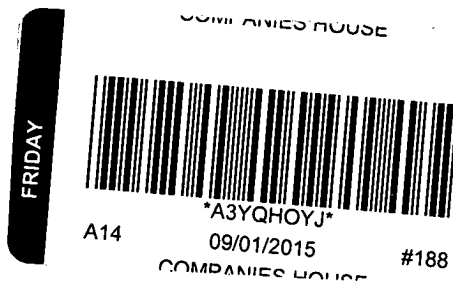


The Elstree UTC

**Annual Report and Financial
Statements**

31 August 2014

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 Trust Dr Stephen Boffey
Governors	Mr Roger William Morris (Chair from 1 September 2014) Mr Phillip Bassill (appointed 21 November 2014) Mr Andrew Clutterbuck (appointed 1 October 2014) Ms Moira Green (appointed 6 April 2013) Mrs Susan McGuire Dr Kim Isroff (appointed 22 May 2014) Mr Brian Larholm (appointed 22 May 2014) Mr David R Meller (appointed 14 June 2013) Mrs Wendy Meller (appointed 14 June 2013) Mr Frank G Presland Mr Ross Alexander Renton
Company Secretary	John Conlon
Senior Management Team	
Principal	Moira Green
Vice Principal	Chris Mitchell
Assistant Principal	Ben Rice
Assistant Principal	Shakeel Rathore
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 2014

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 2014. 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 21 to 23 of the attached financial statements and comply with the Academy's memorandum and articles of association, applicable laws and the requirements of the Statement of Recommended Practice "Accounting and Reporting by Charities" issued in March 2005 ('SORP 2005').

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 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, Elstree Studios Limited and The Ambassador Theatre Group Limited (ATG) 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.

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 2014 and served throughout the year except where shown.

Trustee	Appointed/Resigned	Appointing body
Dr Stephen Arthur Boffey (Chair)	Resigned 31 July 2014	University of Hertfordshire
Mr Roger William Morris (Vice Chair)		Elstree Studios
Mr Justin John Donovan	Resigned 12 February 2014	Local Authority
Ms Moira Green	Appointed 6 April 2013	Principal
Mrs Susan McGuire		ATG
Dr Kim Isroff	Appointed 22 May 2014	Parent
Mr Brian Larholm	Appointed 22 May 2014	Parent
Mr David R Meller	Appointed 14 June 2013	Baker Dearing Trust
Mr Frank G Presland		Baker Dearing Trust
Mr Ross Alexander Renton		University of Hertfordshire

Method of recruitment and appointment or election of governors

The articles of association provide for the appointment or election of governors as follows:

- ❖ Up to 9 governors appointed by the members, ensuring that representatives of the sponsors form a majority of the total governors;
- ❖ 1 local authority governor;
- ❖ 2 elected parent governors;
- ❖ the Principal; and
- ❖ 2 elected staff governors.

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 2013/14 academic year.

All Governors are issued with a governor's 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.

STRUCTURE, GOVERNANCE AND MANAGEMENT (continued)

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 Principal is the accounting officer.

Connected organisations, including related party relationships

Meller Educational Trust

The Meller Educational Trust is a member of the Elstree UTC as defined in the articles of association. They provide a collaborative arrangement between the schools associated with the group.

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')

University of Hertfordshire

Elstree UTC works with the University of Hertfordshire, who are sponsors of the UTC, providing advice and guidance.

In addition the UTC works with a range of partners who provide employer briefs and work experience for students, including the other sponsors, Elstree Studios and Ambassadors Theatre Group.

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 objective of this period was to ensure the following:

- ❖ The curriculum is embedded and students are making rapid learning gains
- ❖ Examination results for AS levels represent good or better progress for students
- ❖ Students are recruited to the UTC for the year 2014/15

Governors' report Year to 31 August 2014

OBJECTIVES AND ACTIVITIES (continued)

Objects and aims (continued)

- ❖ Staff are recruited to the UTC for the year 2014/15
- ❖ A budget is put in place in agreement with the EFA
- ❖ Legacy building issues are managed effectively to ensure a safe environment for students

Public Benefit

In setting the UTC's objectives and planning its activities, the Board of Governors have given careful consideration to the Charity Commission's general guidance on public benefit.

STRATEGIC REPORT

Achievements and performance

The following targets have been successfully achieved during the year;

- ❖ The UTC has successfully completed year one of its activities.
- ❖ The curriculum is embedded
- ❖ Engagement with partners is extensive and student work has been used in a significant range of professional contexts
- ❖ Student achievement in the first AS level examinations was strong. Based on prior attainment the UTC target was 1% A GRADES. Students gained 10% A grades.
- ❖ The UTC successfully recruited 90 year 10 students and 139 year 12 students for the year 2014/15
- ❖ The UTC successfully recruited new staff taking the total number of staff for 2014/15 to 54.2 FTE

Going concern

The Elstree UTC is a going concern. It recruited over published admission numbers for its first year of operation and by the end of year 1 had recruited a further 229 students for year 2 of operation. Recruitment figures for year 3 of operation are strong and with a large number of applications being made for places.

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 2014 and the associated expenditure are shown as restricted funds in the Statement of Financial Activities.

STRATEGIC REPORT (continued)

Financial review (continued)

Financial report for the year (continued)

The UTC's total incoming resources were £2,939,877 (2013: £6,357,509) and the total resources expended were £2,431,867 (2013: £ 145,567) for the year.

At the 31 August 2014 the net book value of the fixed assets was £12,744,750 (2013: £12,068,247) 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.

Reserves policy

The UTC is in year 1 of operation which means there are no cash reserves. The impact of the building issues means that our plan to develop reserves at the end of year 1 have been affected. The governors and the principal have a plan to accrue cash reserves over the next 3 years of operation. There is a planned budget which will ensure that at least 2 months operating costs will be accrued in the next 3 years.

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 completion of aspects of the building and further work which needs to be completed in 2014/15 to further safeguard the fabric of the building. Funding for this work has been granted by the EfA and work will begin in 2015.

Financial and risk management objectives and policies

During this period the risks were as follows:

- ❖ Ongoing problems with the building which impacted financially on the UTC
- ❖ Student recruitment for year 2 being low
- ❖ Staff recruitment being unsuccessful
- ❖ Examination results below that which had been forecast
- ❖ Student recruitment for year 2 has been successful and for year 3 is strong. Student examination results at the end of year 1 were strong and in some cases above expectation.

PLANS FOR FUTURE PERIODS

In future periods the UTC plans to expand to 800 students. The target is 600 students by year 3 of operation and 800 students by year 4 of operation. This will require further investment in the buildings and premises to accommodate these increased numbers. This will include:

- ❖ The building of a multipurpose PE/exam/performance space with changing facilities
- ❖ The mothballing of the top floor in screen 2

In addition the following issues with the site need to be addressed:

- ❖ The roof for both buildings
- ❖ Perimeter fencing
- ❖ Curtain walling

The curriculum will continue to develop over the next 2 years as the UTC embeds and develops with plans to develop an apprenticeship offer with industry partners and a route through to employment in addition to university.

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 members of the board of governors on 27 November 2014 and signed on its behalf by:



Roger Morris
Chair of governors

Date: 19 December 2014

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 board of governors has formally met four 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
Stephen Boffey	4	4
Justin Donovan	—	2
Moir Green	4	4
Kim Issroff	4	4
Brian Larholm	4	4
Susan McGuire	4	4
Wendy Meller	2	4
Roger Morris	4	4
Ross Renton	4	4

Governance reviews:

During 2013/14 the governors reviewed the makeup of the governing body. Subsequently 2 parent governors were elected. A review of governor's expertise revealed that the body needed more direct experience of schools financial management. Phil Bassill was co-opted onto the governing body in January and is in the process of becoming a full governor. Phil Bassill was the Executive Director – Resources at Harefield Academy and has extensive experience in school and academy finance. He is providing significant input into ensuring that all of the finance regulations are met and appropriate checks and balances are in place to ensure financial regularity and best value. As a result changes have been made to internal ordering processes, bank reconciliation reporting and chains of authorisation.

1. New purchase order (PO) form; which now has remaining budget (ensure awareness for value for money) and all PO's are signed by the principal and director of department.
2. Expense claims form; now have cash/cheque collection slip, all receipts and is signed by the principal and director of department.

Governance (continued)

Governance reviews (continued):

3. Printing credit forms; which we did not have in the academic year 2013-14. All staff where provided with a starting printing credit and all addition credit are topped up from individual departments. This ensures there is little waste in reference of printing and promotes an eco-friendly atmosphere.
4. External cover forms; completed to ensure that all SLT are aware and costs are taken into consideration.
5. Extra hours forms; ensure that the SLT and finance department are aware of any extra hours that needs to be paid.
6. Mileage claim form; all mileages are paid at £0.45p per mile and this is worked out the closest locations (school or home address) from the final destination.
7. Remittance slip; prevents confusion on which invoices are paid.
8. Training request form; completed and signed by principal and director of department to ensure that the required departments are aware of the expense.
9. There are also extra checks done for the chain of authorisation for all payments (cheque & card) and payroll. All reports (statements, bank reconciliation, cash book and payroll review) are double checked by Charlotte Wilkes and signed on the day that the check has taken place.

A further review of the governing body in the Summer 2014 revealed that more experience in school curricular matters were needed. The Meller Education Trust headteachers were approached to try to bolster this aspect of the Governance of the UTC. Further to this it has been agreed that elections will be held to appoint a staff governor.

As the UTC develops the governors will continue to review the skills set of the governing body and where necessary seek to bolster areas of need.

The Finance and General Purposes 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.

Attendance at meetings in the year was as follows:

Governor	Meetings attended	Out of a possible
Stephen Boffey	3	3
Justin Donovan	—	2
Moir Green	3	3
Kim Issroff	—	3
Brian Larholm	2	3
Susan McGuire	2	3
Wendy Meller	—	3
Roger Morris	2	3
Ross Renton	2	3

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 2014 and up to the date of approval of the annual report and financial statements.

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 2014 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 financial year the UTC became operational and, partly due to a turnover in finance staff and the size of the finance department, it was not possible to maintain the level of controls and financial reporting that are required under the Academies Financial Handbook. As a result the UTC has been materially non-compliant with its funding agreement during the year.

Whilst basic record keeping processes were maintained with some segregation of duties, the most critical aspects of non-compliance was the failure to:

1. produce regular management accounts on an accruals basis and cashflow forecasts;
2. have adequate segregation of duties over payroll;
3. keep full and accurate accounting records;
4. operate and reconcile control accounts;
5. reconcile the bank account regularly;
6. have standard staff employment contracts in place for all staff; and
7. independent checking of financial controls, systems, transactions and risks.

The risk and control framework (continued)

The governing body has reviewed its work and has a plan moving forward. This is to include the co opting of additional governors with education and finance experience. To this end Phil Bassill who has extensive experience of school finance will be elected onto the governing body.

Regular financial reports will be provided to this governor going forward and advice received on systems and processes. One recent improvement in controls is that purchase order documentation of the budget holder must indicate the remaining budget in their account so that there is more robust financial management on a day to day basis.

The board of governors has considered the need for a specific internal audit function and has decided:

- ❖ not to appoint an internal auditor. However the governors have appointed Susan McGuire, a governor, as responsible officer (RO).

The RO's role includes giving advice on financial matters and performing a range of checks on the academy trust's financial systems. At each governors meeting the RO reports to the board of trustees, through the finance and general purposes committee on the operation of the systems of control and on the discharge of the board of trustees' financial responsibilities.

This role is to be bolstered in the current year. To this end Phil Bassill will be co opted as a governor. Phil has extensive experience of school finance and we are seeking an alternative arrangement to ensure that independent checks on finance are in place for this year.


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 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 finance 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 governors on 27 November 2014 and signed on their behalf by:


Roger Morris
(Chair of governors)


Moira Green
(Accounting Officer)

Approved on: 19 December 2014

Statement on regularity, propriety and compliance 31 August 2014

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.

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.

Instances of irregularity, impropriety or funding non-compliance were discovered, where the levels of controls and financial reporting as required by the Academies Financial Handbook were not maintained. Details of these irregularities, improprieties and funding non-compliance are provided in the Governance Statement on pages 10 and 11.

Other than these instances, I confirm that no other 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 EFA.



Moira Green

Accounting Officer

Date: 19 December 2014

Statement of governors' responsibilities 31 August 2014

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' Statement of Recommended Practice (the Charities' SORP);
- ❖ make judgments and estimates that are reasonable and prudent;
- ❖ state whether applicable United Kingdom Accounting Standards 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 members of the Board of governors on 27 November 2014 and signed on its behalf by:



Roger Morris
Chair of governors

Independent auditor's report 31 August 2014

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 2014 which comprise the statement of financial activities, the balance sheet, the cash flow statement, 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 2013 to 2014 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.

Independent auditor's report 31 August 2014

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 2014 and of its incoming resources and application of resources, including 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 Academies Accounts Direction 2013 to 2014 issued by the Education Funding Agency.

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.



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

19/12/14

Independent reporting accountant's report 31 August 2014

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 2013 to 2014, 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 2013 to 31 August 2014 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 2013, 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 2013 to 2014. 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 2013 to 31 August 2014 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 2013 to 2014 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 2014

Approach (continued)

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 to our conclusion includes:

- ❖ An assessment of the risk of material irregularity and impropriety across all of the academy trust'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

Instances of irregularity, impropriety or funding non-compliance were discovered, where the levels of controls and financial reporting as required by the Academies Financial Handbook were not maintained. Details of these irregularities, improprieties and funding non-compliance are provided in the Governance Statement on pages 10 and 11.

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 2013 to 31 August 2014 has not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.

Buzzacott LLP

Buzzacott LLP
Chartered Accountants
130 Wood Street
London
EC2V 6DL

19/12/14

Statement of financial activities (including income and expenditure account and statement of total recognised gains and losses) Year to 31 August 2014

		Restricted funds			Year ended 31 August 2014 Total funds £	7 month period to 31 August 2013 Total funds £
Notes	Unrestricted general fund £	General £	Fixed assets fund £			
Incoming resources						
Incoming resources from generated funds						
Activities for generating funds	1	35,207	—	—	35,207	—
Investment income	2	333	—	—	333	—
Incoming resources from charitable activities						
Funding for the UTC's development	3	—	—	1,092,874	1,092,874	6,354,999
Funding for the UTC's educational operations	4	—	1,811,463	—	1,811,463	—
Other income		—	—	—	—	2,510
Total incoming resources		35,540	1,811,463	1,092,874	2,939,877	6,357,509
Resources expended						
Cost of generating funds:						
Fundraising trading		17,547	—	—	17,457	—
Charitable activities						
UTC's development costs	6	—	—	—	—	135,067
UTC's educational operations	6	—	1,813,553	585,097	2,398,650	—
Governance costs	7	—	15,670	—	15,670	10,500
Total resources expended	5	17,547	1,829,223	585,097	2,431,867	145,567
Net income (expenditure) for the year before transfers						
		17,993	(17,760)	507,777	508,010	6,211,942
Transfers between funds		(17,993)	(150,733)	168,726	—	—
Net movement in funds		—	(168,493)	676,503	508,010	6,211,942
Reconciliation of funds						
Total fund balances brought forward at 1 September 2013		—	(24,480)	12,068,247	12,043,767	5,831,825
Total fund balances carried forward at 31 August 2014		—	(192,973)	12,744,750	12,551,777	12,043,767

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

Balance sheet 31 August 2014

	Notes	2014 £	2014 £	2013 £	2013 £
Fixed assets					
Tangible fixed assets	11		12,744,750		12,068,247
Current assets					
Debtors	12	51,740		3,272,549	
Cash at bank and in hand		85,336		8,171	
		<u>137,076</u>		<u>3,280,720</u>	
Liabilities					
Creditors: amounts falling due within one year	13	(330,049)		(3,305,200)	
Net current liabilities			<u>(192,973)</u>		<u>(24,480)</u>
Total assets less current liabilities			<u>12,551,777</u>		<u>12,043,767</u>
Funds of the Academy					
Restricted income funds					
· Fixed assets fund	14		12,744,750		12,068,247
· General fund	14		<u>(192,973)</u>		<u>(24,480)</u>
			<u>12,551,777</u>		<u>12,043,767</u>
Unrestricted funds					
· General fund	14		—		—
Total funds			<u>12,551,777</u>		<u>12,043,767</u>

The financial statements on page 18 to 35 were approved by the governors, and authorised for issue on 27 November 2014 and are signed on their behalf by:



Roger Morris
Chair

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

Cash flow statement Year to 31 August 2014

	Notes	Year ended 31 August 2014 £	7 month period to 31 August 2013 £
Net cash inflow from operating activities	17	245,558	13,482
Returns on investment and servicing of finance	18	333	—
Capital expenditure	19	(168,726)	(65,935)
Increase (decrease) in cash in the year	20	77,165	(52,453)
Reconciliation of net cash flow to movement in net funds:			
Net funds at 1 September 2013		8,171	60,624
Net funds at 31 August 2014		85,336	8,171

Principal accounting policies 31 August 2014

Basis of preparation

The financial statements have been prepared under the historical cost convention in accordance with applicable United Kingdom Accounting Standards, the Charity Commission 'Statement of Recommended Practice: Accounting and Reporting by Charities' ('SORP 2005'), the Academies Accounts Direction 2013 to 2014 issued by the EFA and the Companies Act 2006. A summary of the principal accounting policies, which have been applied consistently, except where noted, is set out below.

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 one year from the date of approval of the financial statements.

Incoming resources

All incoming resources are recognised when the UTC has entitlement to the funds, certainty of receipt and the amount can be measured with sufficient reliability.

♦ Grants receivable

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 year is shown in the relevant funds on the balance sheet. Where income is received in advance of entitlement of receipt its recognition is deferred and included in creditors as deferred income. Where entitlement occurs before income is received, the income is accrued.

General Annual Grant is recognised in full in the year for which it is receivable and any unspent amount is reflected as a balance in the restricted general fund. Capital grants are recognised when receivable 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 is certainty of receipt and the amount can be reliably measured.

♦ Other income

Other income, including the hire of facilities, is recognised in the year it is receivable and to the extent the goods have been provided or on completion of the service.

Resources expended

All expenditure is recognised in the year in which a liability is incurred and has been classified under headings that aggregate all costs related to that category. Where costs cannot be directly attributed to particular headings they have been allocated on a basis consistent with the use of resources, with central staff costs allocated on the basis of time spent, and depreciation charges allocated on the portion of the asset's use. Other support costs are allocated based on the spread of staff costs.

♦ **Costs of generating funds**

These are costs incurred in attracting voluntary income, and those incurred in trading activities that raise funds.

♦ **Charitable activities**

These are costs incurred on the UTC's educational operations.

♦ **Governance costs**

These include the costs attributable to the UTC's compliance with constitutional and statutory requirements, including audit, strategic management and Governor's meetings and reimbursed expenses.

All resources expended are inclusive of irrecoverable 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 Academy'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 |

Depreciation is charged from the month of acquisition.

Tangible fixed assets (continued)

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.

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'). This is a defined benefit schemes and the assets are held separately from those of the UTC.

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 quinquennial valuations using a prospective benefit method. As stated in Note 22, the TPS is a multi employer scheme and the UTC is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis. The TPS is therefore treated as a defined contribution scheme and the contributions recognised as they are paid each year.

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.

Notes to the Financial Statements Year to 31 August 2014

1 Activities for generating funds

	Unrestricted funds £	Restricted funds £	Year ended 31 August 2014 Total funds £	7 month period to 31 August 2013 Total funds £
Hire of facilities	2,180	—	2,180	—
Theatre productions	1,786	—	1,786	—
Recovery of technology costs	9,053	—	9,053	—
Sale of uniforms	13,859	—	13,859	—
Other	8,329	—	8,329	—
	35,207	—	35,207	—

2 Investment income

	Unrestricted funds £	Restricted funds £	Year ended 31 August 2014 Total funds £	7 month period to 31 August 2013 Total funds £
Interest receivable	333	—	333	—

3 Funding for UTC development

	Unrestricted funds £	Restricted funds £	Year ended 31 August 2014 Total funds £	7 month period to 31 August 2013 Total funds £
DfE / EFA revenue grants				
. Project development grant	—	—	—	120,000
. Other funds	—	—	—	16,692
	—	—	—	136,692
DfE/EFA capital grant				
. Academy capital grants	—	1,092,874	1,092,874	6,218,307
	—	1,092,874	1,092,874	6,218,307
Total incoming resources for UTC development	—	1,092,874	1,092,874	6,354,999

Notes to the Financial Statements Year to 31 August 2014

4 Funding for UTC's educational operations

	Unrestricted funds £	Restricted funds £	Year ended 31 August 2014 Total funds £	7 month period to 31 August 2013 Total funds £
DfE / EFA revenue grants				
. General Annual Grant (GAG)	—	1,523,932	1,523,932	—
. Pupil premium grant	—	25,187	25,187	—
. Start up grant	—	120,000	120,000	—
. Start up grant B	—	142,344	142,344	—
	—	1,811,463	1,811,463	—
Total incoming resources for educational operations	—	1,811,463	1,811,463	—

5 Resources expended

	Staff costs £	Non pay expenditure		Year ended 31 August 2014 Total funds £	7 month period to 31 August 2013 Total funds £
		Premises £	Other costs £		
Cost of generating funds					
. Cost of activities for generating funds	—	—	17,547	17,547	—
Charitable activities					
. UTC's educational operations					
.. Direct costs	867,767	585,097	185,811	1,638,675	—
.. Allocated support costs	319,907	249,653	190,415	759,975	—
. UTC's development					
.. Direct costs	—	—	—	—	68,570
.. Allocated support costs	—	—	—	—	66,497
	1,187,674	834,750	376,226	2,398,650	135,067
Governance costs including allocated support costs					
	—	—	15,670	15,670	10,500
	1,187,674	834,750	409,443	2,431,867	145,567

Notes to the Financial Statements Year to 31 August 2014

5 Resources expended

	Year ended 31 August 2014 Total funds £	7 month period to 31 August 2013 Total funds £
Incoming resources for the year include:		
Operating leases		
Fees payable to auditor		
. Statutory audit	7,500	7,000
. Non statutory audit	500	500
. Other services	7,640	3,000

6 Charitable activities

	Year ended 31 August 2014 Total funds £	7 month period to 31 August 2013 Total funds £
Direct costs		
Teaching and educational support staff costs	867,767	42,412
Depreciation	585,097	—
Technology costs	43,064	—
Educational supplies	62,989	1,400
Examination fees	13,412	—
Staff development	7,584	2,949
Other direct costs	58,762	21,809
	1,638,675	68,570
Allocated support costs		
Support staff costs	319,907	13,678
Legal and professional costs	19,251	11,295
Recruitment and support	15,982	7,885
Equipment costs	(376)	4,994
Premises costs	50,286	2,456
Cleaning	65,836	—
Rent and rates	65,535	—
Heat and light	67,996	1,427
Security and transport	40,001	4,311
Catering	35,789	481
Insurance	24,261	4,425
Other support costs	47,507	15,545
	759,975	66,497
Total direct and support costs	2,398,650	135,067

The UTC commenced educational activities on 1 September 2013. Costs of charitable activities prior to that period relate to development costs.

Notes to the Financial Statements Year to 31 August 2014

7 Governance costs

	Year ended 31 August 2014 Total funds £	7 month period to 31 August 2013 Total funds £
Auditor's remuneration:		
. Audit of financial statements	8,000	7,000
. TPS audit	750	500
. Other services	6,920	3,000
	15,670	10,500

8 Staff

(a) Staff costs

Staff costs during the year were:

	Year ended 31 August 2014 Total funds £	7 month period to 31 August 2013 Total funds £
Wages and salaries	912,342	47,465
Social security costs	76,580	4,042
Pension costs	71,818	4,583
	1,060,740	56,090
Consultant costs	126,934	—
	1,187,674	56,090

(b) Staff numbers

The average numbers of persons (including senior management team) employed by the Academy during the year expressed as a full time equivalents was as follows:

Charitable activities	Year ended 31 August 2014 £	7 month period to 31 August 2013 £
Teachers	17	—
Administration and support	70	—
Management	3	1
	30	1

8 Staff (continued)

(c) Higher paid staff

The number of employees whose emoluments fell within the following bands was:

Charitable activities	Year ended 31 August 2014 No	7 month period to 31 August 2013 No
£60,001 - £70,000	1	—
£70,001 - £80,000	1	—

Two of the above employees participated in the Teachers' Pension Scheme. During the year ended 31 August 2014 pension contributions for these staff amounted to £19,458.

9 Governors' remuneration and expenses

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

	Year ended 31 August 2014 No	7 month period to 31 August 2013 No
Moir Green, Principal	£75k - £80k	£30 - £35k

During the year ended 31 August 2014, travel, subsistence and other expenses totalling £1,025 (2013 - £4,649) were reimbursed to 1 governor (period ended 31 August 2013 - £1).

Other related party transactions involving the governors are set out in note 23.

10 Governors' and Officers' insurance

In accordance with normal commercial practice the Academy has purchased insurance to protect governors and officers from claims arising from negligent acts, errors or omissions occurring whilst on Academy 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, at a cost of £1,198 (period ended 31 August 2013 - £1,198). The cost of this insurance is included in the total insurance cost.

Notes to the Financial Statements Year to 31 August 2014

11 Tangible fixed assets

	Freehold land and buildings £	Assets under construction £	Furniture and equipment £	Computer equipment £	Total funds £
Cost/valuation					
At 1 September 2013	5,771,201	4,744,694	1,399,853	152,499	12,068,247
Additions	477,736	—	276,634	507,231	1,261,600
Transfers	4,744,694	(4,794,694)	—	—	—
At 31 August 2014	10,933,631	—	1,676,487	659,730	13,329,847
Depreciation					
At 1 September 2013	—	—	—	—	—
Charge in year	171,510	—	308,150	105,437	585,097
At 31 August 2014	171,510	—	308,150	105,437	585,097
Net book value					
At 31 August 2014	10,822,121	—	1,368,337	554,293	12,744,750
At 31 August 2013	5,771,201	4,744,694	1,399,853	152,499	12,068,247

12 Debtors

	2014 £	2013 £
Due from Department of Education	—	2,511,099
Recoverable VAT	35,084	761,450
Other debtors	15,140	—
Prepayments	1,516	—
	51,740	3,272,549

13 Creditors: amounts falling due within one year

	2014 £	2013 £
Trade creditors	14,595	1,288
Due to the Educational Funding Agency	236,086	729,782
Taxation and social security	24,305	8,768
Other creditors	351	—
Accruals	54,712	2,565,362
	330,049	3,305,200

Notes to the Financial Statements Year to 31 August 2014

14 Funds

	Balance at 1 September 2013 £	Incoming resources £	Resources expended £	Gains, losses and transfers £	Balance at 31 August 2014 £
EFA revenue grant fund					
. General Annual Grant (GAG)	—	1,523,932	(1,541,085)	(150,733)	(167,886)
. Start Up Grants	—	262,344	(262,344)	—	—
. Other EFA	(24,480)	25,187	(25,794)	—	(25,087)
	<u>(24,480)</u>	<u>1,811,463</u>	<u>(1,829,223)</u>	<u>(150,733)</u>	<u>(192,973)</u>
Fixed assets fund					
. EFA capital grants	11,989,508	1,092,874	(565,386)	24,268	12,541,264
. Capital expenditure from EFA grants	78,739	—	(19,711)	144,458	203,486
	<u>12,068,247</u>	<u>1,092,874</u>	<u>(585,097)</u>	<u>168,726</u>	<u>12,744,750</u>
Total restricted funds	<u>12,043,767</u>	<u>2,904,337</u>	<u>(2,414,320)</u>	<u>17,993</u>	<u>12,551,777</u>
Unrestricted funds					
. Unrestricted funds	—	35,540	(17,547)	(17,993)	—
Total unrestricted funds	<u>—</u>	<u>35,540</u>	<u>(17,547)</u>	<u>(17,993)</u>	<u>—</u>
Total funds	<u>12,043,767</u>	<u>2,939,877</u>	<u>(2,431,867)</u>	<u>—</u>	<u>12,551,777</u>

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

EFA revenue grant fund and other restricted funds

General Annual Grant (GAG)

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 2014.

Fixed asset fund

These represent grants which relate to capital funding which has been used to purchase fixed assets.

The trust is carrying a net deficit of £192,973 on restricted general funds (excluding pension reserve) with £nil unrestricted funds because this is the first full year of operations and development costs have been incurred. This deficit will be met out of future EFA funding.

Notes to the Financial Statements Year to 31 August 2014

15 Analysis of net assets between funds

	Unrestricted funds £	Restricted general funds £	Restricted fixed asset fund £	Total 2014 £
Fund balances at 31 August 2014 are represented by:				
Tangible fixed assets	—	—	12,744,750	12,744,750
Current assets	—	137,076	—	137,076
Current liabilities	—	(330,049)	—	(330,049)
Total net assets	—	(192,973)	12,744,750	12,551,777

16 Capital commitments

	2014 £	2013 £
Contracted for, but not provided in the financial statements	—	913,347

17 Reconciliation of net income to net cash inflow from operating activities

	2014 £	2013 £
Net income	508,010	6,211,942
Depreciation (note 11)	585,097	—
Capital grants from DfE and other capital income	(1,092,874)	(6,218,307)
Interest receivable (note 2)	(333)	—
(Increase)/decrease in debtors	3,220,809	(21,741)
(Decrease)/increase in creditors	(2,975,151)	41,588
Net cash inflow from operating activities	245,558	13,482

18 Returns on investment and servicing of finance

	2014 £	2013 £
Interest received	333	—
Net cash inflow from returns on investment and servicing of finance	333	—

19 Capital expenditure and financial investment

	2014 £	2013 £
Provision of tangible fixed assets	(1,261,600)	(3,033,435)
Capital grants from DfE / EFA	1,092,874	2,967,500
Net cash inflow from capital expenditure and financial investments	(168,726)	(65,935)

20 Analysis of changes in net funds

	At 1 September 2013 £	Cashflows £	At 31 August 2014 £
Cash in hand and at bank	8,171	77,165	85,336

21 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

22 Pension and similar obligations

The UTC's employees belong to one principal pension scheme: the Teachers' Pension Scheme England and Wales (TPS) for academic and related staff. In addition, one employee belonged to the Local Government Pension Scheme for a period of five months. Both schemes are defined benefit schemes.

The pension costs are assessed in accordance with the advice of independent qualified actuaries. The latest actuarial valuation of the TPS was 31 March 2004.

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

Local Government Pension Scheme

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 2014 was £4,988 of which employer's contributions totalled £2,209 and employees' contributions totalled £2,959.

Due to the low level of participation, it is the opinion of the Governors that the balance of the assets and liabilities are immaterial to the accounts, and as a result an FRS17 actuarial valuation has not been obtained as at 31 August 2014.

22 Pension and similar obligations (continued)

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.

The Teachers' Pensions Regulations require an annual account to be kept of receipts and expenditure (including the cost of pensions' increases). From 1 April 2001, the account has been credited with a real rate of return, which is equivalent to assuming that the balance in the account is invested in notional investments that produce that real rate of return.

Valuation of the Scheme

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%);
- ◆ total scheme liabilities for service to the effective date of £191,500 million, and notional assets of £176,600 million, giving a notional past service deficit of £14,900 million; and
- ◆ an employer cost cap of 10.9% of pensionable pay will be applied to future valuations.

The new employer contribution rate is applicable from 1 April 2015 and will be implemented for the TPS from September 2015.

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

22 Pension and similar obligations (continued)

Teachers' Pension Scheme (continued)

Teachers' Pension Scheme Changes

Lord Hutton made recommendations in 2011 about how pensions can be made sustainable and affordable, whilst remaining fair to the workforce and the taxpayer. The Government accepted Lord Hutton's recommendations as the basis for consultation with trade unions and other representative bodies. In March 2012 the Department for Education published proposals for the design for a reformed TPS.

The key provisions of the reformed scheme include: a pension based on career average earnings; an accrual rate of 1/57th; and a Normal Pension Age equal to State Pension Age, but with options to enable members to retire earlier or later than their Normal Pension Age. Pension benefits built up before 1 April 2015 will be fully protected.

In addition, the proposed final agreement includes a Government commitment that those within 10 years of normal pension age on 1 April 2012 will see no change to the age at which they can retire, and no decrease in the amount of pension they receive when they retire. There will also be further transitional protection, tapered over a three and a half year period, for people who would fall up to three and a half years outside of the 10 year protection.

In his interim report of October 2010, Lord Hutton recommended that short-term savings were also required, and that the only realistic way of achieving these was to increase member contributions. At the Spending Review 2010 the Government announced an average increase of 3.2 percentage points on the contribution rates by 2014-15. The increases have been phased in since April 2012 on a 40:80:100% basis.

The Department for Education has continued to work closely with trade unions and other representatives bodies to develop the reformatted Teachers' Pension Scheme and regulations giving effect to it came into force on 1 April 2014. Communications are being rolled out and the reformatted scheme will commence on 1 April 2015.

Under the definitions set out in Financial Reporting Standard (FRS 17) Retirement Benefits, the TPS is a multi-employer pension scheme. The academy is unable to identify its share of the underlying assets and liabilities of the scheme. Accordingly, the academy has taken advantage of the exemption in FRS 17 and has accounted for its contributions to the scheme as if it were a defined contribution scheme. The academy has set out above the information available on the scheme.

23 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 Academy's financial regulations and normal procurement procedures.

No related party transactions took place in the period of account.