

THE DURHAM UTC LIMITED
(A Company Limited by Guarantee)

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 AUGUST 2019

THE DURHAM UTC LIMITED
(A Company Limited by Guarantee)

CONTENTS

	Page
Reference and Administrative Details	1 - 2
Trustees' Report	3 - 9
Governance Statement	10 - 13
Statement on Regularity, Propriety and Compliance	14
Statement of Trustees' Responsibilities	15
Independent Auditors' Report on the Financial Statements	16 - 18
Independent Reporting Accountant's Report on Regularity	19 - 21
Statement of Financial Activities Incorporating Income and Expenditure Account	22
Balance Sheet	23
Statement of Cash Flows	24
Notes to the Financial Statements	25 - 51

THE DURHAM UTC LIMITED
(A Company Limited by Guarantee)

REFERENCE AND ADMINISTRATIVE DETAILS

Members

Gestamp Tallent Limited
Hitachi Rail Europe Limited
University of Sunderland

Trustees

D Land, Chair¹
Prof. G Holmes, Vice Chair¹
T C Dower, Accounting Officer¹
J Bailey (appointed 28 September 2018)
S C Brain (appointed 4 October 2019)
P A Gallone
N Harding
C Mullen (appointed 21 June 2019)
Prof I G Neal
M I Reid (resigned 3 October 2019)
L Shepherd
Prof. J I Timmis (appointed 4 October 2019)
Dr R Trimble (resigned 1 March 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
J M Bell, Deputy Principal

THE DURHAM UTC LIMITED
(A Company Limited by Guarantee)

REFERENCE AND ADMINISTRATIVE DETAILS (CONTINUED)
FOR THE YEAR ENDED 31 AUGUST 2019

Independent auditors

Clive Owen LLP
Chartered Accountants
Statutory Auditors
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 2019

The Trustees present their annual report together with the financial statements and auditors' report of the charitable company for the year 1 September 2018 to 31 August 2019. The annual report serves the purposes of both a Trustees' report and a directors' report under company law.

Following the opening in September 2016, the Trust operates a University Technical College (the "academy trust") for pupils aged 14 to 19 years serving a catchment area of County Durham, Darlington and the wider North East of England. It had a pupil capacity of 600 and had a roll of 326 on the school census in May 2019.

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 Associations 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 The Durham UTC Limited, trading 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 shown in note 12.

THE DURHAM UTC LIMITED
(A Company Limited by Guarantee)

TRUSTEES' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 AUGUST 2019

STRUCTURE, GOVERNANCE AND MANAGEMENT (continued)

Method of recruitment and appointment or election of Trustees

The first Trustees (referred to as 'Governors' in the academy trust's articles of association) were those persons named in the statement delivered pursuant to sections 9 and 12 of the Companies Act 2006. The Members of the academy trust (being the members of the company) may appoint up to 6 Trustees, ensuring that nominees of the Employer Sponsors and University Sponsor together form a majority. The Employer Sponsors (Gestamp Tallent Limited and Hitachi Rail Europe Limited) and the University Sponsor (University of Sunderland) each have the right to appoint and remove one Trustee. The 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 and tends to be done informally. Where necessary induction and training is provided on charity, educational, legal and financial matters. A skills audit is undertaken periodically to identify skills gaps to support the appointment of Trustees and to identify training needs.

Organisational structure

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

Arrangements for setting pay and remuneration of key management personnel

The academy trust has a Staff Pay Policy in place which was agreed by the Trustees on 27 September 19. 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.

Risk management

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

THE DURHAM UTC LIMITED
(A Company Limited by Guarantee)

TRUSTEES' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 AUGUST 2019

STRUCTURE, GOVERNANCE AND MANAGEMENT (continued)

Related parties and other connected charities and organisations

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

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.

The main objectives of the academy trust during the year ended 31 August 2019 are summarised below:

1. Prepare for and achieve a successful first inspection by Ofsted.
2. Continue to establish awareness and an outstanding reputation amongst the sub-regional community, education and business sectors.
3. 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.
4. Recruit and develop high quality staff and business partners and run an efficient organisation.
5. Establish an inspirational learning environment where all of our students are safe, happy, confident and develop as young adults.
6. Establish an outstanding academic and technical education for all of our students leading to excellent outcomes.
7. Prepare our students for the world of work by helping them to develop their workplace skills.

Objectives, strategies and activities

The academy trust's main objectives are set out above. These were achieved through successful recruitment, with 134 students joining in year 10 and 55 in year 12. The staff community rose to 59.

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

THE DURHAM UTC LIMITED
(A Company Limited by Guarantee)

TRUSTEES' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 AUGUST 2019

OBJECTIVES AND ACTIVITIES (continued)

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)'.

The Trust's aims and achievements are set out within this report and have been undertaken to further its charitable purposes for the public benefit. The Trustees have complied with the duty under Section 4 of the Charities Act 2011 to have due regard to public benefit guidance published by the Charity Commission for England and Wales and the Trustees have considered this guidance in deciding what activities the Trust should undertake.

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

STRATEGIC REPORT

ACHIEVEMENTS AND PERFORMANCE

Achievements and performance

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

Key performance indicators

As the academy trust was in its third 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. *Prepare for and achieve a successful first inspection by Ofsted.*
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.
2. *Continue to establish awareness and an outstanding reputation amongst the sub-regional community, education and business sectors.*
The UTC's reputation continues to grow amongst businesses and within the education sector. We now work with over 140 businesses and have a core employer group of 15 businesses who help guide our educational approach. Student recruitment is significantly due to word of mouth. 95% of parents said that they would recommend the UTC to other parents – Ofsted Survey.
3. *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 seen an increase in post-16 recruitment (and this has been boosted further to 78 students in 2019. The reputation is improving and the recent cohort of 14 year old learners has a stronger focus on STEM and academic learning.

THE DURHAM UTC LIMITED
(A Company Limited by Guarantee)

TRUSTEES' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 AUGUST 2019

STRATEGIC REPORT (continued)

ACHIEVEMENTS AND PERFORMANCE (continued)

4. *Recruit and develop high quality staff and business partners and run an efficient organisation.*
The UTC was fully staffed for 2018-19, following a 15% turnover of staff. Only two members of staff joined in September 2019 (one maternity cover teacher and one receptionist), demonstrating a stability in staffing which is very unusual in the UTC community.
5. *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 halved again this year and are now in line with national average (rate of 16 exclusions per 100 students for the academic year). Attendance is now in line with national average for white British students at KS4 at 93.6%.
6. *Establish an outstanding academic and technical education for all of our students leading to excellent outcomes.*
Post-16 outcomes were significantly improved on 2018, with 100% pass rate at A-level. Tech Level results (our flagship course) were 89% Distinction or above with 72% Distinction*, putting us at the top of north east providers. GCSE results were improved on last year with Maths significantly above national average.
7. *Prepare our students for the world of work by helping them to develop their workplace skills.*
Destination outcomes were excellent again with a very high proportion of students achieving apprenticeships at age 18, several at Level 5 or 4. 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. 38% of Year 11 students continued at the UTC for Post-16.

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.

FINANCIAL REVIEW

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

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

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

During the year ended 31 August 2019, total expenditure of £3,466,000 was in excess of recurrent grant funding from the DfE/ESFA together with other incoming resources. The in-year deficit, excluding the pension reserve and restricted fixed assets, was £97,000.

THE DURHAM UTC LIMITED
(A Company Limited by Guarantee)

TRUSTEES' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 AUGUST 2019

STRATEGIC REPORT (continued)

FINANCIAL REVIEW (continued)

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

At 31 August 2019 the net book value of fixed assets was £9,810,000 and movements in intangible and 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 the LGPS pensions scheme, resulting in a deficit of £332,000 recognised on the Balance Sheet.

The academy trust held fund balances at 31 August 2019 of £9,643,000 comprising £9,511,000 of restricted funds, including £332,000 deficit on the pension reserves, and £132,000 of unrestricted funds. The total of restricted general funds, excluding pension reserves, plus unrestricted funds as at 31 August 2019 was £132,000.

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

This is considered sufficient to cover

- a) Salaries and associated costs for one month.

The academy trust's current level of free reserves are in surplus by £132,000, this is also the net surplus for the period and therefore are considered to be above the level of reserves required for the ongoing needs of the academy trust. The Trustees continue to consider additional activities related to the academy trust's objectives to which the excess reserves may be applied including:

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

Investment policy

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

11/11/11

THE DURHAM UTC LIMITED
(A Company Limited by Guarantee)

TRUSTEES' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 AUGUST 2019

STRATEGIC REPORT (continued)

FINANCIAL REVIEW (continued)

Principal risks and uncertainties

The principal risks and uncertainties are centred on changes in the level of funding from the 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 currently exposed and keeps those risks under review. The academy trust has developed an effective system of internal financial controls and this is explained in more detail in the Governance Statement.

Fundraising

The academy trust does not use any external fundraisers. All fundraising undertaken during the year was monitored by the Trustees.

Plans for future periods

During the year 2019-20 the academy trust is working on establishing the UTC as a high quality education provider.

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

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.
2. Ensure an efficient and financially sustainable organisation and long term viability as a UTC.
3. Establish an inspirational learning environment where all of our students are safe, happy, confident and develop as young adults.
4. Develop staff leadership and skills across the UTC so that all students have inspiring and well planned experiences.
5. Establish an outstanding academic and technical education for all of our students leading to excellent outcomes.
6. Prepare our students for the world of work by helping them to develop their workplace skills, ensuring superb destinations.

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 6 December 2019 and signed on its behalf by:



D Land
Chair of Trustees

THE DURHAM UTC LIMITED
(A Company Limited by Guarantee)

GOVERNANCE STATEMENT

Scope of responsibility

As Trustees, we acknowledge we have overall responsibility for ensuring that The Durham UTC Limited has an effective and appropriate system of control, financial and otherwise. However, such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can provide only reasonable and not absolute assurance against material misstatement or loss.

The Board of Trustees has delegated the day-to-day responsibility to the 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. The Board met less than 6 times due to the clearly established committees/portfolio groups of Trustees who can deal with specific areas of responsibility following robust terms of reference.

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	2	3
T C Dower, Accounting Officer	3	3
J Bailey	3	3
P A Gallone	0	3
N Harding	3	3
C Mullen	1	1
Prof I G Neal	3	3
M I Reid	3	3
L Shepherd	3	3
Dr R Trimble	1	2

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

The academy trust considered governance at every meeting and met 3 times as a full group during the academic year. During 2018/19 the Trustees approved a suite of policy and procedure documents in order to comply with educational governance practices, adopted a Scheme of Delegation and conducted a skills audit. A policy committee was formed to review policies and a policy review cycle was agreed by Trustees 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.

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

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

THE DURHAM UTC LIMITED
(A Company Limited by Guarantee)

GOVERNANCE STATEMENT (CONTINUED)

Governance (continued)

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 of Trustees who are able to direct and bind the academy trust. The Principal is Accounting Officer and is also the Chief Executive Officer of the academy trust.

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

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.

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 2018 to 31 August 2019 and up to the date of approval of the annual report and financial statements.

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 2018 to 31 August 2019 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 DURHAM UTC LIMITED
(A Company Limited by Guarantee)

GOVERNANCE STATEMENT (CONTINUED)

The risk and control framework

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

- comprehensive budgeting and monitoring systems with an annual budget and periodic financial reports which are reviewed and agreed by the Board of Trustees
- regular reviews by the Resources and Finance 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
- delegation of authority and segregation of duties
- identification and management of risks.

The Board of Trustees has considered the need for a specific internal audit function and has decided not to appoint an internal auditor. However, the Trustees have appointed V Robinson, the Financial Director of Kenton Academy, 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
- testing of income
- testing of accounting systems and management information produced.

On an annual 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 which was reviewed on a termly basis.

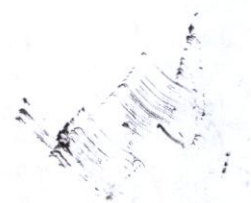
The reviewer has delivered their schedule of work as planned and no material control issues were identified.

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:

- 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.



THE DURHAM UTC LIMITED
(A Company Limited by Guarantee)

GOVERNANCE STATEMENT (CONTINUED)

Approved by order of the members of the Board of Trustees on 6 December 2019 and signed on their behalf by:

A handwritten signature in black ink, appearing to be 'D Land', with a stylized, somewhat abstract shape.

D Land
Chair of Trustees

A handwritten signature in black ink, appearing to be 'T C Dower', with a stylized, somewhat abstract shape.

T C Dower
Accounting Officer

THE DURHAM UTC LIMITED
(A Company Limited by Guarantee)

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 2018.

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 2018.

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: 6 December 2019



THE DURHAM UTC LIMITED
(A Company Limited by Guarantee)

STATEMENT OF TRUSTEES' RESPONSIBILITIES
FOR THE YEAR ENDED 31 AUGUST 2019

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 & Skills Funding Agency, United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) and applicable law and regulations.

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

- select suitable accounting policies and then apply them consistently;
- observe the methods and principles of the Charities SORP 2015 and the Academies Accounts Direction 2018 to 2019;
- make judgments 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 ESFA/DfE have been applied for the purposes intended.

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

Approved by order of the members of the Board of Trustees on 6 December 2019 and signed on its behalf by:

D Land
Chair



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 2019 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 2015 and the Academies Accounts Direction 2018 to 2019 issued by the Education & 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 2019 and of its incoming resources and application of resources, including its income and expenditure for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006, the Charities SORP 2015 and the Academies Accounts Direction 2018 to 2019 issued by the Education & 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.

Conclusions relating to going concern

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

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

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) FCA DChA (Senior Statutory Auditor)
for and on behalf of

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

6 December 2019

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**

In accordance with the terms of our engagement letter dated 19 September 2019 and further to the requirements of the Education & Skills Funding Agency (ESFA) as included in the Academies Accounts Direction 2018 to 2019, 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 2018 to 31 August 2019 have been applied to the purposes identified by Parliament and the financial transactions conform to the authorities which govern them.

This report is made solely to The Durham UTC Limited and the ESFA in accordance with the terms of our engagement letter. Our work has been undertaken so that we might state to The Durham UTC Limited and 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 10 March 2015 and the Academies Financial Handbook, extant from 1 September 2018, 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 2018 to 2019. 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 2018 to 31 August 2019 have not been applied to purposes intended by Parliament or that the financial transactions do not conform to the authorities which govern them.

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

We conducted our engagement in accordance with the Academies Accounts Direction 2018 to 2019 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;
- 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 2018 to 31 August 2019 has not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.

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)

A handwritten signature in dark ink, appearing to read 'Clive Owen' followed by a stylized flourish.

Reporting Accountant

Clive Owen LLP

140 Coniscliffe Road
Darlington
County Durham
DL3 7RT

Date: 6 December 2019

THE DURHAM UTC LIMITED
(A Company Limited by Guarantee)

**STATEMENT OF FINANCIAL ACTIVITIES (INCORPORATING INCOME AND EXPENDITURE ACCOUNT)
FOR THE YEAR ENDED 31 AUGUST 2019**

	Note	Unrestricted funds 2019 £000	Restricted funds 2019 £000	Restricted fixed asset funds 2019 £000	Total funds 2019 £000	Total funds 2018 £000
Income from:						
Donations and capital grants	3	-	-	221	221	246
Charitable activities		76	2,671	-	2,747	2,504
Other trading activities		61	-	-	61	50
Investments	6	2	-	-	2	2
Total income		<u>139</u>	<u>2,671</u>	<u>221</u>	<u>3,031</u>	<u>2,802</u>
Expenditure on:						
Charitable activities		133	2,893	440	3,466	2,977
Total expenditure		<u>133</u>	<u>2,893</u>	<u>440</u>	<u>3,466</u>	<u>2,977</u>
Net income / (expenditure)		<u>6</u>	<u>(222)</u>	<u>(219)</u>	<u>(435)</u>	<u>(175)</u>
Transfers between funds	17	-	(8)	8	-	-
Net movement in funds before other recognised gains/(losses)		<u>6</u>	<u>(230)</u>	<u>(211)</u>	<u>(435)</u>	<u>(175)</u>
Other recognised gains/(losses):						
Actuarial gains/(losses) on defined benefit pension schemes	23	-	(81)	-	(81)	19
Net movement in funds		<u>6</u>	<u>(311)</u>	<u>(211)</u>	<u>(516)</u>	<u>(156)</u>
Reconciliation of funds:						
Total funds brought forward		126	(21)	10,054	10,159	10,315
Net movement in funds		6	(311)	(211)	(516)	(156)
Total funds carried forward		<u>132</u>	<u>(332)</u>	<u>9,843</u>	<u>9,643</u>	<u>10,159</u>

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

BALANCE SHEET
AS AT 31 AUGUST 2019

	Note	2019 £000	2018 £000
Fixed assets			
Intangible assets	13	3	15
Tangible assets	14	9,807	10,031
		<u>9,810</u>	<u>10,046</u>
Current assets			
Debtors	15	162	172
Cash at bank and in hand		461	380
		<u>623</u>	<u>552</u>
Creditors: amounts falling due within one year	16	(458)	(315)
		<u>165</u>	<u>237</u>
Net current assets			
		<u>9,975</u>	<u>10,283</u>
Total assets less current liabilities			
		<u>9,975</u>	<u>10,283</u>
Net assets excluding pension liability			
Defined benefit pension scheme liability	23	(332)	(124)
		<u>9,643</u>	<u>10,159</u>
Total net assets		<u>9,643</u>	<u>10,159</u>
Funds of the academy trust			
Restricted funds:			
Fixed asset funds	17	9,843	10,054
Restricted income funds	17	-	103
		<u>9,843</u>	<u>10,157</u>
Restricted funds excluding pension asset	17	9,843	10,157
Pension reserve	17	(332)	(124)
		<u>9,511</u>	<u>10,033</u>
Total restricted funds	17	9,511	10,033
Unrestricted income funds	17	132	126
		<u>9,643</u>	<u>10,159</u>
Total funds		<u>9,643</u>	<u>10,159</u>

The financial statements on pages 22 to 51 were approved by the Trustees, and authorised for issue on 06 December 2019 and are signed on their behalf, by:

D Land
Chair



THE DURHAM UTC LIMITED
(A Company Limited by Guarantee)

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 AUGUST 2019

	Note	2019 £000	2018 £000
Cash flows from operating activities			
Net cash provided by operating activities	19	47	276
Cash flows from investing activities	20	34	(26)
Change in cash and cash equivalents in the year		81	250
Cash and cash equivalents at the beginning of the year		380	130
Cash and cash equivalents at the end of the year	21	<u>461</u>	<u>380</u>

THE DURHAM UTC LIMITED
(A Company Limited by Guarantee)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2019

1. Accounting policies

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

1.1 Basis of preparation of financial statements

The financial statements of the academy trust, which is a public benefit entity under FRS 102, have been prepared under the 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 2018 to 2019 issued by ESFA, the Charities Act 2011 and the Companies Act 2006.

The Durham UTC Limited meets the definition of a public benefit entity under FRS 102.

1.2 Fund accounting

Unrestricted income funds represent those resources which may be used towards meeting any of the charitable objects of the academy 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 2019

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.

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.

• **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 and there are no material uncertainties about the academy trust's ability to continue as a going concern, thus they continue to adopt the going concern basis of accounting in preparing the financial statements.

1.6 Intangible 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.

The estimated useful lives are as follows:

Amortisation is provided on the following bases:

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

THE DURHAM UTC LIMITED
(A Company Limited by Guarantee)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2019

1. Accounting policies (continued)

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, as follows:

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.

THE DURHAM UTC LIMITED
(A Company Limited by Guarantee)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2019

1. Accounting policies (continued)

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 measured at the best estimate of the amounts required to settle the obligation. Where the effect of the time value of money is material, the provision is based on the present value of those amounts, discounted at the pre-tax discount rate that reflects the risks specific to the liability. The unwinding of the discount is recognised within interest payable and similar charges.

1.13 Financial instruments

The academy 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

THE DURHAM UTC LIMITED
(A Company Limited by Guarantee)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2019

1. Accounting policies (continued)

1.15 Pensions (continued)

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.

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 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 26.

2. Critical accounting estimates and areas of judgment

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

Critical accounting estimates and assumptions:

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

The present value of the Local Government Pension Scheme defined benefit liability depends on a number of factors that are determined on an actuarial basis using a variety of assumptions. The assumptions used in determining the net cost or income for pensions include the discount rate. Any changes in these assumptions, which are disclosed in note 23, will impact the carrying amount of the pension liability. Furthermore a roll forward approach which projects results from the latest full actuarial valuation performed at 31 March 2016 has been used by the actuary in valuing the pensions liability at 31 August 2019. 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.

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 £428,000.

THE DURHAM UTC LIMITED
(A Company Limited by Guarantee)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2019**

2. Critical accounting estimates and areas of judgment (continued)

Critical areas of judgment:

There are two recent court cases which could impact on the future liabilities associated with the LGPS scheme, McCloud Sargeant (McCloud) and GMP Indexation and Equalisation (GMP).

McCloud

In 2015 the government introduced reforms to public sector pensions resulting in most public sector workers being transferred to a new scheme. In December 2018, the Court of Appeal ruled that the 'transitional protections' offered to some members of the judges and firefighter schemes as part of the reforms amounted to unlawful discrimination. While the judgement was not in relation to the LGPS it is reasonable to expect that it will need to be applied to this scheme by the government. Actuaries have estimated that the additional liabilities associated with this to be around 3-4% of active liabilities. As this has been considered to be potentially material to the financial statements the year end valuation performed by the actuary has included an approximate calculation of the McCloud valuation. This has increased the LGPS liability by £60,000 as at 31 August 2019.

GMP

This case related to the equalisation for men and women of guaranteed minimum pension (GMP) for those who were contracted out of the State Second Pension between 6 April 1978 and 6 April 1997. In October 2018 the High Court ruled that equalisation of GMP was required. This case was in relation to Lloyds Bank and HM Treasury have since gone on record to state public sector schemes have a method to equalise GMP already. There is however some judgement in how this equalisation works and is reflected in the LGPS valuations. Actuaries have estimated that the impact of GMP indexation to be around 0.3% of total liabilities. Based on this estimate it would increase liabilities by £2,000 which has been assessed to be immaterial to the financial statements.

3. Income from donations and capital grants

	Restricted fixed asset funds 2019 £000	Total funds 2019 £000	Total funds 2018 £000
Capital Grants	221	221	246
	<hr/>	<hr/>	<hr/>
Total 2018	246	246	
	<hr/>	<hr/>	

THE DURHAM UTC LIMITED
(A Company Limited by Guarantee)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2019**

4. Funding for the academy trust's academy's educational operations

	Unrestricted funds 2019 £000	Restricted funds 2019 £000	Total funds 2019 £000	Total funds 2018 £000
DfE/ESFA grants				
General Annual Grant (GAG)	-	2,174	2,174	1,909
Pupil Premium	-	83	83	73
Rates	-	30	30	30
Other DfE Group grants	-	331	331	390
	-	2,618	2,618	2,402
Other Government grants				
SEN	-	10	10	10
Local Authority grants	-	27	27	17
Other Government grants	-	6	6	-
	-	43	43	27
Other funding				
Sponsorship Income	60	10	70	50
Other Income	-	-	-	23
Student Trips	16	-	16	2
	76	10	86	75
	76	2,671	2,747	2,504
Total 2018	2	2,502	2,504	

5. Income from other trading activities

	Unrestricted funds 2019 £000	Total funds 2019 £000	Total funds 2018 £000
Hire of facilities	-	-	4
Other Income	61	61	46
	61	61	50

THE DURHAM UTC LIMITED
(A Company Limited by Guarantee)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2019**

5. Income from other trading activities (continued)

All income from other trading activities was attributable to unrestricted funds in 2018.

6. Investment income

	Unrestricted funds 2019 £000	Total funds 2019 £000	Total funds 2018 £000
Interest Receivable	2	2	2

All investment income was attributable to unrestricted funds in 2018.

7. Expenditure

	Staff Costs 2019 £000	Premises 2019 £000	Other 2019 £000	Total 2019 £000	Total 2018 £000
Academy's educational operations:					
Direct costs	1,773	-	253	2,026	1,636
Allocated support costs	443	451	546	1,440	1,341
	<u>2,216</u>	<u>451</u>	<u>799</u>	<u>3,466</u>	<u>2,977</u>
Total 2018	<u>1,828</u>	<u>443</u>	<u>706</u>	<u>2,977</u>	

In 2019, of the total expenditure, £133,000 (2018- £29,000) was to unrestricted funds and £3,333,000 (2018 - £2,948,000) was to restricted funds.

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

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

There were no ex-gratia payments during this period.

Fixed asset losses of £11,000 were incurred, none individually exceeded £5,000.

THE DURHAM UTC LIMITED
(A Company Limited by Guarantee)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2019**

8. Analysis of expenditure by activities

	Activities undertaken directly 2019 £000	Support costs 2019 £000	Total funds 2019 £000	Total funds 2018 £000
Academy's educational operations	2,026	1,440	3,466	2,977
Total 2018	1,636	1,341	2,977	

THE DURHAM UTC LIMITED
(A Company Limited by Guarantee)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2019**

8. Analysis of expenditure by activities (continued)

Analysis of direct costs

	Total funds 2019 £000	Total funds 2018 £000
Staff costs	1,773	1,410
Educational supplies	55	61
Examination fees	91	68
Staff Development	3	9
Technology Costs	19	7
Educational Consultancy	67	56
Staff expenses	5	15
Transport	10	10
Other costs	3	-
	<u>2,026</u>	<u>1,636</u>

THE DURHAM UTC LIMITED
(A Company Limited by Guarantee)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2019**

8. Analysis of expenditure by activities (continued)

Analysis of support costs

	Total funds 2019 £000	Total funds 2018 £000
Net interest cost on pension scheme	3	2
Staff costs	443	418
Depreciation and amortisation	431	406
Staff Development	10	4
Technology Costs	64	62
Staff expenses	3	3
Transport	122	64
Maintenance of premises	27	52
Cleaning	51	57
Other premises costs	26	17
Energy	55	51
Rent & rates	30	30
RPA fees	8	6
Catering	46	46
Other insurance premiums	2	2
Operating lease rentals	10	-
Other costs	63	76
Fundraising costs	38	25
Governance costs	8	20
	<u>1,440</u>	<u>1,341</u>

THE DURHAM UTC LIMITED
(A Company Limited by Guarantee)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2019**

9. Net income/(expenditure)

Net income/(expenditure) for the year includes:

	2019 £000	2018 £000
Operating lease rentals	12	12
Depreciation of tangible fixed assets	428	402
Amortisation of intangible assets	3	4
Loss on disposal of fixed assets	11	-
Fees paid to auditors for:		
- audit	6	6
- other services	1	1
	<u>1</u>	<u>1</u>

10. Staff costs

a. Staff costs

Staff costs during the year were as follows:

	2019 £000	2018 £000
Wages and salaries	1,632	1,348
Social security costs	159	129
Pension costs	381	254
	<u>2,172</u>	<u>1,731</u>
Agency staff costs	44	85
Staff restructuring costs	-	12
	<u>2,216</u>	<u>1,828</u>

Included within operating costs of defined benefit pension schemes is a debit of £124,000 (2018: £48,000) relating to the pension deficit actuarial adjustment.

Staff restructuring costs comprise:

	2019 £000	2018 £000
Severance payments	-	12
	<u>-</u>	<u>12</u>

THE DURHAM UTC LIMITED
(A Company Limited by Guarantee)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2019**

10. Staff costs (continued)

b. Non-statutory/non-contractual staff severance payments

Included in staff restructuring costs are non-statutory / non-contractual severance payments amounting to £NIL (2018: £6,000).

c. Staff numbers

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

	2019 No.	2018 No.
Teachers	28	25
Administration & Support	29	19
Management	2	3
	<u>59</u>	<u>47</u>

d. Higher paid staff

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

	2019 No.	2018 No.
In the band £80,001 - £90,000	-	1
In the band £100,001 - £110,000	1	-
	<u>1</u>	<u>-</u>

e. Key management personnel

The key management personnel of the academy trust comprises the Senior Leadership Team and Trustees as listed on page 1. The total amount of employee benefits (including employer national insurance and employer pension contributions) received by key management personnel for their services to the academy trust was £229,000 (2018: £285,000).

THE DURHAM UTC LIMITED
(A Company Limited by Guarantee)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2019**

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 Headteacher 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:

		2019 £000	2018 £000
T C Dower, Accounting Officer	Remuneration	100 - 105	85 - 90
	Pension contributions paid	15 - 20	10 - 15
M Reid	Remuneration	35 - 40	35 - 40
	Pension contributions paid	5 - 10	5 - 10

During the year ended 31 August 2019, expenses totalling £nil were reimbursed or paid directly to 3 Trustees (2018 - £255 to 1 Trustees).

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 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

	Computer software £000	Website £000	Total £000
Cost			
At 1 September 2018	30	23	53
Disposals	(30)	(13)	(43)
At 31 August 2019	-	10	10
Amortisation			
At 1 September 2018	30	8	38
Charge for the year	-	3	3
On disposals	(30)	(4)	(34)
At 31 August 2019	-	7	7
Net book value			
At 31 August 2019	-	3	3
At 31 August 2018	-	15	15

THE DURHAM UTC LIMITED
(A Company Limited by Guarantee)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2019**

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 2018	9,610	548	355	361	10,874
Additions	-	112	91	3	206
Disposals	-	(93)	(4)	(5)	(102)
At 31 August 2019	9,610	567	442	359	10,978
Depreciation					
At 1 September 2018	373	154	121	195	843
Charge for the year	185	49	80	114	428
On disposals	-	(93)	(2)	(5)	(100)
At 31 August 2019	558	110	199	304	1,171
Net book value					
At 31 August 2019	9,052	457	243	55	9,807
At 31 August 2018	9,237	394	234	166	10,031

15. Debtors

	2019 £000	2018 £000
Due within one year		
Trade debtors	3	10
VAT recoverable	52	31
Prepayments and accrued income	107	131
	162	172

THE DURHAM UTC LIMITED
(A Company Limited by Guarantee)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2019**

16. Creditors: Amounts falling due within one year

	2019 £000	2018 £000
Trade creditors	62	153
ESFA creditor : abatement of GAG	212	-
Other taxation and social security	39	33
Other creditors	73	48
Accruals and deferred income	72	81
	<u>458</u>	<u>315</u>
	<u><u>458</u></u>	<u><u>315</u></u>
	2019 £000	2018 £000
Deferred income at 1 September 2018	51	-
Resources deferred during the year	36	51
Amounts released from previous periods	(51)	-
	<u>36</u>	<u>51</u>
	<u><u>36</u></u>	<u><u>51</u></u>

At the balance sheet date the academy trust was holding funds received in advance for transport fees for the 2019/20 academic year, ski trip for the students and monies received in advance for rate relief.

THE DURHAM UTC LIMITED
(A Company Limited by Guarantee)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2019**

17. Statement of funds

	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 grants	-	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 grants	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

THE DURHAM UTC LIMITED
(A Company Limited by Guarantee)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2019**

17. Statement of funds (continued)

	Balance at 1 September 2018 £000	Income £000	Expenditure £000	Transfers in/out £000	Gains/ (Losses) £000	Balance at 31 August 2019 £000
Total funds	<u>10,159</u>	<u>3,031</u>	<u>(3,466)</u>	<u>-</u>	<u>(81)</u>	<u>9,643</u>

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

The General Annual Grant (GAG) must be used for the normal running of the academy 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.

Rates Relief is funding to be spent on cost of general rates.

Other Government Grants are received from Durham County Council for pupils transferred into the academy trust as well as Special Educations Need funding for children with special needs.

Other Grants are received from Gestamp Tallent as sponsorship money to be utilised where the academy trust requires, also Cummins Grant received to be expended for charitable, religious, scientific, literary, or educational purposes.

The pension reserves is the liability due to the deficit on the Local Government Pension Scheme. Further details are shown in note 23.

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 sale and school trips 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 that it could carry forward at 31 August 2019.

THE DURHAM UTC LIMITED
(A Company Limited by Guarantee)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2019**

17. Statement of funds (continued)

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

	Balance at 1 September 2017 £000	Income £000	Expenditure £000	Transfers in/out £000	Gains/ (Losses) £000	Balance at 31 August 2018 £000
Unrestricted funds						
General Funds - all funds	51	104	(29)	-	-	126
Restricted general funds						
General Annual Grant(GAG)	156	2,298	(2,338)	(13)	-	103
Pupil Premium	-	73	(73)	-	-	-
Rates Grant	-	30	(30)	-	-	-
Other Government grants	-	27	(27)	-	-	-
Other grants	-	24	(24)	-	-	-
Pension reserve	(93)	-	(50)	-	19	(124)
	63	2,452	(2,542)	(13)	19	(21)
Restricted fixed asset funds						
DFE/ESFA capital grants	10,192	216	(397)	-	-	10,011
Project development grant	9	-	(4)	-	-	5
DFC	-	7	-	-	-	7
GAG	-	-	-	13	-	13
Cummins Grant	-	23	(5)	-	-	18
	10,201	246	(406)	13	-	10,054
Total Restricted funds	10,264	2,698	(2,948)	-	19	10,033

THE DURHAM UTC LIMITED
(A Company Limited by Guarantee)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2019**

17. Statement of funds (continued)

	Balance at 1 September 2017 £000	Income £000	Expenditure £000	Transfers in/out £000	Gains/ (Losses) £000	Balance at 31 August 2018 £000
Total funds	10,315	2,802	(2,977)	-	19	10,159

18. Analysis of net assets between funds

Analysis of net assets between funds - current year

	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

Analysis of net assets between funds - prior year

	Unrestricted funds 2018 £000	Restricted funds 2018 £000	Restricted fixed asset funds 2018 £000	Total funds 2018 £000
Tangible fixed assets	-	-	10,031	10,031
Intangible fixed assets	-	-	15	15
Current assets	129	415	8	552
Creditors due within one year	(3)	(312)	-	(315)
Provisions for liabilities and charges	-	(124)	-	(124)
Total	126	(21)	10,054	10,159

THE DURHAM UTC LIMITED
(A Company Limited by Guarantee)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2019**

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

	2019 £000	2018 £000
Net expenditure for the year (as per Statement of Financial Activities)	(435)	(175)
Adjustments for:		
Depreciation and amortisation	431	406
Capital grants from DfE and other capital income	(227)	(223)
Dividends, interest and rents from investments	(2)	(2)
Defined benefit pension scheme cost less contributions payable	124	48
Defined benefit pension scheme finance cost	3	2
Decrease in debtors	10	2,303
Increase/(decrease) in creditors	143	(2,083)
Net cash provided by operating activities	47	276

20. Cash flows from investing activities

	2019 £000	2018 £000
Dividends, interest and rents from investments	2	2
Purchase of intangible assets	-	(10)
Purchase of tangible fixed assets	(206)	(241)
Capital grants from DfE Group	227	223
Disposal of assets	11	-
Net cash provided by/(used in) investing activities	34	(26)

21. Analysis of cash and cash equivalents

	2019 £000	2018 £000
Cash in hand	461	380
Total cash and cash equivalents	461	380

THE DURHAM UTC LIMITED
(A Company Limited by Guarantee)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2019**

22. Capital commitments

	2019 £000	2018 £000
Contracted for but not provided in these financial statements	13	-

23. Pension commitments

The academy trust's employees belong to two principal pension schemes: the Teachers' Pension Scheme for England and Wales (TPS) for academic and related staff; and the Local Government Pension Scheme (LGPS) for non-teaching staff, which is managed by Durham County Council. Both are multi-employer defined benefit schemes.

The latest actuarial valuation of the TPS related to the period ended 31 March 2012 and of the LGPS 31 March 2016.

Contributions amounting to £32,000 were payable to the schemes at 31 August 2019 (2018 - £26,000) 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 and, from 1 January 2007, automatic for teachers in part-time employment following appointment or a change of contract, although they are able to opt out.

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

Valuation of the Teachers' Pension Scheme

The Government Actuary, using normal actuarial principles, conducts a formal actuarial review of the TPS in accordance with the Public Service Pensions (Valuations and Employer Cost Cap) Directions 2014 (amended) published by HM Treasury. The aim of the review is to specify the level of future contributions. Actuarial scheme valuations are dependent on assumptions about the value of future costs, design of benefits and many other factors. The latest actuarial valuation of the TPS was carried out as at 31 March 2016 and in accordance with the Public Service Pensions (Valuations and Employer Cost Cap) Directions 2014 (amended). The valuation report was prepared for the Department for Education on 5 March 2019. The key elements of the valuation and subsequent consultation are:

- employer contribution rates set at 1623.68% of pensionable pay (including a 0.08% employer administration charge)
- total scheme liabilities (pensions currently in payment and the estimated cost of future benefits) for service to the effective date of £191,500 million, and notional assets (estimated future contributions together with the notional investments held at the valuation date) of £218,100 million giving a notional past service deficit of £22,000 million
- an employer cost cap of 10.9% of pensionable pay will be applied to future valuations
- the 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 is 4.45%.

THE DURHAM UTC LIMITED
(A Company Limited by Guarantee)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2019**

23. Pension commitments (continued)

The TPS valuation for 2012 determined an employer rate of 16.48%, which was payable from September 2015. The latest valuation of the Teachers' Pension Scheme has now taken place, in line with directions issued by HM Treasury and using membership data as at 31 March 2016. As a result of this valuation TPS employers will pay an increased contribution rate of 23.68% from September 2019 (this includes the administration levy of 0.8%)

The employer's pension costs paid to TPS in the year amounted to £194,000 (2018 - £158,000).

A copy of the valuation report and supporting documentation is on the [Teachers' Pensions website](#).

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 2019 was £90,000 (2018 - £67,000), of which employer's contributions totalled £63,000 (2018 - £48,000) and employees' contributions totalled £ 27,000 (2018 - £19,000). The agreed contribution rates for future years are 15.0 per cent for employers and 5.5 - 12.5 per cent for employees.

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

Principal actuarial assumptions

	2019 %	2018 %
Rate of increase in salaries	3.50	3.50
Rate of increase for pensions in payment/inflation	2.00	2.00
Discount rate for scheme liabilities	1.90	2.80
Inflation assumption (CPI)	2.00	2.00
Commutation of pensions to lump sums	80.00	80.00

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

	2019 Years	2018 Years
<i>Retiring today</i>		
Males	22.3	23.3
Females	23.8	25.0
<i>Retiring in 20 years</i>		
Males	24.0	25.5
Females	25.7	27.3

THE DURHAM UTC LIMITED
(A Company Limited by Guarantee)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2019**

23. Pension commitments (continued)

Sensitivity analysis

	2019 £000	2018 £000
Discount rate +0.1%	600	284
Discount rate -0.1%	638	302
Mortality assumption - 1 year increase	598	285
Mortality assumption - 1 year decrease	640	301
CPI rate +0.1%	629	298
CPI rate -0.1%	609	288
	<u>600</u>	<u>284</u>

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

	At 31 August 2019 £000	At 31 August 2018 £000
Equities	144	82
Government bonds	74	42
Corporate bonds	34	22
Property	21	12
Cash and other liquid assets	14	11
Total market value of assets	<u>287</u>	<u>169</u>

The actual return on scheme assets was £23,000 (2018 - £6,000).

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

	2019 £000	2018 £000
Current service cost	(127)	(90)
Past service cost	(60)	-
Interest income	6	3
Interest cost	(9)	(5)
Total amount recognised in the Statement of Financial Activities	<u>(190)</u>	<u>(92)</u>

THE DURHAM UTC LIMITED
(A Company Limited by Guarantee)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2019**

23. Pension commitments (continued)

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

	2019 £000	2018 £000
At 1 September	293	199
Current service cost	127	90
Interest cost	9	5
Employee contributions	29	17
Actuarial losses/(gains)	98	(16)
Benefits paid	3	(2)
Past service costs	60	-
At 31 August	<u>619</u>	<u>293</u>

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

	2019 £000	2018 £000
At 1 September	169	106
Interest income	6	3
Actuarial Losses	17	3
Employer contributions	63	42
Employee contributions	29	17
Benefits paid	3	(2)
At 31 August	<u>287</u>	<u>169</u>

24. Operating lease commitments

At 31 August 2019 the academy trust had commitments to make future minimum lease payments under non-cancellable operating leases as follows:

	2019 £000	2018 £000
Not later than 1 year	10	9
Later than 1 year and not later than 5 years	4	9
	<u>14</u>	<u>18</u>

THE DURHAM UTC LIMITED
(A Company Limited by Guarantee)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2019

25. 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 AFH, 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. The following related party transactions took place in the financial period.

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 £53 (2018: £12,000) during the period. The amount outstanding at 31 August 2019 totalled £Nil (2018: £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 2018.

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 £5,580 (2018: £Nil) during the period. The amount outstanding at 31 August 2019 totalled £Nil (2018: £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 2018.
- 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.

Gestamp Tallent Limited a legally independent corporate institute who are also a sponsor of The Durham UTC Limited.

- The academy trust received materials and training from Gestamp Tallent Limited amounting to £Nil (2018: £13,000) net of VAT in 2019, the VAT of £Nil (2018: £3,000) has been charge during the period. The amount outstanding at 31 August 2019 totalled £Nil (2018: £15,000).
- 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 2018.

Income Related Party Transaction

- The academy trust recharged North East Futures UTC for payroll costs paid on their behalf during

THE DURHAM UTC LIMITED
(A Company Limited by Guarantee)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2019

25. Related party transactions (continued)

their initial set up period totalling £Nil (2018: £12,000). The amount outstanding at 31 August 2019 totalled £Nil (2018: £Nil).

- The academy trust received sponsorship money from Hitachi Rail Europe Ltd amounting to £50,000 (2018: £50,000). The academy trust held a business dinner in which Hitachi Rail Europe Limited purchased tickets totalling £50. The amount outstanding at 31 August 2019 totalled £Nil (2018: £Nil).
- The academy trust received £10,000 (2018: £10,000) from Gestamp Tallent Ltd. The academy trust held a business dinner in which Gestamp Tallent Ltd purchased tickets totalling £350. The amount outstanding at 31 August 2019 totalled £250 (2018: £10,000).
- The academy trust held a business dinner in which University of Sunderland purchased tickets totalling £250. The amount outstanding at 31 August 2019 totalled £Nil (2018: £Nil).

26. Agency arrangements

The academy distributes 16-19 bursary funds to students as an agent for the ESFA. In the accounting period ending 31 August 2019 the academy received £12,000 (2018: £8,000) and disbursed £7,000 (2018: £6,000) from the fund. An amount of £15,000 (2018: £8,000) is included in other creditors.