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THE DURHAM UTC LIMITED
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REFERENCE AND ADMINISTRATIVE DETAILS

Members

P A Gallone representing Gestamp Tallent Limited
T Rutter representing Hitachi Rail Europe Limited
Prof. J I Timmis representing University of Sunderland

Trustees

D Land, Chair¹
Prof. G Holmes, Vice Chair¹
T C Dower, Accounting Officer¹
J Bailey
S C Brain (appointed 4 October 2019)
P A Gallone (resigned 31 August 2020)
N Harding
C Mullen (resigned 31 August 2020)¹
Prof. I G Neal
M I Reid (resigned 3 October 2019)
W A Reynoldson (appointed 7 February 2020)
L Shepherd (resigned 31 August 2020)
Prof. J I Timmis (appointed 4 October 2019)

¹ Resources and Finance Committee

Company registered number

08706625

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

T C Dower, Principal
D Glasebey, Vice Principal
C Purvis-Mawson, Vice Principal
J Smith, Vice Principal
J Bell, Director of Support Services

Of the above members of staff only two are classed as key management personnel.

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REFERENCE AND ADMINISTRATIVE DETAILS (CONTINUED)
FOR THE YEAR ENDED 31 AUGUST 2020

Independent auditors

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

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
(A Company Limited by Guarantee)

TRUSTEES' REPORT
FOR THE YEAR ENDED 31 AUGUST 2020

The Trustees present their annual report together with the financial statements and auditors' report of the charitable company for the year 1 September 2019 to 31 August 2020. The annual report serves the purposes of both a Trustees' report and a directors' report under company law.

The academy trust operates an academy for pupils aged 14-19 serving a catchment area across the North East of England. It has a pupil capacity of 600 and had a roll of 369 in the school census on 1 October 2020.

Structure, governance and management

Constitution

The academy trust is a charitable company limited by guarantee and an exempt charity.

The charitable company's Memorandum of Association is the primary governing document 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 UTC South Durham.

Details of the Trustees who served during the year, and to the date these accounts are approved 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 charitable 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 found in note 12.

THE DURHAM UTC LIMITED
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TRUSTEES' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 AUGUST 2020

Structure, governance and management (continued)

Method of recruitment and appointment or election of Trustees

The management of the academy trust is the responsibility of the Trustees who are elected and co-opted under the terms of the Memorandum of Association.

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 Principal 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 Principal, 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 Principal 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.

Policies adopted for the induction and training of Trustees

The training and induction provided for new Trustees depends on their existing experience. Where necessary induction and training is provided on charity, educational, legal and financial matters. All new Trustees are given a tour of the academy / academies and the chance to meet with leaders, staff and students. All Trustees are provided with copies of policies, procedures, minutes, accounts, budgets, plans and other documents that they will need to undertake their role as Trustees. As there are normally only one or two Trustees a year, induction tends to be done informally and is tailored specifically to the individual.

Organisational structure

Full Trustees' meetings occur three times a year and there are two main 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 and they meet three or four times a year and feed directly into the full Trustees' board. An additional Audit Committee and Policy Committees make recommendation to the Board.

Day to day management of the UTC lies with the Principal and a leadership team of three Vice Principals and Director of Support Services. Middle leadership of the UTC is centred on delivery of academic, technical and workplace learning, as well as student support.

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 27 September 2019. Section 13 of the Staff Pay Policy deals with the Senior Leadership Pay, including that of the Principal. 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 the Principal in post, the Policy states that the Governing Body is required to review the performance of the Principal 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.

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TRUSTEES' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 AUGUST 2020

Structure, governance and management (continued)

Objectives and activities

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 principal activity of the academy trust is the operation of University Technical College South Durham to provide education for students between the ages of 14 and 19 with an emphasis on STEM (Science, Technology, Engineering and Maths) learning.

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 a STEM emphasis and a specialism in advanced manufacturing and engineering.

Objectives, strategies and activities

The main objectives of the academy trust during the year ended 31 August 2020 are as summarised below:

- Establish UTC South Durham as a highly desirable place to study for students who are excited about STEM subjects, with a particular focus on the Post-16 offer.
- Ensure an efficient and financially sustainable organisation and long term viability as a UTC.
- Establish an inspirational learning environment where all of our students are safe, happy, confident and develop as young adults.
- Develop staff leadership and skills across the UTC so that all students have inspiring and well planned experiences.
- Establish an outstanding academic and technical education for all of our students leading to excellent outcomes.
- Prepare our students for the world of work by helping them to develop their workplace skills, ensuring superb destinations.

The activities undertaken to achieve these objectives are all intended to provide the highest quality of education in the public sector for students between 14 and 19, as well as to grow the UTC to ensure long term viability.

Public benefit

In setting objectives and planning for activities, the Trustees have given due consideration to general guidance published by the Charity Commission relating to public benefit, including the guidance 'Public benefit: running a charity (PB2)'.

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TRUSTEES' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 AUGUST 2020

Objectives and activities (continued)

Strategic report

Achievements and performance

Key performance indicators

As the academy trust was in its fourth year for the period of this report there is external pupil performance data to report and an external inspection by Ofsted. The relevant significant key performance indicators are listed in the objectives below.

1. Establish UTC South Durham as a highly desirable place to study for students who are excited about STEM subjects, with a particular focus on the Post-16 offer.

Marketing activity has led to an increase in post-16 recruitment (and this has been boosted further to 95 students in Year 12 in October 2020 (a 32% increase on last year). This was particularly pleasing given Covid-19 disruption to recruitment activity and concern from potential students about travel. Year 10 recruitment increased to 116 students (a 6% increase on last year), whilst total student numbers were up by 13%. Word of mouth continues to be our most powerful marketing tool, based on students enjoying the experience and excellent destinations.

2. Establish an inspirational learning environment where all of our students are safe, happy, confident and develop as young adults.

The atmosphere around the building continues to be purposeful and professional. Visitors comment on how our students come across as young professionals. Exclusions reduced dramatically again this year and are now lower than national average (rate of 7.7 exclusions per 100 students pro rata for the academic year). Attendance is now in line with national average for white British students at KS4 at 93.6% for the periods which were measurable outside of Covid disruption. Feedback from students and parents is clear that they feel well supported. The pandemic disruption has hit students hard and referrals to Children's Services and our own support staff has increased as a result.

3. Develop staff leadership and skills across the UTC so that all students have inspiring and well planned experiences.

The UTC was fully staffed for 2019-20, following an 8% turnover of staff in year. One new member of staff joined in September 2020 and the very stable team have been able to support our students well; this stability of staffing is very unusual in the UTC community. Leadership development programmes have been undertaken for both senior and middle leaders and those new to the roles in 2019 have become established in those positions. As the UTC is now entering its fifth year, the curriculum programmes and employer engagement activities have become well established (though some have not been possible due to Covid-19 disruption).

4. Establish an outstanding academic and technical education for all of our students leading to excellent outcomes.

Ofsted inspected the UTC in January 2019 and judged the provision to be Good across all categories. This was an excellent achievement for a new school and unusual in the context of UTCs. Post-16 outcomes were significantly improved in 2020, with 100% pass rate at A-level. Tech Level results (our flagship course) were 86% Distinction or above with 55% Distinction*, the best results for 20 miles.

2020 results were clearly strange in the context of lockdown and the exam grade changes. However, we were able to demonstrate improved quality of education and outcomes in many areas.

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TRUSTEES' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 AUGUST 2020

Strategic report (continued)

Achievements and performance (continued)

5. Prepare our students for the world of work by helping them to develop their workplace skills, ensuring superb destinations.

Destination outcomes were excellent again with a very high proportion of students achieving apprenticeships at age 18, with a dramatic increase in degree level apprenticeship to 62% of those undertaken. This was particularly pleasing in the context of national lockdown and unemployment rising. For the third year in a row, all students who wanted to go to university have done so and all are studying STEM subjects. Destinations after Year 11 are being finalised but are likely to be 100% successful. 44% of Year 11 students continued at the UTC for Post-16.

The UTC's reputation continues to grow amongst businesses and within the education sector. We now work with over 160 businesses and have a core employer group of 11 businesses who help guide our educational approach. Student recruitment is significantly due to word of mouth. 94% of parents said that they would recommend the UTC to other parents – Ofsted Survey

6. Ensure an efficient and financially sustainable organisation and long term viability as a UTC.

Long term viability of the UTC depends on three key elements; student recruitment, managing costs and fundraising. Funding from the ESFA does not adequately cover the full experience that UTC students receive and benchmarking with other schools is not entirely relevant for UTCs. The UTC achieved a pupil to teacher ratio (PTR) of 11.9 for 2019-20, which was close to the UTC average of 12 but below target of 14. This is considerably below national average PTR for schools and reflects the longer working week, the specialist curriculum and small class sizes, all of which are fundamental elements of a UTC education. The teacher contact ratio was 78%; the UTC runs a 31 hour week so staff at the UTC have a heavier workload than in other education establishments with 26 contact hours per week of lessons, with additional mentor time and duties.

Going concern

After making appropriate enquiries, 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 they continue 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 accounting policies.

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TRUSTEES' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 AUGUST 2020

Strategic report (continued)

Achievements and performance (continued)

Financial review

Financial review

Most of the academy trust's income is obtained from the Department of Education (DfE) via the Education and Skills Funding Agency (ESFA) in the form of recurrent grants, the use of which is restricted to particular purposes. The grants received from the DfE/ESFA during the year ended 31 August 2020 and the associated expenditure are shown as restricted funds in the Statement of Financial Activities.

The academy trust also received grants for fixed assets from the DfE/ESFA. In accordance with the Charities Statement of Recommended practice, 'Accounting and Reporting by Charities' (FRS 102), such grants are shown under 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.

In addition the UTC received funding from parents to support transport costs from their children, from small grants from the IMechE and local Area Action Partnership and small scale income from lettings of sports and IT facilities.

During the year ended 31 August 2020, total expenditure of £3,257,000 was in excess of recurrent grant funding from DfE/ESFA together with other incoming resources. The excess of expenditure over income for the year (before transfers and actuarial losses and excluding restricted fixed asset funds) was £361,000.

The in-year deficit, excluding the pension reserve and restricted fixed asset funds, was £272,000.

All of the expenditure shown in the Statement of Financial Activities is in furtherance of the academy trust's objectives.

At 31 August 2020 net book value of fixed assets was £9,488,000 and movements in tangible fixed assets are shown in notes 13 and 14 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 LGPS pension scheme, resulting in a deficit of £456,000 recognised on the Balance Sheet.

The academy trust held fund balances as at 31 August 2020 of £8,931,000 comprising £9,527,000 of restricted fixed asset funds, a pension deficit of £456,000 and a deficit of £140,000 unrestricted funds.

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TRUSTEES' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 AUGUST 2020

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 salaries and associated costs for one month.

As at 31 August 2020 the academy trust has a deficit on available reserves of £140,000, comprising of restricted general funds (excluding pension reserves) of £nil and a deficit on unrestricted funds of £140,000.

The trust has agreed the repayment of the pupil number adjustment (PNA) during 2020/21. As a result the trust will require a loan from the ESFA, which the ESFA have agreed.

The trust has a growth and financial viability strategy which involves three key elements:

- Growth, including introduction of Year 9, the launch of T-levels in 2022 and further expansion of the engineering technician programme at Post-16. This will see student numbers rise significantly over the next three years, leading to increased economies of scale efficiency.
- Cost management, including tightening of student to teacher ratio and reduction in non-staff costs
- Fundraising, involving the establishment of the North East STEM Foundation, a fundraising charity, as well as working with employers to bring in additional income to support the elements of a UTC education which are not funded by the government.

Investment policy

The Trustees attitude is "risk averse". Investments therefore take the form of cash balances.

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TRUSTEES' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 AUGUST 2020

Principal risks and uncertainties

The principal risks and uncertainties are centered on changes in the level of funding from DfE/ESFA. In addition, the academy trust is a member of the Local Government Pension Scheme (LGPS), which results in the recognition of a significant deficit on the academy trust Balance Sheet.

The Trustees have assessed the major risks, to which the academy trust is exposed, in particular those relating specifically to teaching provision of facilities and other operational areas of the academy trust, and its finances. The Trustees have implemented a number of systems to assess risks that the school faces, especially in the operational areas (e.g. in relation to teaching, health and safety, bullying and school visits) and in relation to the control of finance. Where significant financial risk still remains they have ensured they have adequate insurance cover. The academy trust has an effective system of internal financial controls and this is explained in more detail in the Governance Statement.

The academy trust has fully implemented the requirements of the Safe Recruitment procedures and all staff have received training in this area in addition to training on Child Protection.

The academy trust is subject to a number of risks and uncertainties in common with other academies. The academy trust has in place procedures to identify and mitigate financial risks.

The impact of the Covid-19 pandemic has been significant on the UTC's students. This has led to loss of learning and increased costs. While this is broadly in common with other schools, the wide UTC catchment area has exacerbated this effect.

Fundraising

The academy trust has been engaging in fundraising activities in order to support the additional education which is delivered for students beyond that which is funded by the ESFA. This has included support for the set up of a fundraising charity, the North East STEM Foundation, engaging with the contracted services of a fundraising consultant, and the submission of bids to local and national charities and funders.

Plans for future periods

During the year 2020-21 the academy trust is working on delivery of a high quality education for students and ensuring that they move onto excellent destinations. This work must be particularly focused given the challenges to this generation of students because of Covid-19 disruption.

The Trust's key objectives over the next 3 years are:

- Ensure our students are career-ready, through a relentless focus on the Student Leaver Profile and giving them high quality experiences.
- Establish an outstanding academic and technical education for all of our students, through high quality teaching and learning, leading to excellent outcomes.
- Support all students to be life-ready and mature as young adults, by developing their Core Skills, confidence and wellbeing.
- Amplify our positive reputation amongst potential students, the sub-regional community, and education and business sectors as the place to be for academic, technical and career education.
- Ensure long-term viability through strategic expansion, with a wider age range and programmes to meet the needs of our learners and business partners.
- Run an efficient organisation to ensure good use of staff, quality of support services and financial value.

THE DURHAM UTC LIMITED
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TRUSTEES' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 AUGUST 2020

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 steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the 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 25 January 2021 and signed on its behalf by:

D Land
Chair of Trustees

A handwritten signature in dark ink, consisting of several overlapping loops and a long horizontal stroke extending to the right.

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.

As Trustees, we have reviewed and taken account of the guidance in DfE's Governance Handbook and competency framework for governance.

The Board of Trustees has delegated the day-to-day responsibility to the Principal, 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 has formally met 3 times during the year. To maintain effective oversight of all financial matters the Resources and Finance Committee which is a sub committee formally meet an additional 4 times to oversee the academy trusts financial affairs.

Attendance during the year at meetings of the Board of Trustees was as follows:

Trustee	Meetings attended	Out of a possible
D Land, Chair	3	3
Prof. G Holmes, Vice Chair	3	3
T C Dower, Accounting Officer	3	3
J Bailey	2	3
S C Brain	3	3
P A Gallone	0	1
N Harding	3	3
C Mullen	3	3
Prof. I G Neal	3	3
M I Reid	0	0
W A Reynoldson	1	2
L Shepherd	3	3
Prof. J I Timmis	3	3

The academy trust considered governance at every meeting and met 3 times as a full group during the academic year. During 2019/20 the Trustees approved a suite of policy and procedure documents in order to comply with educational governance practices. 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 or currently under review 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.

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 Principal is Accounting Officer and is also the Chief Executive Officer of the trust/company.

Trustees recognise the need for a skills audit and review of governance in the Year 2020-21. This has been delayed due to Covid-19 disruption but will be carried out as soon as possible. Part of this can be done virtually.

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GOVERNANCE STATEMENT (CONTINUED)

Governance (continued)

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 during the year at meetings was as follows:

Trustee	Meetings attended	Out of a possible
D Land	4	4
Prof. G Holmes	4	4
T C Dower	4	4
C Mullen	4	4

In this year, the Resources and Finance Committee also served as the Audit Committee, but under the Chairmanship of Prof. G Holmes. There were two formal meetings of the Audit committee with full attendance.

Review of value for money

As Accounting Officer, the Principal 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.

A School Resource Management Advisor (SRMA) was engaged at the start of the period to review the finances and benchmark against other schools. He undertook a detailed review of costs, staffing levels and potential income opportunities. Most of the advice was about reducing costs, particularly staffing, by reducing the education hours in the week, removing expensive subjects and increasing class sizes. While some areas of savings were adopted (increase in class size for some subjects, reducing the support staff team size), we disagreed with many of the findings which would have removed the technical and workplace focus of the UTC. However, the review was useful because it prompted more detailed analysis of costs and allowed us to tighten non staff spend (such as energy use) and avoid replacing three members of staff who left during the year. Savings identified from that review totalled £173,000 for the year.

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 on-going process designed to identify and prioritise 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 system of internal control has been in place in The Durham UTC Limited for the year 1 September 2019 to 31 August 2020 and up to the date of approval of the annual report and financial statements.

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GOVERNANCE STATEMENT (CONTINUED)

Capacity to handle risk

The Board of Trustees has reviewed the key risks to which the academy trust is exposed together with the operating, financial and compliance controls that have been implemented to mitigate those risks. The Board of Trustees is of the view that there is a formal ongoing process for identifying, evaluating and managing the academy trust's significant risks that has been in place for the year 1 September 2019 to 31 August 2020 and up to the date of approval of the annual report and financial statements. This process is regularly reviewed by the Board of Trustees.

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
- regular reviews by the Finance and General Purposes Committee of reports which indicate financial performance against the forecasts and of major purchase plans, capital works and expenditure programmes
- setting targets to measure financial and other performance
- clearly defined purchasing (asset purchase or capital investment) guidelines
- identification and management of risks

The Board of Trustees has decided not to appoint an internal auditor. However, the Trustees have appointed V Robinson, the Financial Director of Kenton Schools Academy Trust, to perform a peer review.

The reviewer'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.

On a termly basis, the reviewer 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 Trustees' financial responsibilities.

This work progressed as expected through the first half of the year but was considerably disrupted by the onset of Covid-19 lockdown; a programme has been agreed for the review work to continue through 2020/21.

Review of effectiveness

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

- on discharge of the Board of Trustees financial decisions to help the committee consider actions and assess year on year progress
- the work of the reviewer;
- the work of the external auditors;
- 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 Resource and Finance committee and a plan to ensure continuous improvement of the system is in place.

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GOVERNANCE STATEMENT (CONTINUED)

Approved by order of the members of the Board of Trustees on 25 January 2021 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 & Skills Funding Agency (ESFA) of material irregularity, impropriety and non-compliance with terms and conditions of all funding received by the academy trust, 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 2019.

I confirm that I and the academy trust Board of Trustees are able to identify any material irregular or improper use of all 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 2019.

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 Dower
Accounting Officer
Date: 25 January 2021



THE DURHAM UTC LIMITED
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STATEMENT OF TRUSTEES' RESPONSIBILITIES
FOR THE YEAR ENDED 31 AUGUST 2020

The Trustees (who 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 Academies Accounts Direction published 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 2019 and the Academies Accounts Direction 2019 to 2020;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards 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 DfE/ESFA 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 and signed on its behalf by:



D Land
Chair of Trustees
Date: 25 January 2021

THE DURHAM UTC LIMITED
(A Company Limited by Guarantee)

**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 (the 'academy trust') for the year ended 31 August 2020 which comprise the Statement of Financial Activities, 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 Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland', the Charities SORP 2019 and the Academies Accounts Direction 2019 to 2020 issued by the Education and Skills Funding Agency.

In our opinion the financial statements:

- give a true and fair view of the state of the academy trust's affairs as at 31 August 2020 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 2019 and the Academies Accounts Direction 2019 to 2020 issued by the Education and Skills Funding Agency.

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 Auditors' responsibilities for the audit of the financial statements section of our report. We are independent of the academy trust 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.

Material uncertainty related to going concern

We draw attention to section 1.5 'Going Concern' of Note 1 in the financial statements which indicated that, whilst Trustees are satisfied that have sufficient measures in place, the UTC faces challenges over the next 12 months brought about by a significant deficit in reserves and a large Pupil Number Adjustment (PNA) due back to the ESFA. As noted in section 1.5 of Note 1, these events or conditions indicate that a material uncertainty exists that could cast doubt on the UTC's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

THE DURHAM UTC LIMITED
(A Company Limited by Guarantee)

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

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 Auditors' Report thereon. Other information includes the Reference and Administrative Details, the Trustees' Report including the Strategic Report, and the Governance Statement. 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 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 the financial year for which the financial statements are prepared is consistent with the financial statements.
- the Trustees' Report and the Strategic Report have 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 trust 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' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

THE DURHAM UTC LIMITED
(A Company Limited by Guarantee)

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

Responsibilities of trustees

As explained more fully in the Trustees' Responsibilities Statement, the Trustees (who are also the directors of the academy trust 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 trust'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 trust or to cease operations, or have no realistic alternative but to do so.

Auditors' 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 Auditors' 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. This description forms part of our Auditors' Report.

Use of our report

This report is made solely to the academy trust'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 trust's members those matters we are required to state to them in an Auditors' 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 trust and its members, as a body, for our audit work, for this report, or for the opinions we have formed.



Christopher Beaumont BA (Hons) BFP FCA DChA (Senior Statutory Auditor)
for and on behalf of
Clive Owen LLP
Chartered Accountants
and Statutory Auditor
140 Coniscliffe Road

Darlington
County Durham
DL3 7RT

25 January 2021

THE DURHAM UTC LIMITED
(A Company Limited by Guarantee)

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

In accordance with the terms of our engagement letter dated 19 September 2019 and further to the requirements of the Education and Skills Funding Agency (ESFA) as included in the Academies Accounts Direction 2019 to 2020, 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 2019 to 31 August 2020 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 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 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 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 accountant

The Accounting Officer is responsible, under the requirements of The Durham UTC Limited's funding agreement with the Secretary of State for Education dated 19 September 2019 and the Academies Financial Handbook, extant from 1 September 2019, 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 2019 to 2020. 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 2019 to 31 August 2020 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 2019 to 2020 issued by 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 trust's income and expenditure.

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;
- Review documentation provided to Trustees and Accounting Officer setting out responsibilities;
- Obtain formal letters of representation detailing the responsibilities of Trustees;
- 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 registers of interests;
- Review related party transactions;

THE DURHAM UTC LIMITED
(A Company Limited by Guarantee)

**INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON REGULARITY TO THE
DURHAM UTC LIMITED AND THE EDUCATION & SKILLS FUNDING AGENCY (CONTINUED)**

Approach continued:

- Review of borrowing agreements;
- Review of land and building transactions;
- Review of potential and actual bad debts;
- Review an instance of gifts/hospitality to ensure in line with policy;
- Review whistleblowing procedures;
- Review pay policy and factors determining executive pay;
- Review of staff expenses;
- Review other income to ensure is in line with funding agreement;
- Review governance structure and number of meetings held; and
- Review whether there is a risk register in place.

Conclusion

In the course of our work, nothing has come to our attention which suggest in all material respects the expenditure disbursed and income received during the year 1 September 2019 to 31 August 2020 has not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.

Clive Owen

Clive Owen LLP
Reporting Accountant

140 Coniscliffe Road
Darlington
County Durham
DL3 7RT

Date: 25 January 2021

THE DURHAM UTC LIMITED
(A Company Limited by Guarantee)

**STATEMENT OF FINANCIAL ACTIVITIES (INCORPORATING INCOME AND EXPENDITURE ACCOUNT)
FOR THE YEAR ENDED 31 AUGUST 2020**

	Note	Unrestricted funds 2020 £000	Restricted funds 2020 £000	Restricted fixed asset funds 2020 £000	Total funds 2020 £000	Total funds 2019 £000
Income from:						
Donations and capital grants	3	9	13	52	74	221
Charitable activities		44	2,404	-	2,448	2,747
Other trading activities		50	-	-	50	61
Investments	6	1	-	-	1	2
Total income		104	2,417	52	2,573	3,031
Expenditure on:						
Raising funds		-	49	-	49	38
Charitable activities		376	2,457	375	3,208	3,428
Total expenditure		376	2,506	375	3,257	3,466
Net expenditure		(272)	(89)	(323)	(684)	(435)
Transfers between funds	17	-	(7)	7	-	-
Net movement in funds before other recognised gains/(losses)		(272)	(96)	(316)	(684)	(435)
Other recognised gains/(losses):						
Actuarial losses on defined benefit pension schemes	25	-	(28)	-	(28)	(81)
Net movement in funds		(272)	(124)	(316)	(712)	(516)
Reconciliation of funds:						
Total funds brought forward		132	(332)	9,843	9,643	10,159
Net movement in funds		(272)	(124)	(316)	(712)	(516)
Total funds carried forward		(140)	(456)	9,527	8,931	9,643

THE DURHAM UTC LIMITED
(A Company Limited by Guarantee)
REGISTERED NUMBER: 08706625

BALANCE SHEET
AS AT 31 AUGUST 2020

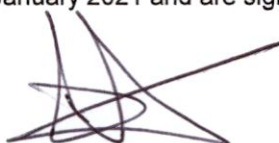
	Note	2020 £000	2019 £000
Fixed assets			
Intangible assets	13	-	3
Tangible assets	14	9,488	9,807
		<hr/>	<hr/>
		9,488	9,810
Current assets			
Debtors	15	90	162
Cash at bank and in hand		356	461
		<hr/>	<hr/>
		446	623
Creditors: amounts falling due within one year	16	(547)	(458)
		<hr/>	<hr/>
Net current liabilities / assets		(101)	165
Total assets less current liabilities		<hr/>	<hr/>
		9,387	9,975
Net assets excluding pension liability		<hr/>	<hr/>
		9,387	9,975
Defined benefit pension scheme liability	25	(456)	(332)
		<hr/>	<hr/>
Total net assets		<hr/> <hr/>	<hr/> <hr/>
		8,931	9,643

THE DURHAM UTC LIMITED
(A Company Limited by Guarantee)
REGISTERED NUMBER: 08706625

BALANCE SHEET (CONTINUED)
AS AT 31 AUGUST 2020

	Note	2020 £000	2019 £000
Funds of the academy trust			
Restricted funds:			
Fixed asset funds	17	9,527	9,843
Restricted funds excluding pension asset	17	9,527	9,843
Pension reserve	17	(456)	(332)
Total restricted funds	17	9,071	9,511
Unrestricted income funds	17	(140)	132
Total funds		<u>8,931</u>	<u>9,643</u>

The financial statements on pages 23 to 55 were approved by the Trustees, and authorised for issue on 25 January 2021 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 2020

	Note	2020 £000	2019 £000
Cash flows from operating activities			
Net cash (used in)/provided by operating activities	19	(74)	47
Cash flows from investing activities	20	(31)	34
Change in cash and cash equivalents in the year		(105)	81
Cash and cash equivalents at the beginning of the year		461	380
Cash and cash equivalents at the end of the year	21, 22	<u>356</u>	<u>461</u>

THE DURHAM UTC LIMITED
(A Company Limited by Guarantee)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2020**

1. Accounting policies

A summary of the principal accounting policies adopted (which have been applied consistently, except where noted), judgements 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 historic 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 2019 to 2020 issued by ESFA, the Charities Act 2011 and the Companies Act 2006.

1.2 Fund accounting

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

Restricted fixed asset funds are resources which are to be applied to specific capital purposes imposed by the funders 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/donor and include grants from the Department for Education Group.

1.3 Income

All incoming resources are recognised when the academy trust has entitlement to the funds, the receipt is probable and the amount can be measured reliably.

• **Grants**

Grants are included in the Statement of Financial Activities 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 meeting any performance-related conditions there is not unconditional entitlement to the income and its recognition is deferred and included in creditors as deferred income until the performance-related conditions are met. Where entitlement occurs before income is received, the income is accrued.

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

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

• **Sponsorship income**

Sponsorship income provided to the academy trust which amounts to a donation is recognised in the Statement of Financial Activities in the year in which it is receivable (where there are no performance-related conditions) where receipt is probable and it can be measured reliably.

• **Donations**

Donations are recognised on a receivable basis (where there are no performance-related conditions) where the receipt is probable and the amount can be reliably measured.

THE DURHAM UTC LIMITED
(A Company Limited by Guarantee)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2020

1. Accounting policies (continued)

1.3 Income (continued)

- **Other income**

Other income, including the hire of facilities, is recognised in the year it is receivable and to the extent the academy trust has provided the goods or services.

- **Donated fixed assets (excluding transfers on conversion or into the academy trust)**

Where the donated good is a fixed asset it is measured at fair value, unless it is impractical to measure this reliably, in which case the cost of the item to the donor should be used. The gain is recognised as income from donations and a corresponding amount is included in the appropriate fixed asset category and depreciated over the useful economic life in accordance with the academy trust's accounting policies.

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 raising funds**

This includes all expenditure incurred by the academy trust to raise funds for its charitable purposes and includes costs of all fundraising activities events and non-charitable trading.

- **Charitable activities**

These are costs incurred on the academy trust's educational operations, including support costs and costs relating to the governance of the academy trust apportioned to charitable activities.

All resources expended are inclusive of irrecoverable VAT.

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 trust 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, thus they continue to adopt the going concern basis of accounting in preparing the financial statements.

Due to the accumulated deficit in the unrestricted funds the academy trust is subject to additional monitoring by the Education and Skills Funding Agency (ESFA) to ensure the academy trust is adequately managing its deficit. The trust has agreed the repayment of the pupil number adjustment (PNA) during 2020/21. As a result the trust will require a loan from the ESFA, which the ESFA have agreed.

THE DURHAM UTC LIMITED
(A Company Limited by Guarantee)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2020

1. Accounting policies (continued)

1.5 Going concern (continued)

The trust has a growth and financial viability strategy which involves three key elements:

- Growth, including introduction of Year 9, the launch of T-levels in 2022 and further expansion of the engineering technician programme at Post-16. This will see student numbers rise significantly over the next three years, leading to increased economies of scale efficiency.
- Cost management, including tightening of student to teacher ratio and reduction in non-staff cost
- Fundraising, involving the establishment of the North East STEM Foundation, a fundraising charity, as well as working with employers to bring in additional income to support the elements of a UTC education which are not funded by the government.

1.6 Intangible assets

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 on intangible assets at rates calculated to write off the cost of each asset on a straight-line basis over its expected useful life.

Amortisation is provided on the following bases:

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

1.7 Tangible fixed assets

Assets costing £1,000 or more are capitalised as tangible fixed assets and are carried at cost, net of depreciation and any provision for impairment.

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 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. Where tangible fixed assets have been acquired with unrestricted funds, depreciation on such assets is charged to the unrestricted fund.

Depreciation is provided on all tangible fixed assets other than freehold land and assets under construction, at rates calculated to write off the cost of each asset on a straight-line basis over its expected useful life.

THE DURHAM UTC LIMITED
(A Company Limited by Guarantee)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2020

1. Accounting policies (continued)

1.7 Tangible fixed assets (continued)

Depreciation is provided on the following bases:

Freehold buildings	- over 50 years
Freehold land	- none provided
Furniture and equipment	- over 5 years
Plant and machinery	- over 1 year and over 10 years
Computer equipment	- over 3 year and over 4 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.

1.8 Interest receivable

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

1.9 Operating leases

Rentals paid under operating leases are charged to the Statement of Financial Activities 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 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 trust 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 recognised when the academy trust has an obligation at the reporting date as a result of a past event which it is probable will result in the transfer of economic benefits and the obligation can be estimated reliably.

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.

THE DURHAM UTC LIMITED
(A Company Limited by Guarantee)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2020

1. Accounting policies (continued)

1.13 Financial instruments

The academy trust only holds basic financial instruments as defined in FRS 102. The financial assets and financial liabilities of the academy trust and their measurement bases 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 15. 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 cost as detailed in note 16. 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 instrument.

1.14 Taxation

The academy trust 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 trust is potentially exempt from taxation in respect of income or capital gains received within categories covered by Part 11, chapter 3 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 Government 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 trust 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. TPS is an unfunded multi-employer scheme with no underlying assets to assign between employers. Consequently, the TPS is 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 multi-employer 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/asset is also recognised in the Statement of Financial Activities 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.

THE DURHAM UTC LIMITED
(A Company Limited by Guarantee)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2020

1. Accounting policies (continued)

1.16 Agency arrangements

The academy trust acts as an agent in distributing 16-19 bursary funds from ESFA. Payments received from ESFA and subsequent disbursements to students are excluded from the Statement of Financial Activities as the academy trust does not have control over the charitable application of the funds. The trust can use up to 5% of the allocation towards its own administration costs and this is recognised in the statement of financial activities. The funds received and paid and any balances held are disclosed in note 27.

2. Critical accounting estimates and areas of judgement

Estimates and judgements 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 or income for pensions include the discount rate. Any changes in these assumptions, which are disclosed in note 25, 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 2019 has been used by the actuary in valuing the pensions liability at 31 August 2020. 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. In the current year the actuary has made assumptions to estimate the liability associated with McCloud Sargeant (McCloud) and GMP Indexation and Equalisation (GMP).

Amortisation and Depreciation – Amortisation is calculated so as to write off the cost of the website, less its residual value, over the economic life of that asset. An estimate of the useful life of the website is detailed in the Intangible fixed assets and amortisation accounting policy. The value of amortisation charge during the year was £3,000.

Depreciation is calculated so as to write off the cost of an asset, less its residual value, over the economic life of that asset. An estimate of the useful life of assets is detailed in the depreciation accounting policy. The value of depreciation charge during the year was £372,000.

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FOR THE YEAR ENDED 31 AUGUST 2020**

3. Income from donations and capital grants

	Unrestricted funds 2020 £000	Restricted funds 2020 £000	Restricted fixed asset funds 2020 £000	Total funds 2020 £000	Total funds 2019 £000
Donations	9	13	4	26	30
Capital Grants	-	-	48	48	191
	<u>9</u>	<u>13</u>	<u>52</u>	<u>74</u>	<u>221</u>
Total 2019	<u>-</u>	<u>30</u>	<u>191</u>	<u>221</u>	

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4. Funding for the academy trust's educational operations

	Unrestricted funds 2020 £000	Restricted funds 2020 £000	Total funds 2020 £000	Total funds 2019 £000
DfE/ESFA grants				
General Annual Grant (GAG)	-	1,922	1,922	2,174
Start Up Grants	-	245	245	308
Pupil Premium	-	89	89	83
Rates	-	30	30	30
Teachers' pay grant	-	26	26	16
Other DfE Group grants	-	81	81	7
	-	2,393	2,393	2,618
Other Government grants				
SEN	-	1	1	10
Local Authority grants	-	-	-	27
Other Government grants	-	-	-	6
	-	1	1	43
Other funding				
Sponsorship Income	-	-	-	70
Government non grant income	-	10	10	-
Non Government non grant income	9	-	9	-
Student Trips	35	-	35	16
	44	10	54	86
	44	2,404	2,448	2,747
Total 2019	76	2,671	2,747	

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5. Income from other trading activities

	Unrestricted funds 2020 £000	Total funds 2020 £000	Total funds 2019 £000
Income from facilities and services	40	40	52
Other Income	10	10	9
	<u>50</u>	<u>50</u>	<u>61</u>
Total 2019	<u>61</u>	<u>61</u>	

6. Investment income

	Unrestricted funds 2020 £000	Total funds 2020 £000	Total funds 2019 £000
Bank interest	<u>1</u>	<u>1</u>	<u>2</u>
Total 2019	<u>2</u>	<u>2</u>	

THE DURHAM UTC LIMITED
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**NOTES TO THE FINANCIAL STATEMENTS
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7. Expenditure

	Staff Costs 2020 £000	Premises 2020 £000	Other 2020 £000	Total 2020 £000	Total 2019 £000
Expenditure on fundraising trading activities:					
Allocated support costs	-	-	49	49	38
Academy trusts's educational operations:					
Direct costs	1,666	-	248	1,914	2,026
Allocated support costs	489	436	369	1,294	1,402
	<u>2,155</u>	<u>436</u>	<u>666</u>	<u>3,257</u>	<u>3,466</u>
Total 2019	<u>2,216</u>	<u>451</u>	<u>799</u>	<u>3,466</u>	

In 2020, of the total expenditure, £376,000 (2019 - £133,000) was to unrestricted funds and £2,881,000 (2019 - £3,333,000) was to restricted funds.

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

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

Included within expenditure is debt written off totalling £16,000. The academy trust paid for consultancy and legal fees on behalf of NE Stem Foundation (a CIO in which T Dower and D Land are Trustees) which could not be reclaimed from the CIO.

There were no ex-gratia payments during this period.

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2020**

8. Analysis of expenditure by activities

	Activities undertaken directly 2020 £000	Support costs 2020 £000	Total funds 2020 £000	Total funds 2019 £000
Academy trust's educational operations	1,914	1,294	3,208	3,428
Total 2019	2,026	1,402	3,428	

Analysis of direct costs

	Total funds 2020 £000	Total funds 2019 £000
Staff costs	1,666	1,773
Educational supplies	55	55
Examination fees	64	91
Staff development	2	3
Technology costs	21	19
Educational consultancy	77	67
Staff expenses	4	5
Transport	7	10
Other costs	18	3
	1,914	2,026

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FOR THE YEAR ENDED 31 AUGUST 2020**

8. Analysis of expenditure by activities (continued)

Analysis of support costs

	Total funds 2020 £000	Total funds 2019 £000
Net finance costs on pension scheme	6	3
Staff costs	489	443
Depreciation and Amortisation	375	431
Staff development	2	10
Technology costs	51	64
Staff expenses	2	3
Transport	70	122
Maintenance of premises	42	27
Cleaning	41	51
Other premises costs	24	24
Energy	47	55
Rent and rates	30	30
Insurance	8	10
Operating lease rentals	10	12
Catering	35	46
Other costs	53	66
Governance costs	9	5
	<u>1,294</u>	<u>1,402</u>

9. Net expenditure

Net expenditure for the year includes:

	2020 £000	2019 £000
Operating lease rentals	10	12
Depreciation of tangible fixed assets	372	428
Amortisation of intangible assets	3	3
Loss on disposal of fixed assets	-	11
Fees paid to auditors for:		
- audit	<u>8</u>	<u>5</u>

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**NOTES TO THE FINANCIAL STATEMENTS
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10. Staff

a. Staff costs

Staff costs during the year were as follows:

	2020 £000	2019 £000
Wages and salaries	1,546	1,632
Social security costs	157	159
Pension costs	418	381
	<hr/> 2,121	<hr/> 2,172
Agency staff costs	34	44
	<hr/> 2,155	<hr/> 2,216
	<hr/> <hr/>	<hr/> <hr/>

Included within operating costs of defined benefit pension schemes is a debit of £90,000 (2019: £124,000) relating to the pension deficit actuarial adjustment.

b. Staff numbers

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

	2020 No.	2019 No.
Teachers	28	28
Administration & Support	20	29
Management	2	2
	<hr/> 50	<hr/> 59
	<hr/> <hr/>	<hr/> <hr/>

THE DURHAM UTC LIMITED
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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2020**

10. Staff (continued)

c. Higher paid staff

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

	2020 No.	2019 No.
In the band £100,001 - £110,000	1	1

d. Key management personnel

The key management personnel of the academy trust comprise the Trustees and the senior management team as listed on page 1. The total amount of employee benefits (including employer pension contributions and employer national insurance contributions) received by key management personnel for their services to the academy trust was £256,000 (2019: £229,000).

11. 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 staff members under their contracts of employment. The value of Trustees' remuneration and other benefits was as follows:

		2020 £000	2019 £000
TC Dower, Accounting Officer	Remuneration	100 - 105	100 - 105
	Pension contributions paid	20 - 25	15 - 20
M I Reid (resigned 3 October 2019)	Remuneration	0 - 5	35 - 40
	Pension contributions paid	0 - 5	5 - 10
S C Brain (appointed 4 October 2019)	Remuneration	40 - 45	-
	Pension contributions paid	5 - 10	-

During the year ended 31 August 2020, expenses totalling £167 were reimbursed or paid directly to 1 Trustee (2019 - £nil).

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12. Trustees' and Officers' insurance

In accordance with normal commercial practice, the academy trust has purchased insurance to protect Trustees and officers from claims arising from negligent acts, errors or omissions occurring whilst on academy trust business. The insurance 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.

13. Intangible assets

	Website £000
Cost	
At 1 September 2019	10
At 31 August 2020	<u>10</u>
Amortisation	
At 1 September 2019	7
Charge for the year	3
At 31 August 2020	<u>10</u>
Net book value	
At 31 August 2020	<u><u>-</u></u>
At 31 August 2019	<u><u>3</u></u>

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FOR THE YEAR ENDED 31 AUGUST 2020**

14. Tangible fixed assets

	Freehold property £000	Plant and machinery £000	Furniture and Fixtures £000	Computer equipment £000	Total £000
Cost or valuation					
At 1 September 2019	9,610	567	442	359	10,978
Additions	-	29	20	4	53
Transfers between classes	-	-	(6)	6	-
At 31 August 2020	<u>9,610</u>	<u>596</u>	<u>456</u>	<u>369</u>	<u>11,031</u>
Depreciation					
At 1 September 2019	558	110	199	304	1,171
Charge for the year	185	57	89	41	372
At 31 August 2020	<u>743</u>	<u>167</u>	<u>288</u>	<u>345</u>	<u>1,543</u>
Net book value					
At 31 August 2020	<u>8,867</u>	<u>429</u>	<u>168</u>	<u>24</u>	<u>9,488</u>
At 31 August 2019	<u>9,052</u>	<u>457</u>	<u>243</u>	<u>55</u>	<u>9,807</u>

15. Debtors

	2020 £000	2019 £000
Due within one year		
Trade debtors	12	3
Prepayments and accrued income	62	107
VAT recoverable	16	52
	<u>90</u>	<u>162</u>

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**NOTES TO THE FINANCIAL STATEMENTS
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16. Creditors: Amounts falling due within one year

	2020 £000	2019 £000
Trade creditors	50	62
ESFA creditor : abatement of GAG	279	212
Other taxation and social security	39	39
Other creditors	82	73
Accruals and deferred income	97	72
	<u>547</u>	<u>458</u>
	<u><u>547</u></u>	<u><u>458</u></u>
	2020 £000	2019 £000
Deferred income at 1 September 2019	36	51
Resources deferred during the year	49	36
Amounts released from previous periods	(36)	(51)
	<u>49</u>	<u>36</u>
	<u><u>49</u></u>	<u><u>36</u></u>

At the Balance Sheet date the academy trust was holding funds received in advance for transport fees for the 2020/21 academic year, donations received in 2019/20 due for distribution in 2020/21, rates relief received in advance for the period September 2020 to March 2021 and non government grants received to deliver STEM days to primary school pupils in 2020/21 academic year.

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2020**

17. Statement of funds

	Balance at 1 September 2019 £000	Income £000	Expenditure £000	Transfers in/out £000	Gains/ (Losses) £000	Balance at 31 August 2020 £000
Unrestricted funds						
General Funds	132	104	(376)	-	-	(140)
Restricted general funds						
General Annual Grant(GAG)	-	1,922	(1,926)	4	-	-
Start up grant	-	245	(245)	-	-	-
Pupil Premium	-	89	(89)	-	-	-
Other DfE Group grants	-	137	(137)	-	-	-
SEN	-	1	(1)	-	-	-
Other Government income	-	10	(10)	-	-	-
Other	-	13	(2)	(11)	-	-
Pension reserve	(332)	-	(96)	-	(28)	(456)
	<u>(332)</u>	<u>2,417</u>	<u>(2,506)</u>	<u>(7)</u>	<u>(28)</u>	<u>(456)</u>
Restricted fixed asset funds						
DfE/ESFA capital grant	9,760	38	(360)	-	-	9,438
Project development grant	1	-	-	(1)	-	-
DFC	27	10	-	-	-	37
GAG	16	-	(6)	(3)	-	7
Cummins Grant	39	-	(9)	-	-	30
Donations	-	4	-	11	-	15
	<u>9,843</u>	<u>52</u>	<u>(375)</u>	<u>7</u>	<u>-</u>	<u>9,527</u>
Total Restricted funds	<u>9,511</u>	<u>2,469</u>	<u>(2,881)</u>	<u>-</u>	<u>(28)</u>	<u>9,071</u>
Total funds	<u><u>9,643</u></u>	<u><u>2,573</u></u>	<u><u>(3,257)</u></u>	<u><u>-</u></u>	<u><u>(28)</u></u>	<u><u>8,931</u></u>

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2020

17. Statement of funds (continued)

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 trust 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.

Other DfE group grants includes Rates Relief, Teachers Pay and Teachers Pension grants. Rates Relief is funding to be spent on the cost of general rates. The Teachers Pay grant is to provide support with respect to the 2018 and 2019 teachers pay awards. The Teachers Pension grant is to support employers with the cost of the increase in employer contributions to the Teachers Pension Scheme.

SEN funding is additional funding to support students with special educational needs.

Other Government grants includes bursary funding for the students of the academy trust.

The pension reserves is the liability due to the deficit on the Local Government Pension Scheme. Further details are shown in note 25.

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 trust was not subject to a limit on the amount of GAG it could carry forward at 31 August 2020.

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2020**

17. Statement of funds (continued)

Comparative information in respect of the preceding year is as follows:

	Balance at 1 September 2018 £000	Income £000	Expenditure £000	Transfers in/out £000	Gains/ (Losses) £000	Balance at 31 August 2019 £000
Unrestricted funds						
General Funds	126	139	(133)	-	-	132
Restricted general funds						
General Annual Grant(GAG)	103	2,174	(2,269)	(8)	-	-
Pupil Premium	-	83	(83)	-	-	-
Rates Grant	-	30	(30)	-	-	-
Other DfE Group grants	-	331	(331)	-	-	-
SEN	-	13	(13)	-	-	-
Local Authority grants	-	24	(24)	-	-	-
Other Government income	-	6	(6)	-	-	-
Non Government grants	-	10	(10)	-	-	-
Pension reserve	(124)	-	(127)	-	(81)	(332)
	(21)	2,671	(2,893)	(8)	(81)	(332)
Restricted fixed asset funds						
DfE/ESFA capital grant	10,011	171	(422)	-	-	9,760
Project development grant	5	-	(4)	-	-	1
DFC	7	20	-	-	-	27
GAG	13	-	(5)	8	-	16
Cummins Grant	18	30	(9)	-	-	39
	10,054	221	(440)	8	-	9,843
Total Restricted funds	10,033	2,892	(3,333)	-	(81)	9,511
Total funds	10,159	3,031	(3,466)	-	(81)	9,643

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18. Analysis of net assets between funds

Analysis of net assets between funds - current period

	Unrestricted funds 2020 £000	Restricted funds 2020 £000	Restricted fixed asset funds 2020 £000	Total funds 2020 £000
Tangible fixed assets	-	-	9,488	9,488
Current assets	-	407	39	446
Creditors due within one year	(108)	(439)	-	(547)
Provisions for liabilities and charges	-	(456)	-	(456)
Difference	(32)	32	-	-
Total	(140)	(456)	9,527	8,931

Analysis of net assets between funds - prior period

	Unrestricted funds 2019 £000	Restricted funds 2019 £000	Restricted fixed asset funds 2019 £000	Total funds 2019 £000
Tangible fixed assets	-	-	9,807	9,807
Intangible fixed assets	-	-	3	3
Current assets	244	346	33	623
Creditors due within one year	(112)	(346)	-	(458)
Provisions for liabilities and charges	-	(332)	-	(332)
Total	132	(332)	9,843	9,643

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19. Reconciliation of net expenditure to net cash flow from operating activities

	2020 £000	2019 £000
Net expenditure for the period (as per Statement of Financial Activities)	(684)	(435)
Adjustments for:		
Depreciation and amortisation	375	431
Capital grants from DfE and other capital income	(21)	(227)
Dividends, interest and rents from investments	(1)	(2)
Defined benefit pension scheme cost less contributions payable	90	124
Defined benefit pension scheme finance cost	6	3
Decrease in debtors	72	10
Increase in creditors	89	143
Net cash (used in)/provided by operating activities	(74)	47

20. Cash flows from investing activities

	2020 £000	2019 £000
Dividends, interest and rents from investments	1	2
Purchase of tangible fixed assets	(53)	(206)
Capital grants from DfE Group	21	227
Disposal of Assets	-	11
Net cash (used in)/provided by investing activities	(31)	34

21. Analysis of cash and cash equivalents

	2020 £000	2019 £000
Cash in hand	356	461
Total cash and cash equivalents	356	461

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**NOTES TO THE FINANCIAL STATEMENTS
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22. Analysis of changes in net debt

	At 1 September 2019 £000	Cash flows £000	At 31 August 2020 £000
Cash at bank and in hand	461	(105)	356
	<u>461</u>	<u>(105)</u>	<u>356</u>

23. Contingent liabilities

The UTC has accrued £32,000 in these accounts in respect of a clawback of General Annual Grant (GAG) by the local authority for the funding of pupils who left the UTC during the last two academic years. The local authority have recently invoiced £50,000, however given the funding method for UTC's this appears to be a double clawback and the UTC are in ongoing discussions with the local authority and the ESFA.

24. Capital commitments

	2020 £000	2019 £000
Contracted for but not provided in these financial statements	<u>1</u>	<u>13</u>

25. Pension commitments

The academy trust's employees belong to two principal pension schemes: the Teachers' Pension Scheme 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 schemes.

The latest actuarial valuation of the TPS related to the period ended 31 March 2016 and of the LGPS 31 March 2019.

Contributions amounting to £38,000 were payable to the schemes at 31 August 2020 (2019 - £32,000) and are included within creditors.

Teachers' Pension Scheme

The Teachers' Pension Scheme (TPS) is a statutory, contributory, defined benefit scheme, governed by the Teachers' Pension Scheme Regulations 2014. Membership is automatic for full-time teachers in academies. All teachers have the option to opt-out of the TPS following enrolment.

The TPS is an unfunded scheme to which both the member and employer makes contributions, as a percentage of salary - these contributions are credited to the Exchequer. Retirement and other pension benefits are paid by public funds provided by Parliament.

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NOTES TO THE FINANCIAL STATEMENTS
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25. Pension commitments (continued)

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 every 4 years. 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 2016. The valuation report was published by the Department for Education on 5 March 2019. The key elements of the valuation and subsequent consultation are:

- employer contribution rates set at 23.68% of pensionable pay (including a 0.08% administration levy)
- total scheme liabilities (pensions currently in payment and the estimated cost of future benefits) for service to the effective date of £218,100 million and notional assets (estimated future contributions together with the notional investments held at the valuation date) of £196,100 million, giving a notional past service deficit of £22,000 million
- the SCAPE rate, set by HMT, is used to determine the notional investment return. The current SCAPE rate is 2.4% above the rate of CPI, assumed real rate of return is 2.4% in excess of prices and 2% in excess of earnings. The rate of real earnings growth is assumed to be 2.2%. The assumed nominal rate of return including earnings growth is 4.45%.

The next valuation result is due to be implemented from 1 April 2023.

The employer's pension costs paid to TPS in the year amounted to £266,000 (2019 - £194,000).

A copy of the valuation report and supporting documentation is on the Teachers' Pensions website (<https://www.teacherspensions.co.uk/news/employers/2019/04/teachers-pensions-valuation-report.aspx>).

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

Local Government Pension Scheme

The LGPS is a funded defined benefit pension scheme, with the assets held in separate trustee-administered funds. The total contribution made for the year ended 31 August 2020 was £87,000 (2019 - £90,000), of which employer's contributions totalled £62,000 (2019 - £63,000) and employees' contributions totalled £ 25,000 (2019 - £27,000). The agreed contribution rates for future years are 15.0 per cent for employers and 5.5 - 12.5 per cent for employees.

As described in note the LGPS obligation relates to the employees of the academy trust, who were the employees transferred as part of the conversion from the maintained school and new employees who were eligible to, and did, join the Scheme in the year. The obligation in respect of employees who transferred on conversion represents their cumulative service at both the predecessor school and the academy trust at the balance sheet date.

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.

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25. Pension commitments (continued)

Principal actuarial assumptions

	2020 %	2019 %
Rate of increase in salaries	3.20	3.50
Rate of increase for pensions in payment/inflation	2.20	2.00
Discount rate for scheme liabilities	1.70	1.90
Inflation assumption (CPI)	2.20	2.00
Commutation of pensions to lump sums	85.00	80.00

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

	2020 Years	2019 Years
Retiring today		
Males	22.2	22.3
Females	24.2	23.8
Retiring in 20 years		
Males	23.2	24.0
Females	25.7	25.7

Sensitivity analysis

	2020 £000	2019 £000
Discount rate +0.1%	(28)	(19)
Discount rate -0.1%	29	19
Mortality assumption - 1 year increase	(30)	(21)
Mortality assumption - 1 year decrease	30	21
CPI rate +0.1%	26	10
CPI rate -0.1%	(25)	(10)

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25. Pension commitments (continued)

Share of scheme assets

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

	2020 £000	2019 £000
Equities	190	144
Government bonds	91	74
Corporate bonds	56	34
Property	27	21
Cash and other liquid assets	19	14
Total market value of assets	383	287

The actual return on scheme assets was £12,000 (2019 - £23,000).

The amounts recognised in the Statement of Financial Activities are as follows:

	2020 £000	2019 £000
Current service cost	(152)	(127)
Past service cost	-	(60)
Interest income	6	6
Interest cost	(12)	(9)
Total amount recognised in the Statement of Financial Activities	(158)	(190)

Changes in the present value of the defined benefit obligations were as follows:

	2020 £000	2019 £000
At 1 September	619	293
Current service cost	152	127
Interest cost	12	9
Employee contributions	25	29
Actuarial losses	34	98
Benefits paid	(3)	3
Past service costs	-	60
At 31 August	839	619

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25. Pension commitments (continued)

Changes in the fair value of the academy trust's share of scheme assets were as follows:

	2020 £000	2019 £000
At 1 September	287	169
Interest income	6	6
Actuarial gains	6	17
Employer contributions	62	63
Employee contributions	25	29
Benefits paid	(3)	3
At 31 August	<u>383</u>	<u>287</u>

26. Operating lease commitments

At 31 August 2020 the academy trust had commitments to make future minimum lease payments under non-cancellable operating leases as follows:

	2020 £000	2019 £000
Not later than 1 year	1	10
Later than 1 year and not later than 5 years	3	4
	<u>4</u>	<u>14</u>

27. Related party transactions

Owing to the nature of the academy trust 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 trustees have an interest. All transactions involving such organisations are conducted in accordance with the requirements of the Academies Financial Handbook, including notifying the ESFA of all transactions made on or after 1 April 2019 and obtaining their approval where required, and with the academy trust's financial regulations and normal procurement procedures relating to connected and related party transactions.

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27. Related party transactions (continued)

Expenditure Related Party Transactions

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

- The academy trust paid for recharges of costs incurred by University of Sunderland on the academy trust's behalf totalling £Nil (2019: £53) during the period. The amount outstanding at 31 August 2020 totalled £Nil (2019: £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 2019.

D Land, Chair of Trustees, is a director of Baker Dearing Trust a charity who promotes and supports new and existing UTCs.

- The academy trust paid for a license fee from Baker Dearing Trust totalling £10,000 (2019: £5,580) during the period. The amount outstanding at 31 August 2020 totalled £Nil (2019: £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 2019.
- The element above £2,500 has been provided 'at no more than cost' and Baker Dearing Trust have provided a statement of assurance confirming this.

NE Stem Foundation, a CIO in which T Dower, D Land and S Atkinson are trustees.

- The academy trust paid for consultancy fees on behalf of NE Stem Foundation totalling £31,000 (2019: £Nil). The academy trust paid legal cost for the CIO formation totalling £6,400 (2019: £Nil).
-
- During the year £16,000 was written off as disclosed in note 7.
-
- 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 2019.

Income Related Party Transaction

- The academy trust received sponsorship money from Hitachi Rail Europe Ltd amounting to £Nil (2019: £50,000). The amount outstanding at 31 August 2020 totalled £Nil (2019: £Nil).
- The academy trust received sponsorship money £Nil (2019: £10,000) from Gestamp Tallent Ltd. The amount outstanding at 31 August 2020 totalled £Nil (2019: £250).
- The academy trust received a contribution towards The Key for School Leaders of £100 from The Baker Dearing Trust. The amount outstanding at 31 August 2020 totalled £100 (2019: £Nil).

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28. Agency arrangements

The academy trust distributes 16-19 bursary funds to students as an agent for the ESFA. In the accounting period ending 31 August 2020 the academy trust received £13,000 (2019: £12,000) and disbursed £10,000 (2019: £7,000) from the fund. An amount of £18,000 (2019: £15,000) is included in other creditors.