

The Elstree UTC

Annual Report and Financial Statements

31 August 2016

Company Limited by Guarantee
Registration Number
07906423 (England and Wales)

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Reference and administrative information

Members	U H Holdings Limited The Meller Educational Charitable Trust Elstree Film Studios Limited
Governors/Directors (At 31 August 2016)	Mr Roger Morris (Chair) Dr Philip Bassill (resigned 31 August 2016) Mr Andrew Clutterbuck (Vice-Chair from 1 October 2014 - resigned 31 July 2016) Mr Steve Carr Dr Kim Isroff (resigned 19 November 2015) Mr Brian Larholm Mr David Meller Mr Frank Presland (resigned 29 August 2016) Ms Amanda Roberts
Company Secretary	Miss Kathleen Kwan
Senior Management Team	
Principal	Chris Mitchell
Vice Principal	Desrae Le Roux
Assistant Principal	Ben Rice
Assistant Principal	Lauren Christy
Assistant Principal	Peter Holt
Assistant Principal	Dominic Hand
Registered address	The Elstree UTC Studio Way Borehamwood WD6 5NN
Company registration number	07906423 (England and Wales)
Auditor	Buzzacott LLP 130 Wood Street London EC2V 6DL
Bankers	Lloyds Bank plc 67 Lower High Street Town Centre Watford WD17 2DU
Solicitors	Veale Wasbrough Vizards Orchard Court Bristol BS1 5WS

Governors' report Year to 31 August 2016

The governors of Elstree UTC ('the UTC') present their annual report together with the financial statements and the auditor's and accountant's reports of the charitable company for the year to 31 August 2016. The annual report serves the purposes of both a governors' report and a directors' report under company law.

The financial statements have been prepared in accordance with the accounting policies set out on pages 31 to 36 of the attached financial statements and comply with the UTC's memorandum and articles of association, applicable laws and 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 United Kingdom and Republic of Ireland (FRS 102), effective from accounting periods commencing 1 January 2015 or later.

STRUCTURE, GOVERNANCE AND MANAGEMENT

Constitution

The Elstree UTC is a company limited by guarantee and an exempt charity. The charitable company's memorandum and articles of association and the UTC Funding Agreement dated 25 April 2013 made between the UTC and the Secretary of State for Education are the primary governing documents of the Elstree UTC. The governors of Elstree UTC are also the directors of the charitable company for the purposes of company law.

The University of Hertfordshire Higher Education Corporation, Elstree Film Studios Limited and The Mellor Educational Charitable Trust are sponsors of the UTC.

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 cease to be a member.

Principal activities

The principal activities of the UTC are in the field of education, managing a UTC. The first cohort of students joined in September 2013.

STRUCTURE, GOVERNANCE AND MANAGEMENT (continued)

Governors

The governors are directors of the charitable company for the purposes of the Companies Act 2006. The following governors were in office at 31 August 2016 and served throughout the year except where shown.

Governor	Appointed/Resigned	Appointing body
Dr Phillip Bassill	Resigned 31 August 2016	Meller Educational Charitable Trust
Mr Steve Carr	Appointed 1 August 2015	Staff Governor - Members
Mr Andrew Clutterbuck	Resigned 31 July 2016	UH Holdings Limited
Dr Kim Isroff	Resigned 19 November 2015	Parent Governor
Mr Brian Larholm		Parent Governor
Mrs Susan McGuire		Employer sponsor (ATG Limited)
Mr David Meller		Meller Educational Charitable Trust
Mr Roger Morris (Chair)		Employer sponsor (Elstree Film Studios Limited)
Mr Frank Presland	Resigned 29 August 2016	Co-opted
Ms Amanda Roberts	Appointed 1 August 2016	UH Holdings Limited

Method of recruitment and appointment or election of governors

Mandatory categories

1. Up to nine Governors appointed by the Members under Article 50, of whom no less than:

two shall be appointed by UH Holdings Limited and

two shall be appointed by the Employer Sponsors (Elstree Film Studios Limited and Ambassador Theatre Group Limited).
2. Two Parent Governors elected by parents of registered pupils of the UTC (Articles 53-58) through such process as the Board of Governors may determine from time-to-time.
3. Two Governors appointed by the Meller Educational Charitable Trust (Article 46. d).
4. Principal (ex officio).

Discretionary categories

5. Where appointed, up to two Staff Governors appointed by the Members (Meller Educational Charitable Trust, UH Holdings Limited, Elstree Film Studios Limited) (Article 50A) through such process as the Members may determine from time-to-time.
6. Where appointed, up to three Co-opted Governors, who are not employees of the UTC, appointed by the Governors who have not themselves been co-opted (Article 59).

STRUCTURE, GOVERNANCE AND MANAGEMENT (continued)

Policies and procedures adopted for the induction and training of governors

Statutory training for governors is in place. The latest DFE Governor handbook was circulated to governors when released in May 2013. Further induction and training policies will be formalised in the 2016/17 academic year.

All governors are issued with a governors' handbook which outlines the responsibilities of governors. Regular training in the form of workshops is provided for governors and governors are invited to regularly visit the UTC so that they have a thorough understanding of the day to day activities and management imperatives for the UTC.

Organisational structure

The day-to-day operation of the UTC is overseen by the Principal who is accountable to the board of governors. The board of governors oversee the finances of the UTC and are provided with a monthly breakdown of income and expenditure. There are processes and procedures in place for planned expenditure which includes ensuring that value for money is assured. The governors ratify all tenders and cheques exceeding £2,000 are always signed by the principal and either the Chair or Vice Chair of Governors. The Executive Principal is the Accounting Officer of the Elstree UTC.

The Lead Sponsors of the Elstree UTC are the Meller Educational Charitable Trust, The University of Hertfordshire and Elstree Film Studios Limited. The board of governors is made up of two committees:

- ◆ Curriculum and Standards; and
- ◆ Personnel, Premises and Resources.

These committees and the full board of governors meet 4 times per annum. At these meetings, members approve resourcing decisions (eg staffing, marketing, policy. etc). In the interim, governors are updated via reports, visits, achievement meetings and other leadership meetings as appropriate.

The Senior Management Team meet weekly to ensure the UTC is run effectively from an operational point of view. The Principal meets with the executive leadership team at least fortnightly to ensure strategic direction of the UTC.

Leadership structures

There was an Executive Principal (0.2 FTE) who performance managed the Senior Management team from 1 September 2015 until 31 March 2016. There is now an appointed Principal, and one Vice Principal and four assistant Vice Principals. Leadership and management responsibilities are better distributed through the senior team as follows:

STRUCTURE, GOVERNANCE AND MANAGEMENT (continued)

Accountability

Until 31 March 2016, the Executive Principal line managed:

- ◆ the Principal and Vice Principals; and
- ◆ the Director of Performance Arts.

The Principal line manages:

- ◆ the Vice Principal (with support from the Executive Principal until 31 March 2016);
- ◆ the Director of the Communications faculty;
- ◆ the Director for Projects and Partnerships;
- ◆ the Finance Manager;
- ◆ the Premises and Operations Manager;
- ◆ the PA to SLT;
- ◆ the Communications Coordinator;
- ◆ the Admin Coordinator; and
- ◆ staff development and performance management.

One Vice Principal line managed:

- ◆ SENDCo
- ◆ student services;
 - ◇ child protection and Safeguarding Coordinator; and
 - ◇ attendance, punctuality and admissions co-ordinator.
- ◆ Head of Post 16;
- ◆ Director of Visual Arts (Art, Photography, Graphics); and
- ◆ Provision of programme for Personal, Social, Health and Economic Education.

During 2015/16, prior to restructuring, the other Vice Principal line managed:

- ◆ the data and exams manager;
- ◆ the Director of STEM;
- ◆ the Director of Production Arts;
- ◆ new teachers and trainee teachers;
- ◆ interventions and Student Achievement; and
- ◆ the IT and Network Manager.

STRUCTURE, GOVERNANCE AND MANAGEMENT (continued)

Deployment of teachers

Teacher	Teaching Sessions
GCSE Maths	5
GCSE English	5
GCSE Science	5
GCSE Media Studies	3
GCSE Film Studies	3
GCSE Art	3
GCSE Photography	3
GCSE Graphics	3
GCSE Product Design	3
GCSE Computing	3
BTEC Production Arts Level 2	3
GCSE Music	3
BTEC Music Technology Level 2	3
GCSE Drama	3
GCSE Dance	3
PE	1
A Level Maths	4
A Level English Lit	4
A Level Creative Writing	4
A Level Media Studies	4
A Level Film Studies	4
BTEC Media Production Level 3	4
A Level Biology	4
A Level Physics	4
A Level Product Design	4
A Level Computing	4
A Level Electronics	4
BTEC Production Arts Level 3	4
A Level Art	4
BTEC Art Level 3	4
A Level Photography	4
A Level Graphics	4
A Level Dance	4
BTEC Dance Level 3	4
A Level Music	4
BTEC Music Performance Level 3	4
BTEC Music Technology Level 3	4

STRUCTURE, GOVERNANCE AND MANAGEMENT (continued)

Arrangements for setting pay and remuneration of key management personnel

The Meller Educational Charitable Trust set the Principal's salary on appointment. Subsequent Senior Leadership remuneration was decided by the Principal in close negotiation with the Project Director and Chair of governing board approval. Criteria was based on current salaries, experience and area of responsibilities allocated. During the academic year, the Personnel, Premises and Resources Committee scrutinise and approve all salaries.

Connected organisations, including related party relationships

The Meller Educational Charitable Trust

The Meller Educational Charitable Trust (MET) is a member of the Elstree UTC as defined in the articles of association. A Service Level Agreement between the two parties is in place. This SLA provides access to expertise and advice, specialist teaching, legal compliance, governance and industry connection expertise. This SLA is set at 2% of the UTC GAG. Being part of a wider Trust gives Elstree UTC access to larger organisation level discount, that would not be possible as a stand-alone institution. Examples include Facilities Management, cleaning, student employment opportunities.

UH Holdings Limited

UH Holdings Limited is a member of the Elstree UTC as defined in the Articles of Association. It is a wholly-owned subsidiary company of the University of Hertfordshire Higher Education Corporation ('the University of Hertfordshire Higher Education Corporation').

University of Hertfordshire Higher Education Corporation

Elstree UTC works with the University of Hertfordshire, who is the University sponsor of the UTC, providing advice and guidance.

Elstree Film Studios Limited

Elstree Film Studios Limited is a member of the Elstree UTC as defined in the Articles of Association. Elstree Film Studios provides guidance and expertise in key technical areas which are at the core of the Elstree UTC.

Ambassador Theatre Group Limited

Ambassador Theatre Group is an employer sponsor for the Elstree UTC as that term is defined in the Articles of Association. The Ambassador Theatre Group provides advice and guidance in subject areas which align with the core areas of study at the Elstree UTC.

In addition the UTC works with a range of partners who provide employer briefs and work experience for students.

OBJECTIVES AND ACTIVITIES

Objects and aims

The UTC's objects are 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 purpose of the Elstree UTC is to educate 14-19 year olds with a focus on the specialist area of Multimedia, Production Arts and behind the scenes entertainments technologies alongside approved qualifications such as GCSE, A Level and equivalents. To prepare our 14-19 year old students for the world of work, Apprenticeships, Further/Higher Education via development of employability skills.

Our Vision

To create a learning environment which is inspiring and professional, where students' dreams are valued and young people develop the creative resilience and practical resourcefulness to achieve their aspirations.

Our Mission

To support and challenge each of our students to become culturally competent through inspiring academic study and technically capable through industry standard vocational learning enabling our students to be creative professionals and resilient lifelong learners.

Our Values

Be resilient and confident; respectful and professional.

Be curious and show a Passion for Learning.

Use the power in your dreams to achieve beyond the minimum.

The comprehensive College Development Plan includes the following:

- ◆ Ensure that students make expected progress or better which is above national averages (targets are met in line with the Key Performance Indicators).
- ◆ Ensure that 80% of teaching is good and better across the college and that no teaching is inadequate. Teaching for all must inspire curiosity and engage students in challenging and practical learning.
- ◆ Ensure excellent, clear and frequent communication with all stakeholders in the EUTC learning community.
- ◆ Deliver a high quality PSHE and Student Voice programme to support students' holistic development and safety across the whole curriculum including within the delivery of projects and industry experience.
- ◆ Ensure that attendance is above 95% and ensure that students are punctual as part of our drive to facilitate students to become committed independent learners and prospective professionals.

OBJECTIVES AND ACTIVITIES (continued)

Public Benefit

The Elstree UTC trustees have complied with their duty to have due regard to the guidance on public benefit published by the Charity Commission in exercising their powers or duties.

The activities undertaken to further the Elstree UTC trust's purposes for the public benefit include:

- ◆ Masterclass programme (known as EPICs - visiting speakers from industry teaching and inspiring our learners);
- ◆ Projects (industry links, media productions made in response to actual industry briefs, workshops and practical experience);
- ◆ high-quality work placements (including with our partners - BBC Elstree and Elstree Studios);
- ◆ Social enterprise (working with groups on community and charity projects);
- ◆ Personal, Social, Health education through assembly programme, visiting speakers, learning materials, advice and counselling and tutor sessions; and
- ◆ Trips and visits (local, regional, national, European to support UTC based learning and curriculum).

STRATEGIC REPORT

Achievements and performance

Ofsted inspected Elstree UTC in May 2015. The college was judged to 'require improvement'. Ofsted judged the leadership and management of Elstree UTC to have the demonstrable capacity to raise achievement. The DfE inspected the UTC in October 2015 and identified the developments already being made. The report showed that they were 'reassured' by the college development plan and progress already evident in response to Ofsted's recommendations.

Key performance indicators

Overall KS4 Achievement and Progress Data - August 2016 GCSE and BTEC overall percentages

- ◆ 0 was the target number of A*-A grades and we achieved 115 A*-A grades.
- ◆ Overall, the A*-A target was 0% and we achieved 17.4% A*-A.
- ◆ 611 was the target number of A*-C grades and we achieved 462 A*-C grades.
- ◆ Overall, the A*-C target was 92% and we achieved 70% A*-C.
- ◆ 600 was the target number of A*-G grades and we achieved 641 A*-G grades.
- ◆ Overall, the A*-G target was 100% and we achieved 97% A*-G.

STRATEGIC REPORT (continued)

Achievements and performance (continued)

Overall KS4 Achievement and Progress Data - August 2016 GCSE and BTEC overall percentages (continued)

	Whole Year Group (82)	Boys (27)	Girls (55)	FSM (9)	SEN (30)
Overall 5 A*-C	62% (51 students)	56% (15)	65% (36)	44% (4)	40% (12)
Overall 5 A*-C grades including maths and English	57% (47 students)	44% (12)	64% (35)	44% (4)	40% (12)
Overall 5 A*-C Grades including maths not English	60% (49 students)	52% (14)	64% (35)	44% (4)	40% (12)
Overall 5 A*-C Grades including English not maths	60% (49 students)	48% (13)	65% (36)	44% (4)	40% (12)
Overall A*-C in English and Maths	68% (56 students)				

Overall KS5 Achievement and Progress Data - August 2016 A2 overall percentages

- ◆ 19 was the target number of A*-A grades and we achieved 8 A*-A grades.
- ◆ Overall, the A*-A target was 10% & we achieved 4% A*-A.
- ◆ 104 was the target number of A*-B grades and we achieved 48 A*-B grades.
- ◆ Overall, the A*-B target was 55% and we achieved 25% A*-B.
- ◆ 190 was the target number of A*-E and we achieved 184 A*-E grades.
- ◆ Overall, the A*-E target was 100% and we achieved 97% A*-E.

L3 BTEC overall percentages 2016

- ◆ 8 was the target number of Distinction/Distinction* grades and we achieved 40 Distinction/Distinction* grades.
- ◆ Overall, the Distinction/ Distinction* target was 12% & we achieved 61% Distinctions.
- ◆ 54 was the target number of Merit grades and we achieved 16 Merit grades.
- ◆ Overall, the Merit target was 82% & we achieved 24% Merits.
- ◆ 6 was the target number of Pass grades and we achieved 10 Pass grades.
- ◆ Overall, the Pass target was 24% & we achieved 15 % Passes.
- ◆ 66 was the target number of BTEC qualifications and we achieved 66.

STRATEGIC REPORT (continued)

Achievements and performance (continued)

L3 BTEC overall percentages 2016 (continued)

- ◆ Overall, the BTEC target was 100% and we achieved 100%.
- ◆ 0 students failed BTEC.
- ◆ There were 6 U grades at A Level.

Inspection

- ◆ As noted above Ofsted visited in May 2015.
- ◆ DfE inspections in July 2015 and October 15th 2015. Outcomes - DfE 'reassured that Elstree UTC is taking necessary steps to secure improvement'. 'The leadership team are taking action as appropriate to secure change'.
- ◆ Pupil attendance data –

	Cohort	Attendance target	Actual Attendance	Attendance without including the small number of persistent absentees know to C/A services
Year 10	53	95%	91.5%	96.6%
Year 11	67	96%	88.2%	95.2%
Year 12	115	95%	92.3%	95.3%
Year 13	102	95%	89.9%	94.1%

- ◆ Pupil recruitment data – Recruitment figures remain strong in comparison to other UTCs but are lower than original expectation. Accurate recruitment figures have been hard to predict accurately but are beginning to stabilize. Forecast figures are to aim for 90 in year 10, 90 in year 11 and 150 in year 12 and 150 in year 13. This makes a total of 480 across the college. Current number on roll - 429.

STRATEGIC REPORT (continued)

Going concern

After making appropriate enquiries, the Governors have a reasonable expectation that the UTC has adequate resources to continue in operational existence for the foreseeable future. In particular, the board of governors consider that a combination of the following factors should allow the UTC to deliver a sustainable financial model and to manage cash flow sufficiently:

- ◆ Our cash reserves at the balance sheet date meet the UTC's immediate needs, and cover the expected clawback of General Annual Grant caused by a temporary dip in student numbers;
- ◆ We are in negotiation with the Education Funding Agency regarding the timing of clawback and support, as well as the long term plans for the sustainability of the UTC. As our primary funder and key stakeholder, they have proved flexible and supportive;
- ◆ The Government announced in January 2017 that UTCs would each receive an additional £200,000 per year for three years. Elstree UTC is in receipt of this funding, and have agreed to the terms of this transition funding;

Student numbers have stabilised, and we are taking steps to maximise recruitment, engaging with the local authority, the Baker Dearing Trust, parents and potential students to raise awareness and to demonstrate the uniqueness of what the UTC offers key stage 4 and post 16 students.

We have sufficient cash flow to meet needs for the foreseeable future, and student numbers are starting to grow again. For these reasons it continues to adopt the going concern basis in preparing the financial statements. Further details regarding the adoption of the going concern basis can be found in the Statement of Accounting Policies.

Financial review

Financial report for the year

The majority of the UTC's income is obtained from the EFA in the form of a recurrent grant, the use of which is restricted to particular purposes. The grants received during the year ended 31 August 2016 and the associated expenditure are shown as restricted funds in the Statement of Financial Activities.

The UTC's total incoming resources were £3,543,000 (2015: £3,919,000) and the total resources expended were £3,596,000 (2015: £3,463,000) for the year.

At the 31 August 2016 the net book value of the fixed assets was £12,985,000 (2015: £12,992,000) and movements in tangible fixed assets are shown in note 11 to the financial statements. The assets were used exclusively for providing education and the associated support services to the students of the UTC.

STRATEGIC REPORT (continued)

Financial review (continued)

Reserves policy

The UTC is in year 4 of operation (2016/17). The building works are now complete with the exception of one area (still mothballed) and the need for an additional perimeter fence due to new domestic residences recently build adjacent to the college campus. We will also need a technology refresh in the next academic year. The governors and the senior leadership team are reviewing the financial situation with the view to ensuring that in excess of two months operating costs will be accrued in the next two years in line with increased student numbers.

Restricted general fund – The EFA provides regular guaranteed remittances to the UTC and therefore a large proportion of the income and expenditure for any academic year is predictable. This reduces the need to hold reserves for the current academic year in terms of working capital, cash flow and uncertainties.

Unrestricted funds (free reserves) – The directors and governors aim to build up free reserves to meet the UTC's objectives and to meet any future liabilities as they fall due. The free reserves will also serve to meet the UTC's longer term objectives and ensure that it is a going concern for the benefit of the students of the University Technical College and other schools and the local community.

Free reserves will be built by surpluses generated through unrestricted business activities of the University Technical College, currently lettings and investment income.

Restricted pension reserve – The UTC's employees belong to one of two defined benefit pension schemes, the Teachers' Pension Scheme and the Local Government Pension Scheme. The pension costs and liabilities are assessed by independent actuaries and the value of the deficit in the Local Government Pension Scheme is reported in the pension reserve in the UTC's financial statements annually.

The Governors review and monitor the asset value annually and taker guidance from the external auditor if there is a need to take further action.

Investment policy

The governors' investment powers are governed by the articles of association, which permit the UTC's funds, not immediately required, to be invested in furtherance of its objects after obtaining expert financial advice. The UTC did not engage in any investment of surplus funds during the year under review.

PRINCIPAL RISKS AND UNCERTAINTIES

The main risks continue to be around the need for increased student recruitment in order to finance technology refresh and necessary building works such as the perimeter fence - although this can also qualify for a new bid to the EFA for necessary building costs due to Safeguarding of students.

PRINCIPAL RISKS AND UNCERTAINTIES (continued)

Financial and risk management objectives and policies

During this period the risks were as follows:

- ◆ Student recruitment for year 2 and 3 being low. Student recruitment failing to meet expectations. This has led to Elstree UTC being required to make clawback payments to the EFA. The net impact has been that the Elstree UTC cost base expanded more quickly than it should have and therefore the Governors have had to put together a financial recovery plan which will be submitted to the EFA early in 2017.
- ◆ Staff costs and curriculum offer had expanded too quickly under the previous principal and not in line with student recruitment. Governors have requested a new organisational structure which enables educational aims to be met and costs to be reduced and the principal also restructured the curriculum to increase efficiency and reduce cost further.
- ◆ Student recruitment has been hard to predict accurately and student recruitment numbers in Key Stage 4 have reduced leading to a smaller 14-16 student cohort. Consequently, students being retained into year 12 are less and so a smaller year 12 is anticipated. The resultant shortfall in GAG funding, or the PNA adjustment results in financial risk due to diseconomies of scale. The college has invested in a review and research action marketing plan to increase the effectiveness of outreach and PR communications. This is due to commence early in 2016/17 academic year.

FUTURE PLANS

Elstree UTC has accepted the conditions laid out by the DfE to join a Multi Academy Trust (MAT). This entitles the UTC to £200,000 per year for the next 3 years as part of the UTC transitional fund. Therefore, Elstree UTC is currently conducting a due diligence survey of possible MATs for the UTC to join.


Elstree UTC also plans to bid to the EFA for some capital funding to install a perimeter fence and some landscaping works to reappropriate space to the front of the campus for student recreation and physical education. This is necessary as a development to the rear of the campus has been built which includes balconies which overlook the current 'playground' area which will be re-appropriated as the car park.

AUDITOR

In so far as the governors are aware:

- ♦ there is no relevant audit information of which the charitable company's auditor is unaware; and
- ♦ the governors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

Governors' report, incorporating a strategic report, approved by order of the directors on 31 March 2017 and signed on their behalf by:

A handwritten signature in black ink, consisting of a stylized 'R' followed by a long horizontal stroke and a small loop at the end.

Roger Morris
Chair of governors/directors

Scope of responsibility

As governors, we acknowledge we have overall responsibility for ensuring that the Elstree UTC 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 governors have 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 UTC and the Secretary of State for Education. The Principal is also responsible for reporting to the board of governors any material weaknesses or breakdowns in internal control.

Governance

The information on governance included here supplements that described in the governors' report and in the statement of governors' responsibilities. The full board of governors has formally met five times during the year. Attendance during the year at meetings of the board of governors was as follows:

Governor	Meetings attended	Out of a possible
Brian Larholm	5	5
Susan McGuire	0	5
Wendy Meller (for David Meller)	1	5
Roger Morris	4	5
Emma Loveland	2	5
Chris Mitchell	5	5
Amanda Roberts	5	5
Steve Carr	4	5
Phillip Bassill	4	5
Andrew Clutterbuck	5	5

Governance reviews

During 2015/16 the work of the previous year was consolidated. The governors continued to search for the correct skills balance. In addition the structure of meetings was reviewed and the committee structure was streamlined. This has led to more efficient use of time and cleaner remits thus enabling decision making to be more effectively implemented.

The Meller Educational Charitable headteachers were approached to try to bolster this aspect of the governance of the UTC. Following the resignation of Dr Kim Isroff, elections were held in June 2016 to appoint a further parent governor and it has been decided that elections will be held to appoint another staff governor. An external review of governors conducted by the NGA has been agreed for the next academic year 2016/17.

The Personnel, Premises and Resources Committee is a sub-committee of the main board of governors. Its purpose is to evaluate the financial position of the UTC regularly, forward budget plan and to ensure best value for money in the financial running of the UTC.

Governance (continued)

Governance reviews (continued)

Attendance at meetings in the year was as follows:

Governor	Meetings attended	Out of a possible
Brian Larholm (Chair)	3	3
Chris Mitchell	3	3
Susan McGuire	0	3
Roger Morris	2	3
Phillip Bassill	3	3
Andrew Clutterbuck	3	3

Review of value for money

As Accounting Officer the Executive Principal (to 31 March 2016) and the Principal (after 31 March 2016) has responsibility for ensuring that the UTC 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 UTC's use of its resources has provided good value for money during the academic year, and reports to the governors where value for money can be improved, including the use of benchmarking data where available. The Accounting Officer for the UTC has delivered and improved value for money during the year by:

- ♦ Elstree UTC is committed to raising student attainment. The University Technical College (UTC) has in place rigorous tracking of student progress and achievement, with underachievement identified early and focused interventions and individualised care packages put in place as appropriate. The UTC sets itself high targets. The Improvement Plan has set out very clear targets for student achievement with a clear focus on working towards achieving outstanding outcomes. The UTC also tracks attendance and behaviour of all students. The UTC applies a range of strategies to ensure that attendance is in line with the national average.
- ♦ The UTC has an effective targeted continued professional development programme. This programme is delivered centrally by appropriately skilled trained staff. This programme focusses on developing and enhancing management and leadership skills. The programme is cost efficient and enables staff to share good practice and work together. This programme has raised motivation and morale and thus has been crucial in aiding retention and thereby reducing the need to recruit. The programme has had a positive impact on the quality of lessons and departmental resources. Staff have attended these twilight sessions and therefore have still been able to deliver the scheduled timetabled lessons.
- ♦ The UTC regularly benchmarks financial performance and procurement against other academies and UTCs to demonstrate that the UTC provides good value for money and efficient use of resources to support the continued progress of our students.

Review of value for money (continued)

- ◆ Elstree UTC promotes fair competition through tendering procedures which are in accordance with its Financial Regulations. Goods and services are secured in the most economic, efficient and effective way. The Governing Body regularly reviews the functions of the UTC, challenging how and why services are provided and setting targets and performance indicators for improvement.
- ◆ The UTC explores every opportunity to generate income through the hire of the college facilities and associated services, and providing support to other schools and academies.
- ◆ The UTC has appointed the Finance Officer of a sponsored academy to carry out termly peer reviews. This individual undertakes system and accounting checks and reports findings to the board of governors on a termly basis.
- ◆ The links that the UTC has with business, charities and national and international organisations has enabled group of students to benefit from a wide range of learning activities and morale raising events. To that end students have benefited from work experience opportunities, events at the House of Commons, Merchant Taylors Hall and at the University of Hertfordshire. These opportunities have enabled students to display and develop skills.

The work of Elstree UTC has been guided at all times by the principles of best value, namely:

- ◆ The allocation of resources to best promote the aims and values of the UTC.
- ◆ The targeting of resources to best improve standards and the quality of provision.
- ◆ The use of resources to support the various educational needs of all students.
- ◆ Clearly defined purchasing guidelines including regular appraisal and renegotiation of services and contracts.
- ◆ Delegation of authority and segregation of duties.
- ◆ Identification and management of risks.

The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives. It can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the UTC's 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 at the UTC for the year ended 31 August 2016 and up to the date of approval of the annual report. However, please see the further comments below.

Capacity to handle risk

The board of governors has reviewed the key risks to which the UTC is exposed together with the operating, financial and compliance controls that have been implemented to mitigate those risks. The board of governors is of the view that there is a formal ongoing process for identifying, evaluating and managing the UTC's significant risks that has been in place for the year ended 31 August 2016 and up to the date of approval of the annual report and financial statements. This process is regularly reviewed by the board of governors.

The risk and control framework

The UTC'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.

During the year ended 31 August 2016, the UTC was unable to maintain the level of controls and financial reporting that is required under the Academies Financial Handbook or to implement all the recommendations within the post audit report from the prior year's external audit. Although action was taken during 2015/16 to introduce standardised employment contracts and standardised pay scales are now in place for all staff, the UTC continues to maintain only basic accounting records. These are not adequate for an organisation of the UTC's size and do not provide the accurate management and financial information in a reliable and useful format or with relevant key performance measures that would allow the senior management team and governors to monitor the UTC's financial performance or identify changes in the UTC's operational performance and allow action to be taken.

Although the UTC had purchased an accounting and finance software package in 2014/15 the management and finance teams were unable to progress its implementation during 2015/16. At the date of this report, the implementation of the accounting/finance software has still not occurred. It was anticipated that the restructuring of the finance team in July 2016 would allow more robust financial management and governance arrangements to be embedded at the UTC from 1 September 2016 however, changes in staff within the finance team have delayed substantive action being taken. The senior management team and governors have given priority to the transfer of financial data onto an appropriate accounting software system, to allow for monthly reporting of the UTC's finances to the Personnel, Premises and Resources Committee and the EFA including cash flow forecasts and progress against the recovery plan submitted to the EFA.

The governors are satisfied that the action taken will improve processes and controls to ensure compliance with the standards expected under the Academies Financial Handbook and internal policies to improve the achievement of value for money. The UTC now has a new Finance Manager to implement and maintain these changes and make further improvements in the business management function.

The framework for risk and control will include the following going forward:

- ◆ comprehensive budgeting and monitoring systems with an annual budget and periodic financial reports which are reviewed and agreed by the board of trustees;

The risk and control framework (continued)

- ◆ regular reviews by the Personnel, Premises and Resources Committee of reports which indicate financial performance against the forecasts;
- ◆ setting targets to measure financial and other performance;
- ◆ clearly defined purchasing guidelines;
- ◆ delegation of authority and segregation of duties;
- ◆ identification and management of risks.

The governing body will continue to review the position and has a plan moving forward. This is to include the co-opting of additional governors with education and finance experience. To this end David Hughes, who has extensive experience of school finance, was co-opted onto the governing body shortly after the year end.

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:

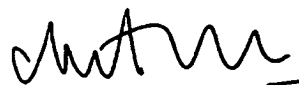
- ◆ the outcomes from the peer review;
- ◆ the work of the external auditor;
- ◆ the financial management and governance self-assessment process;
- ◆ the work of the Senior Management Team within the UTC who have responsibility for the development and maintenance of the internal control framework.

The Accounting Officer has advised the Personnel, Premises and Resources Committee of the implications of her review of the system of internal control and a plan to address weaknesses and ensure continuous improvement of the system is in place.

Approved by order of the board of directors on 31 March 2017 and signed on their behalf by:



Roger Morris
(Chair of governors)



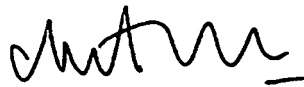
Chris Mitchell
(Accounting Officer)

Statement on regularity, propriety and compliance 31 August 2016

As Accounting Officer of Elstree UTC, I have considered my responsibility to notify the UTC board of governors and the Education Funding Agency of material irregularity, impropriety and non-compliance with EFA terms and conditions of funding, under the funding agreement in place between the UTC and the Secretary of State. As part of my consideration I have had due regard to the requirements of the Academies Financial Handbook 2015.

I confirm that I and the UTC board of governors are able to identify any material irregular or improper use of funds by the UTC, or material non-compliance with the terms and conditions of funding under the UTC's funding agreement and the Academies Financial Handbook 2015.

Other than the issues highlighted within the Governance Statement in relation to financial management and governance arrangements at the UTC which were not to the level required by the Academies Financial Handbook during the year, 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 governors and the EFA.



Chris Mitchell
Accounting Officer

Date: 31 March 2017

Statement of governors' responsibilities 31 August 2016

The governors (who are also the directors of the UTC for the purposes of company law) are responsible for preparing the governors' report and the financial statements in accordance with the Annual Accounts Direction issued by the Education Funding Agency, United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) and applicable law and regulations.

Company law requires the governors to prepare financial statements for each financial year. Under company law, the governors 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 UTC and of its incoming resources and application of resources, including its income and expenditure, for that period. In preparing these financial statements, the governors are required to:

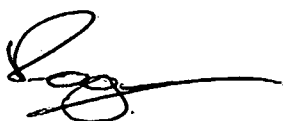
- ♦ select suitable accounting policies and then apply them consistently;
- ♦ observe the methods and principles in the Charities' SORP 2015 and the Academies Accounts Direction 2015 to 2016;
- ♦ make judgments and estimates that are reasonable and prudent;
- ♦ state whether applicable United Kingdom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

The governors are responsible for keeping adequate accounting records that are sufficient to show and explain the UTC's transactions and disclose with reasonable accuracy at any time the financial position of the UTC 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 UTC and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The governors are responsible for ensuring that in its conduct and operation the UTC 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 the EFA/DfE have been applied for the purposes intended.

The governors are responsible for the maintenance and integrity of the corporate and financial information included on the UTC'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 directors on 31 March 2017 and signed on their behalf by:



Roger Morris
Chair of governors

Independent auditor's report on the financial statements to the Members of Elstree UTC

We have audited the financial statements of Elstree UTC ("the charitable company") for the year ended 31 August 2016 which comprise the statement of financial activities, the balance sheet, the statement of cash flows, the principal accounting policies and the related notes. The financial reporting framework that has been applied in their preparation is applicable law, United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) and the Academies Accounts Direction 2015 to 2016 issued by the Education Funding Agency.

This report is made solely to the charitable company'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 charitable company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the charitable company and the charitable company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of governors and auditor

The governors act as trustees for the charitable activities of Elstree UTC and are also the directors of the charitable company for the purpose of company law.

As explained more fully in the statement of governors' responsibilities set out in the governors' report, including the strategic report, the governors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the charitable company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the governors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the governors' report, including the strategic report, to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Emphasis of matter – Going concern

The financial statements have been prepared on the going concern basis. In forming our opinion we have considered the adequacy of the disclosures made in the financial statements concerning the current and future financial viability of the UTC. Details of the circumstances and material uncertainties relating to the going concern assumption are described on pages 12 and 32 of the financial statements and we consider that these disclosures need to be brought to the readers' attention in view of their significance. Our opinion is not qualified in this respect.

Opinion

In our opinion:

- ◆ the financial statements give a true and fair view of the state of the charitable company's affairs as at 31 August 2016 and of its income and expenditure for the year then ended;
- ◆ the financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- ◆ the financial statements have been prepared in accordance with the Companies Act 2006; and
- ◆ the financial statements have been prepared in accordance with the Charities SORP 2015 and Academies Accounts Direction 2015 to 2016.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the governors' report, including the strategic report, for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where 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 governors' remuneration specified by law are not made; or
- ◆ we have not received all the information and explanations we require for our audit.



Katharine Patel, Senior Statutory Auditor
for and on behalf of Buzzacott LLP, Statutory Auditor
130 Wood Street
London
EC2V 6DL

4 April 2017

Independent reporting accountant's report 31 August 2016

Independent reporting accountant's assurance report on regularity to Elstree UTC and the Education Funding Agency

In accordance with the terms of our engagement letter dated 18 March 2014 and further to the requirements of the Education Funding Agency (EFA) as included in the Academies Accounts Direction 2015 to 2016, we have carried out an engagement to obtain limited assurance about whether the expenditure disbursed and income received by Elstree UTC during the period from 1 September 2015 to 31 August 2016 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 Elstree UTC and the EFA in accordance with the terms of our engagement letter. Our work has been undertaken so that we might state to the Elstree UTC and the EFA 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 Elstree UTC and the EFA, for our work, for this report, or for the conclusion we have formed.

Respective responsibilities of Elstree UTC's Accounting Officer and the reporting accountant

The Accounting Officer is responsible, under the requirements of Elstree UTC's funding agreement with the Secretary of State for Education dated 27 April 2013 and the Academies Financial Handbook, extant from 1 September 2015, 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 2015 to 2016. We report to you whether anything has come to our attention in carrying out our work which suggests that in all material respects, expenditure disbursed and income received during the period from 1 September 2015 to 31 August 2016 have not been applied to purposes intended by Parliament or that the financial transactions do not conform to the authorities which govern them.

Approach

We conducted our engagement in accordance with the Academies Accounts Direction 2015 to 2016 issued by the EFA. 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.

Independent reporting accountant's report 31 August 2016

Approach (continued)

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

The work undertaken to draw to our conclusion includes:

- ◆ An assessment of the risk of material irregularity and impropriety across all of the UTC's activities;
- ◆ Further testing and review of the areas identified through the risk assessment including enquiry, identification of control processes and examination of supporting evidence across all areas identified as well as additional verification work where considered necessary; and
- ◆ Consideration of evidence obtained through the work detailed above and the work completed as part of our financial statements audit in order to support the regularity conclusion.

Conclusion

Other than the issues highlighted within the Governance Statement in relation to financial management and governance arrangements at the UTC which were not the level required by the Academies Financial Handbook during the year, in the course of our work, nothing else has come to our attention which suggests that in all material respects the expenditure disbursed and income received during the period from 1 September 2015 to 31 August 2016 has not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.



Buzzacott LLP
Chartered Accountants
130 Wood Street
London
EC2V 6DL

4 April 2017

Statement of financial activities (including income and expenditure account and statement of total recognised gains and losses) Year to 31 August 2016

		Unrestricted general fund £'000	Restricted funds		2016 Total funds £'000	2015 Total funds £'000
	Notes	£'000	General £'000	Fixed assets fund £'000	£'000	£'000
Income from:						
Donations and capital grants	1	—	—	603	603	1
Charitable activities						
· Funding for the UTC's educational operations	4	—	2,768	—	2,768	3,837
Other trading activities	2	84	87	—	171	80
Investments	3	1	—	—	1	1
Total income		85	2,855	603	3,543	3,919
Expenditure on:						
Raising funds		—	—	—	—	4
Charitable activities						
· UTC's educational operations	6	33	2,849	714	3,596	3,459
Total expenditure		33	2,849	714	3,596	3,463
Net income (expenditure)		52	6	(111)	(53)	456
Transfers between funds		—	—	—	—	—
Other recognised gains or losses						
Actuarial loss on defined benefit pension scheme	19	—	(9)	—	(9)	(1)
Net movement in funds		52	(3)	(111)	(62)	455
Reconciliation of funds						
Total fund balances brought forward at 1 September 2015		—	15	12,992	13,007	12,552
Total fund balances carried forward at 31 August 2016		52	12	12,881	12,945	13,007

All of the UTC's activities derived from continuing operations during the above two financial periods.

Balance sheet 31 August 2016

	Notes	2016 £'000	2016 £'000	2015 £'000	2015 £'000
Fixed assets					
Tangible fixed assets	11		12,985		12,992
Current assets					
Debtors	12	66		519	
Cash at bank and in hand		984		609	
		1,050		1,128	
Liabilities					
Creditors: amounts falling due within one year	13	(1,067)		(1,107)	
Net current (liabilities)/assets			(17)		21
Total assets less current liabilities			12,968		13,013
Pension liabilities	19		(23)		(6)
Total net assets			12,945		13,007
Restricted funds					
Fixed assets fund	14	12,881		12,992	
Restricted income fund	14	35		21	
Pension reserve	14	(23)		(6)	
Total restricted funds			12,893		13,007
Unrestricted income funds					
General fund			52		—
Total funds			12,945		13,007

The financial statements on pages 27 to 48 were approved by the governors, and authorised for issue on 31 March 2017 and are signed on their behalf by:



Roger Morris
Chair

Elstree UTC
Company Limited by Guarantee
Registration Number: 07906423 (England and Wales)

Statement of cash flows Year to 31 August 2016

		2016 £'000	2015 £'000
Net cash flows from operating activities			
Net cash provided by operating activities	A	1,081	509
Cash flows from investing activities	B	(706)	(520)
Cash flows from financing activities	C	—	535
Change in cash and cash equivalents in the year		375	524
Reconciliation of net cash flow to movement in net funds:			
Cash and cash equivalents at 1 September 2015		609	85
Cash and cash equivalents at 31 August 2016	D	984	609

A Reconciliation of income to net cash flow from operating activities

	2016 £'000	2015 £'000
Net (expenditure)/income for the year (as per the statement of financial activities)	(53)	456
Adjusted for:		
Depreciation (note 11)	714	691
Capital grants from DfE	—	(951)
FRS 102 pension cost	8	5
Interest receivable (note 3)	(1)	(1)
Decrease (increase) in debtors	453	(52)
(Decrease) increase in creditors	(40)	361
Net cash provided by operating activities	1,081	509

B Cash flows from investing activities

	2016 £'000	2015 £'000
Dividends, interest and rents from investments	1	1
Purchase of tangible fixed assets	(707)	(521)
Net cash used in investing activities	(706)	(520)

C Cash flows from financing activities

	2016 £'000	2015 £'000
Capital grants from DfE/EFA	—	535
Net cash provided by financing activities	—	535

Statement of cash flows Year to 31 August 2016

D Analysis of cash and cash equivalents

	2016 £'000	2015 £'000
Cash at bank and in hand	984	609
Total cash and cash equivalents	984	609

Statement of accounting policies

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

Basis of preparation

The financial statements of the UTC, which is a public benefit entity under FRS 102, have been prepared under the historical cost convention in accordance with the Financial Reporting Standard Applicable in the UK and Republic of Ireland (FRS 102), the Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) (Charities SORP (FRS 102)), the Academies Accounts Direction 2015 to 2016 issued by EFA, the Charities Act 2011 and the Companies Act 2006.

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

Transition to FRS 102

First time adoption of FRS 102

These financial statements are the first financial statements of Elstree UTC prepared in accordance with Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (FRS 102) and the Charities SORP 2015 (SORP 2015). The financial statements of The Elstree UTC for the year ended 31 August 2015 were prepared in accordance with previous Generally Accepted Accounting Practice ('UK GAAP') and SORP 2005.

Some of the FRS 102 recognition, measurement, presentation and disclosure requirements and accounting policy choices differ from previous UK GAAP. Consequently, the governors have amended certain accounting policies to comply with FRS 102 and SORP 2015.

Explanation of transition to FRS 102

It is the first year that the UTC has presented its financial statements under SORP 2015 and FRS 102. The following disclosures are required in the year of transition. The last financial statements prepared under previous UK GAAP were for the year ended 31 August 2015 and the date of transition to FRS 102 and SORP 2015 was therefore 1 September 2014. As a consequence of adopting FRS 102 and SORP 2015, a number of accounting policies have changed to comply with those standards. No restatement of the results for the year ended 31 August 2015 has been required.

Going concern

The governors 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 company to continue as a going concern. The governors 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 UTC has adequate resources to continue in operational existence for the foreseeable future and there are no material uncertainties about the UTC's ability to continue as a going concern.

Governors continue to engage with the EFA regarding support, including timing of funding and clawback. The Government announced in January 2017 that all UTCs would receive additional funding over the next three years, and the UTC is discussing restructuring of the clawback provision timing. With student growth forecast, the UTC remains a going concern, and the governors continue to adopt the going concern basis of accounting in preparing the financial statements.

Income

All incoming resources are recognised when the UTC 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.

The 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 period is deducted from income and recognised as a liability.

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

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.

Other income

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

Expenditure

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

Expenditure on raising funds

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

Charitable activities

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

All resources expended are stated net of recoverable VAT.

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. 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 such assets is charged to the restricted fixed asset fund in the Statement of Financial Activities so as to reduce the fund over the useful economic life of the related asset on a basis consistent with the UTC's depreciation policy.

Depreciation is provided on all tangible fixed assets other than freehold land, at rates calculated to write off the cost/valuation of each asset on a straight-line basis over its expected useful economic life, as follows:

♦ Freehold buildings	2% per annum
♦ Fixtures, fittings and equipment	20% per annum
♦ IT equipment	20% per annum

Tangible fixed assets (continued)

Depreciation is charged from the month of acquisition.

Assets in the course of construction are included at cost. Depreciation on these assets is not charged until they are brought into use.

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.

Liabilities

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 UTC 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.

Leased assets

Rentals under operating leases are charged on a straight line basis over the lease term.

Taxation

The UTC 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 UTC is potentially exempt from taxation in respect of income or capital gains received within categories covered by Chapter 3 Part 11 of the Corporation Tax Act 2010 or Section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied exclusively to charitable purposes.

Pensions benefits

Retirement benefits to employees of the UTC 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 UTC in such a way that the pension cost is a substantially level percentage of current and future pensionable payroll. The contributions are determined by the Government Actuary on the basis of quadrennial valuations using a prospective unit credit method. As stated in note 19, the TPS is a multi-employer scheme and there is insufficient information available to use defined benefit accounting. The TPS is therefore treated as a defined contribution scheme for accounting purposes and the contributions recognised in the period to which they relate.

Pensions benefits (continued)

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

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

Fund accounting

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

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

Restricted general funds comprise all other grants received from the Education Funding Agency.

Critical accounting estimates and areas of judgement

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

Critical accounting estimates and areas of judgement (continued)

Critical accounting estimates and assumptions

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

The present value of the Local Government Pension Scheme defined benefit liability depends on a number of factors that are determined on an actuarial basis using a variety of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions, which are disclosed in note 19, 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 2013 has been used by the actuary in valuing the pensions liability at 31 August 2016. 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.

Notes to the Financial Statements Year to 31 August 2016

1 Donations and capital grants

	Unrestricted funds £'000	Restricted funds £'000	Restricted fixed asset funds £'000	2016 Total funds £'000	2015 Total funds £'000
Capital grants	—	—	603	603	—
Other donations	—	—	—	—	1
	—	—	603	603	1

2 Other trading activities

	Unrestricted funds £'000	Restricted funds £'000	2016 Total funds £'000	2015 Total funds £'000
Hire of facilities/lettings income	11	—	11	34
Trip income	6	9	15	7
Catering income	56	78	134	39
Miscellaneous income	11	—	11	—
	84	87	171	80

3 Investment income

	Unrestricted funds £'000	Restricted funds £'000	2016 Total funds £'000	2015 Total funds £'000
Interest receivable	1	—	1	1

4 Funding for UTC's educational operations

	Unrestricted funds £'000	Restricted funds £'000	2016 Total funds £'000	2015 Total funds £'000
DfE / EFA revenue grants				
· General Annual Grant (GAG)	—	2,707	2,707	2,706
· Start up grants	—	—	—	180
· Other DfE/EFA grants	—	59	59	—
	—	2,766	2,766	2,886
Other Government grants				
· Local authority grants	—	2	2	—
Other income from the UTC's educational operations	—	—	—	951
	—	2,768	2,768	3,837

5 Expenditure

	Staff costs £'000	Non pay expenditure		2016 Total funds £'000	2015 Total funds £'000
		Premises £'000	Other costs £'000		
Expenditure on raising funds	—	—	—	—	4
UTC's educational operations					
. Direct costs	1,618	714	130	2,462	2,303
. Allocated support costs	319	245	570	1,134	1,156
	1,937	959	700	3,596	3,463

	2016 Total funds £'000	2015 Total funds £'000
Net income for the year includes:		
Depreciation	714	691
Fees payable to auditor for:		
. Audit	10	9
. Other services	8	18

Included within expenditure are the following transactions:

	Total £'000	Individual items above £5,000	
		Amount £'000	Reason
Compensation payments	16	16	(a)
Bad debt provision	41	41	(b)

(a) Compensation was paid to two employees in the year.

(b) Provision has been made against historical recoverable VAT where there is uncertainty over the UTC's ability to recover the amounts due.

6 Charitable activities

	2016 Total funds £'000	2015 Total funds £'000
Direct costs	2,462	2,303
Support costs	1,134	1,156
	3,596	3,459

6 Charitable activities (continued)

	2016 Total funds £'000	2015 Total funds £'000
Analysis of support costs		
Support staff costs	319	630
Technology costs	124	—
Premises costs	245	226
Other support costs	280	174
Governance costs	166	126
Total support costs	1,134	1,156

7 Comparative information

Analysis of income and expenditure in the year ended 31 August 2015 between restricted and unrestricted funds:

	Unrestricted general fund £	Restricted funds		2015 Total funds £
		General £	Fixed assets fund £	
Income from:				
Donations and capital grants	1,039	—	—	1,039
Charitable activities				
· Funding for the UTC's educational operations	—	2,885,668	951,346	3,837,014
Other trading activities	80,216	—	—	80,216
Investments	584	—	—	584
Total income	81,839	2,885,668	951,346	3,918,853
Expenditure on:				
Raising funds	4,188	—	—	4,188
Charitable activities				
· UTC's educational operations	—	2,768,638	690,410	3,459,048
Total resources expended	4,188	2,768,638	690,410	3,463,236
Net income	77,651	117,030	260,936	455,617
Transfers between funds	(77,651)	91,799	(14,148)	—
Net income for the year	—	208,829	246,788	455,617
Other recognised gains or losses				
Actuarial loss on defined benefit pension scheme	—	(1,000)	—	(1,000)
Net movement in funds	—	207,829	246,788	454,617

8 Staff

(a) Staff costs

Staff costs during the year were:

	2016 Total funds £'000	2015 Total funds £'000
Wages and salaries	1,500	1,658
Social security costs	141	153
Pension costs	164	125
	1,805	1,936
Supply staff costs	116	—
Staff restructuring costs	16	47
	1,937	1,983
	2016 £'000	2015 £'000
Staff restructuring costs comprise		
Severance payments	16	26
Other restructuring costs	—	21
	16	47

Included in staff restructuring costs are non-statutory (non-contractual) severance payments to two individuals totalling £16,000 (2015: £26,000 to one individual).

(a) Staff numbers

The average number of persons (including the senior management team) employed by the charitable company during the year ended 31 August 2016 expressed as full-time equivalents was as follows:

	FTE 2016 No.	FTE 2015 No.
Charitable activities		
Teachers	32	34
Administration and support	14	21
Management	5	4
	51	59

(b) Higher paid staff

The number of employees whose emoluments (excluding employers pension liabilities) fell within the following bands was:

	2016 No	2015 No
Charitable activities		
£60,001 - £70,000	—	1
£80,001 - £90,000	1	1

Two of the above employees participated in the Teachers' Pension Scheme.

8 Staff (continued)

(c) Key management personnel

The key management personnel of the UTC comprise the trustees and the senior management team as listed on page 1. The total amount of employee benefits (including employee pension contributions) received by key management personnel for their services to the UTC was £236,216 (2015 - £255,736).

9 Governors' remuneration and expenses

The Principal only receives remuneration in respect of services he provides undertaking the role of Principal and not in respect of his service as governor. Other governors did not receive any payments, other than expenses, from the UTC in respect of their role as governors. The value of governors' remuneration and other benefits was as follows:

	2016 £'000	2015 £'000
Principal and governor		
· Remuneration	90-95	80-85
· Employer's pension contributions	15-20	10-15

Other related party transactions involving the governors are set out in note 20.

10 Governors' and Officers' insurance

In accordance with normal commercial practice the UTC has purchased insurance to protect governors and officers from claims arising from negligent acts, errors or omissions occurring whilst on UTC business. The insurance provides cover up to an aggregate limit of £2,000,000 in the insurance year and is subject to an excess of £250 each claim. The cost of this insurance for the year ended 31 August 2016 was £15,915.

11 Tangible fixed assets

	Freehold land and buildings £'000	Furniture and equipment £'000	Computer equipment £'000	Total funds £'000
Cost				
At 1 September 2015	11,921	1,686	660	14,267
Additions	707	—	—	707
At 31 August 2016	12,628	1,686	660	14,974
Depreciation				
At 1 September 2015	351	654	270	1,275
Charge in year	204	345	165	714
At 31 August 2016	555	999	435	1,989
Net book value				
At 31 August 2016	12,073	687	225	12,985
At 31 August 2015	11,570	1,032	390	12,992

Notes to the Financial Statements Year to 31 August 2016

12 Debtors

	2016 £'000	2015 £'000
Due from Department for Education	—	416
VAT recoverable	54	95
Other debtors	7	8
Prepayments and accrued income	5	—
	66	519

13 Creditors: amounts falling due within one year

	2016 £'000	2015 £'000
Trade creditors	13	5
Taxation and social security	38	42
EFA: abatement of GAG	853	599
Other creditors	4	25
Accruals	159	436
	1,067	1,107

14 Funds

	Balance at 1 September 2015 £'000	Incoming resources £'000	Resources expended £'000	Gains, losses and transfers £'000	Balance at 31 August 2016 £'000
EFA revenue grant fund					
. General Annual Grant (GAG)	21	2,707	(2,782)	—	(54)
. Pupil premium		59	(59)	—	—
. Pension reserve	(6)	—	(8)	(9)	(23)
	15	2,766	(2,849)	(9)	(77)
Restricted fixed asset funds					
. DfE/EFA capital grants	12,834	603	(666)	—	12,771
. Capital expenditure from GAG	158	—	(48)	—	110
	12,992	603	(714)	—	12,881
Other restricted funds					
. Local authority grants	—	2	—	—	2
. Other restricted funds	—	87	—	—	87
	—	89	—	—	89
Total restricted funds	13,007	3,458	(3,563)	(9)	12,893
Unrestricted funds					
. General funds	—	85	(33)	—	52
Total unrestricted funds	—	85	(33)	—	52
Total funds	13,007	3,543	(3,596)	(9)	12,945

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

EFA revenue grant fund and other restricted funds

Restricted general funds

This fund represents grants received for the UTC operational activities and development.

General Annual Grant (GAG)

Under the funding agreement with the Secretary of State, the UTC was not subject to a limit on the amount of GAG that it could carry forward at 31 August 2016.

Restricted other funds

From time to time, additional funds are applied as set out above for specific purposes laid down by the grant provider and to be used in the short term.

Fixed asset fund

These grants relate to funding received from the DfE, to carry out works of a capital nature as part of the building project.

14 Funds (continued)

Unrestricted funds

The unrestricted funds represent funds available to the governors to apply for the general purposes of the UTC. The pension reserve relates to the UTC's share of the deficit to the Local Government Pension Scheme administered by Hertfordshire County Council.

15 Analysis of net assets between funds

	Unrestricted funds £'000	Restricted general funds £'000	Restricted fixed asset fund £'000	Total 2016 £'000
Fund balances at 31 August 2016 are represented by:				
Tangible fixed assets	—	—	12,985	12,985
Current assets	52	998	—	1,050
Current liabilities	—	(963)	(104)	(1,067)
Pension scheme liabilities	—	(23)	—	(23)
Total net assets	52	12	12,881	12,945

16 Contingent liabilities

During the period of the Funding Agreement, in the event of the sale or disposal by other means of any asset for which a Government capital grant was received, the UTC is required either to re-invest the proceeds or to re-pay to the Secretary of State for Education the same proportion of the proceeds of the sale or disposal as equates with the proportion of the original cost met by the Secretary of State. Upon termination of the Funding Agreement, whether as a result of the Secretary of State or the UTC serving notice, the UTC shall repay to the Secretary of State sums determined by reference to:

- The value at that time of the UTC's site and premises and other assets held for the purpose of the UTC; and
- The extent to which expenditure incurred in providing those assets was met by payments by the Secretary of State under the Funding Agreement.

17 Commitments under operating leases

Operating leases

At 31 August 2016, the total of the UTC's future minimum lease payments under non-cancellable operating leases was as follows:

	2016 £'000	2015 £'000
Amounts due within one year	61	—

18 Members' liability

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

19 Pension and similar obligations

The UTC's employees belong to two principal pension schemes: the Teachers' Pension Scheme England and Wales (TPS) for academic and related staff; and the Local Government Pension Scheme (LGPS) for non-teaching staff. 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 2013.

There were no outstanding or prepaid contributions at either the beginning or the end of the financial year.

Teachers' Pension Scheme

Introduction

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

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

Valuation of the Teachers' Pension Scheme

Not less than every four years the Government Actuary, using normal actuarial principles, conducts a formal actuarial review of the TPS in accordance with the Public Service Pensions (Valuations and Employer Cost Cap) Directions 2014 published by HM Treasury. The aim of the review is to specify the level of future contributions. Actuarial scheme valuations are dependent on assumptions about the value of future costs, design of benefits and many other factors. The latest actuarial valuation of the TPS was carried out as at 31 March 2012 and in accordance with the Public Service Pensions (Valuations and Employer Cost Cap) Directions 2014. The valuation report was published by the Department for Education on 9 June 2014. The key elements of the valuation and subsequent consultation are:

- ♦ employer contribution rates set at 16.48% of pensionable pay (including a 0.08% employer administration charge (currently 14.1%))

19 Pension and similar obligations (continued)

Teachers' Pension Scheme (continued)

Valuation of the Teachers' Pension Scheme (continued)

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

During the previous year the employer contribution rate was 14.1%. The TPS valuation for 2012 determined an employer rate of 16.4%, which was payable from September 2015. The next valuation of the TPS will be as at March 2016, whereupon the employer contribution rate is expected to be reassessed and will be payable from 1 April 2019.

The employer's pension costs paid to TPS in the period amounted to £133,140 (2015: £110,478).

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 a multi-employer pension scheme. The trust has accounted for its contributions to the scheme as if it were a defined contribution scheme. The trust has set out above the information available on the scheme.

Local Government Pension Scheme (LGPS)

The LGPS is a funded defined-benefit scheme, with the assets held in separate trustee-administered funds. The total contribution made for the year ended 31 August 2016 was £11,000, of which employer's contributions totalled £8,000 and employees' contributions totalled £3,000. The agreed contribution rates for future years are 14.18% for employers and 5.5% to 9.9% for employees.

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

19 Pension and similar obligations (continued)

Local Government Pension Scheme (LGPS) (continued)

Principal Actuarial Assumptions	At 31 August 2016	At 31 August 2015
Rate of increase in salaries	4	4
Rate of increase for pensions in payment / inflation	2	3
Discount rate for scheme liabilities	2	4
Inflation assumption (CPI)	2	3

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

	At 31 August 2016	At 31 August 2015
<i>Retiring today</i>		
Males	22	22
Females	25	24
<i>Retiring in 20 years</i>		
Males	24	24
Females	27	27

	Fair value at 31 August 2016 £'000	Fair value at 31 August 2015 £'000
Equities	13	5
Bonds	7	2
Total market value of assets	20	7
Present value of scheme liabilities		
· Funded	(43)	(13)
Deficit in the scheme	(23)	(6)

The actual return on scheme assets was £2,000 (2015: £nil).

Amounts recognised in statement of financial activities	2016 £'000	2015 £'000
Current service costs (net of employee contributions)	15	10
Net interest cost	1	—
Total operating charge	16	10

19 Pension and similar obligations (continued)

Local Government Pension Scheme (LGPS) (continued)

Changes in the present value of defined benefit obligations were as follows:	2016 £'000	2015 £'000
At 1 September 2015	13	—
Current service cost	15	10
Interest cost	1	—
Employee contributions	3	2
Actuarial (gain)/loss	11	1
At 31 August 2016	43	13

Changes in the fair value of the UTC's share of scheme assets:	2016 £'000	2015 £'000
At 1 September 2015	7	—
Actuarial gain/(loss)	2	—
Employer contributions	8	5
Employee contributions	3	2
At 31 August 2016	20	7

20 Related party transactions

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

In the year £52,575 was paid to The Meller Educational Charitable Trust (2015 - £66,644) for access to financial guidance, specialist teaching, legal compliance, governance and industry connection expertise.