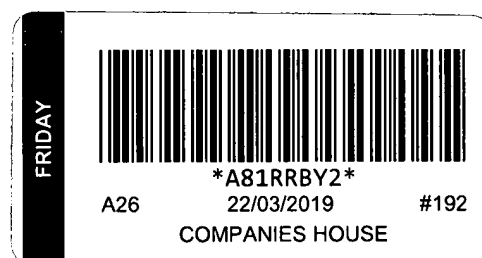


# **The Elstree UTC**

## **Annual Report and Financial Statements**

31 August 2018

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



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## Reference and administrative information

<b>Members</b>	U H Holdings Limited Elstree Film Studios Limited
<b>Governors/Directors</b>	Mr Roger Morris (Chair) Ms Judy Glasman Ms Dalia Smith Mr Brian Larholm Mr Dominic Bygate Ms Claire Charles Mr David Zerafa Mrs Anne Lean Mr Chris Mitchell
<b>Company Secretary</b>	Mr Alex Hall
<b>Senior Management Team</b>	1 September 2017 to 31 August 2018
Principal	Chris Mitchell
Vice Principal	Desrae Le Roux
Assistant Principal	Ben Rice
Assistant Principal	Peter Holt
Assistant Principal	Adele Wallis
<b>Registered address</b>	The Elstree UTC Studio Way Borehamwood WD6 5NN
<b>Company registration number</b>	07906423 (England and Wales)
<b>Auditor</b>	Buzzacott LLP 130 Wood Street London EC2V 6DL
<b>Bankers</b>	Lloyds Bank plc 67 Lower High Street Town Centre Watford WD17 2DU
<b>Solicitors</b>	Brownejacobson LLP Mowbray House Castle Meadow Road Nottingham NG2 1BJ

## **Governors' report Year to 31 August 2018**

The governors of The 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 2018. 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 to 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 and Elstree Film Studios Limited 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.. 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 2018 and served throughout the year except where shown.

Governor	Appointed/Resigned	Appointing body
Mr Steve Carr	Appointed 1 August 2015 and Resigned 4 December 2017	Staff Governor - Members
Mr Brian Larholm	Appointed 22 May 2014	Co-opted Governor
Mr Chris Mitchell	Appointed 17 November 2016	Principal
Mrs Susan McGuire	Appointed 30 August 2012 and Resigned 4 December 2017	Employer sponsor (ATG Limited)
Ms Judy Glasman	Appointed 17 November 2016	University Sponsor (UH Holdings Limited) Member Governor
Ms Dalia Smith	Appointed 17 November 2016	Parent Governor - Members
Mr Roger Morris (Chair)	Appointed 30 August 2012	Employer sponsor (Elstree Film Studios Limited) Member Governor
Ms Claire Charles	Appointed 4 December 2017	Parent Governor - Members
Mr Dominic Bygate	Appointed 1 September 2017	University Sponsor – Member Governor
Mr David Zerafa	Appointed 15 January 2018	Staff Governor - Members
Mrs Anne Lean	Appointed 11 January 2018 Resigned 15 June 2018	Staff Governor

**Method of recruitment and appointment or election of governors**

**Mandatory categories**

- 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).
- 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.
- Principal (ex officio).

## **STRUCTURE, GOVERNANCE AND MANAGEMENT (continued)**

### **Method of recruitment and appointment or election of governors (continued)**

#### ***Discretionary categories***

4. Where appointed, up to two Staff Governors can be appointed by the Members (Article 50A) through such process as the Members may determine from time-to-time.
5. 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).

#### **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 in Feb 2017. All governors have education training provided to them (CPD certified) including safeguarding, child protection and exclusions training. The EUTC DSL further provides in house training as necessary for all governors and those with designated responsibilities for SEND and Safeguarding.

Further 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 has oversight of 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 Elstree UTC has an agreed scheme of delegation in place which includes procurement and payment authorisation procedures. The Principal is the Accounting Officer of the Elstree UTC.

The Lead Sponsors of the Elstree UTC are The University of Hertfordshire and Elstree Film Studios Limited. The board of governors delegates certain responsibilities to two committees:

- ♦ Curriculum and Standards; and
- ♦ Finance, Personnel and Resources

These committees and the full board of governors met a total of 11 times during 2017-18. Each committee has its own terms of reference and an annual schedule of work which is set by the committee and agreed in full by the governing board.

The Senior Management Team meets weekly to ensure the UTC is run effectively from an operational point of view.

## STRUCTURE, GOVERNANCE AND MANAGEMENT (continued)

### Leadership structures (continued)

In 2017/18, there was a Principal, one Vice Principal and three assistant Principals. Leadership and management responsibilities are distributed through the senior team as follows:

#### *The Principal line manages:*

- ◆ the Vice Principal;
- ◆ the Director for Projects and Partnerships;
- ◆ the Finance Manager;
- ◆ the PA to SLT;
- ◆ the Communications Coordinator;
- ◆ the Admin Coordinator;
- ◆ staff development and performance management;
- ◆ the Assistant Principals, jointly with the Vice Principal;
- ◆ contracts including facilities management, cleaning and catering with the vice principal.

#### *The Vice Principal line manages:*

- ◆ EUTC operations including monitoring of student achievement;
- ◆ The Data and Exams Manager;
- ◆ the SLT;
- ◆ Core subject departments;
- ◆ SENDCo; and
- ◆ Head of Post 16.

**STRUCTURE, GOVERNANCE AND MANAGEMENT (continued)**

**Deployment of teachers** – In 2017/18, the curriculum included the following subjects with the specified contact hours per week:

Teacher	Teaching Sessions
GCSE Maths	5
GCSE English	5
GCSE Science	5
GCSE Film Studies	3
GCSE Art	3
GCSE Photography	3
GCSE Graphics	3
GCSE Product Design	3
GCSE Computing	3
BTEC Level 2 Information Creative Technology	3
BTEC Production Arts Level 2	3
BTEC Music Performance	3
BTEC Music Technology Level 2	3
GCSE Drama	3
BTEC Tech Award in Performing Arts Dance	3
PE	1
PSHE / Life Skills	1
A Level Maths	5
A Level English Lit	5
A Level Media Studies	5
A Level Film Studies	5
UAL Media Production Level 3	7
Tech Level Level 3 in Game Design	5
BTEC Production Arts Level 3	5
A Level Art	5
UAL Art Level 3	7
A Level Photography	5
A Level Graphics	5
BTEC Dance Level 3	5
BTEC Music Performance Level 3	5
BTEC Music Technology Level 3	5
Arts Award	2
Extended Project Qualification	2



## **STRUCTURE, GOVERNANCE AND MANAGEMENT (continued)**

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

University of Hertfordshire and the board of governors set the Principal's salary on appointment. Subsequent Senior Leadership remuneration was decided by the Principal and approved by the Chair of the governing board. 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. The key management personnel are the senior leadership team.

### **Trade union facility time**

As the UTC does not employ any trade union representatives, there is no cost to the UTC in respect of Facility time, and hence there is nothing to disclose in respect of Trade Union (Facility Time Publication Requirements) Regulations 2017.

### **Connected organisations, including related party relationships**

#### *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.

#### *University of Hertfordshire Higher Education Corporation*

The 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.

#### *Herts & Bucks Teaching School Alliance Limited*

Herts & Bucks Teaching School Alliance is providing Educational and Governance Support as part of a grant awarded by the Department of Education

#### *Danes Educational Trust*

Elstree UTC and Danes Educational Trust (DET) have had a Service Level Agreement in place for the Academic Year 2017-18 for Finance and Payroll Support.

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 at least 75% of students make expected progress or better** (and that those in receipt of pupil premium are making accelerated progress so that their attainment is in line with other students) through using our accurate and clearly presented achievement data to set challenging targets based on 2 GCSE levels progress from baseline entry assessment and ALPS 'challenge' targets at Post 16.
- ♦ **Ensure that the progress of students with SEND is at least in line with other students** through an accurate SEND register which is used by all staff along with consistently applied strategies for differentiated teaching to ensure that all students can access the learning and excel.

## OBJECTIVES AND ACTIVITIES (continued)

### Our Values (continued)

- ♦ **Ensure that at least 85% of teaching is good and better** across the college and that no teaching is inadequate; building on our consistent approach to lesson planning and delivery with regular, formative marking which develops accurate, well presented student work and provides teacher feedback which drives forward student progress. The UTC hopes to increase this target to 90% in the future.
- ♦ **Provide all students with an opportunity to gain professional creative arts experience working on industry projects or work placements** and to develop our partnerships and projects programme to offer professionally recognised qualifications (including ArtsMark) and industry opportunities at both key stages.
- ♦ **Improve students' attendance to above 93%** and ensure that students are punctual.

### Public Benefit

The Elstree UTC governors, as 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'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

#### ***Overall KS4 Achievement and Progress Data - August 2018 GCSE and BTEC overall percentages***

Whole Year Group	Boys	Girls	FSM	SEN
49	16	33	12	23

Students attaining a 5+ in English and Maths (strong pass)	(9) 18%
Students attaining 4+ in English and Maths (Standard Pass)	(19) 39%
Students attaining 9-4 grades in at least two GCSE sciences	(27) 55%
Attainment 8 average score	35.75
Progress 8 score	-0.37
Progress 8 score English	-0.51
Progress 8 score Maths	-0.25

- ◆ Our Progress 8 score (-0.37) has improved since last year (-1.27). This still needs to improve further especially in English, however it is an upward trend on last year.
- ◆ The P8 improvements have been largely achieved by entering the vast majority of students for both English and Literature and also considerably more entries in Double Science has had a big impact. The second action also evidences the improvements in science in terms of staffing stability.
- ◆ 67% of students achieved grade 4-9 in English and/or Literature and 55% achieve a 4 or above in Maths. 56% achieved a 4-9 in Science. While Core remains a considerable development area in terms of progress, the outcomes remain considerably improved since the 2015 Ofsted report and shows that impact is being had in a sustained way to improve student outcomes.
- ◆ Technical, specialist subjects remain a clear strength: 81% A\*-C in Media Studies (100% expected progress or better); 81% 4-9 grade in Photography; 67% 4-9 grade in Art and Design. 56% of Dance students achieved Distinction\* to Distinction and 53% of students studying Theatrical and Media Makeup achieved a Distinction\*.

**STRATEGIC REPORT** (continued)

**Achievements and performance** (continued)

**Overall KS5 Achievement and Progress Data - August 2018 A2 overall percentages**

**ACADEMIC SUBJECTS**

Subject	Entries	A*	A	B	C	D	E	U	X	Q	%A*-B	%A*-C	%A*-E	%U
AS Maths	1	0	0	0	0	0	0	100	0	0	0	0	0	(1) 100%
Art	10	30	20	30	10	0	0	10	0	0	(8) 80%	(9) 90%	(9) 90%	(1) 10%
Graphics	14	28.6	7.1	21.4	14.3	21.4	7.1	0	0	0	(8) 57%	(10) 71%	(14) 100%	0
Photography	32	9.4	0	21.9	28.1	21.9	12.5	6.3	0	0	(10) 31%	(19) 59%	(30) 94%	(2) 6%
English Lang and Lit	9	0	0	0	22.2	55.6	22.2	0	0	0	0	(2) 22%	(9) 100%	0
English Lit	10	0	0	0	20	30	30	20	0	0	0	(2) 20%	(8) 80%	(2) 20%
Drama	22	0	0	0	4.5	27.3	45.5	22.7	0	0	0	(1) 5%	(17) 77%	(5) 23%
Media Studies	17	0	5.9	5.9	41.2	41.2	5.9	0	0	0	(2) 12%	(9) 5 3%	(17) 100%	0
Film Studies	30	0	13.3	36.7	33.3	16.7	0	0	0	0	(15) 50%	(25) 83%	(30) 100%	0
EPQ	3	0	33.3	0	33.3	0	0	33.3	0	0	(1) 33%	(2) 67%	(2) 67%	(1) 33%

**Governors' report Year to 31 August 2018**

**TECHNICAL AND APPLIED SUBJECTS**

Subject	Entries	D*	D	M	P	U	% D*-D	%D*-M	%D*-P	%U
Music Performance	14	(4) 29%	(2) 14%	(4) 29%	(3) 21%	(1) 7%	43%	71%	93%	(1) 7%
Prod. Arts- Make up	17	(7) 41%	(4) 24%	(5) 29%	0	(1) 6%	65%	94%	94%	(1) 6%
Prod. Tech- Single	3	0	0	(2) 67%	(1) 33%	0	0	67%	100%	0
Prod. Tech- Diploma	13	(15) 58%	(5) 19%	(4) 15%	(2) 8%	0	77%	92%	100%	0
Creative Media	17	(2) 12%	(3) 18%	(4) 24%	(6) 35%	(2) 12%	30%	54%	88%	12%
Art	4	0	(1) 25%	(2) 50%	0	(1) 25%	(1) 25%	75%	75%	25%
Performing Arts- Single	15	0	(10) 67%	(4) 27%	(1) 7%	0	67%	94%	100%	0
Performing Arts Diploma	5	(6) 60%	(4) 40%	0	0	0	100%	100%	100%	0

**TECH LEVELS**

Subject	Entries	D*	D	M	P	U	% D*-D	%D*-M	%D*-P	%U
App Design	6	(2) 33%	0	(2) 33%	(1) 17%	(1) 17%	33%	66%	83%	(1) 17%
Game Design	6	(1) 17%	(1) 17%	(1) 17%	(1) 17%	(2) 33%	33%	50%	67%	33%

**Inspection**

Ofsted carried out a section 8 monitoring inspection in July 2018 and judged that:

*“Senior leaders and governors are taking effective action to tackle the areas requiring improvement identified at the recent section 5 inspection in order for the school to become good.”*

## Governors' report Year to 31 August 2018

### STRATEGIC REPORT (continued)

#### Pupil attendance data –

	Cohort	Attendance target	Actual Attendance	Attendance without including the small number of persistent absentees know to C/A services
<b>Year 10</b>	88	94%	89.1%	92.2%
<b>Year 11</b>	49	94%	91.3%	93.2%
<b>Year 12</b>	103	93%	91.8%	92.7%
<b>Year 13</b>	86	93%	93.9%	95.1%

#### Going concern

After making appropriate enquiries, the Governors have a reasonable expectation that the UTC has adequate resources to continue in operational existence beyond the next financial year -. In particular, the board of governors considers 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 ESFA 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 risen in line with expectation and recruitment was strong in 2017/18. Student numbers on role have risen from 342 in September 2017 to 399 in September 2018, 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 are conservatively forecasting an increase of 35 students in the current admissions putting our student numbers comfortably above the MVN by September 2019.

Given that EUTC remains in close communication with the ESFA regarding a negotiated repayment plan of the outstanding PNA and student numbers are growing again in line with MVN, governors are satisfied to continue to adopt the going concern basis in preparing the financial statements. Further details regarding the adoption of the going concern basis can be found in the Statement of Accounting Policies.

**STRATEGIC REPORT** (continued)

**Financial review**

***Financial report for the year***

The majority of the UTC's income is obtained from the ESFA 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 2018 and the associated expenditure are shown as restricted funds in the Statement of Financial Activities.

The UTC's total income was £2,430,000(2017: £2,453,000) and the total expenditure was £3,293,000(2017: £3,210,000) for the year.

At the 31 August 2018 the net book value of the fixed assets was £11,734,000 (2017: £12,324,000) 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.

***Reserves policy***

The UTC is in year 5 of operation (2017/18). 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 built adjacent to the college campus. The UTC is completing a CIF bid to the ESFA in December 2018 to access capital funding to provide for a new perimeter fence and associated landscaping due to safeguarding concerns without a sufficient perimeter. We will also need some further technology refresh over the next few academic years. Our current reserves are too low and 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 reserves over the next few years in line with increased student numbers.

**Restricted general fund** – The ESFA 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 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 UTC and other schools and the local community.

Free reserves will be built by surpluses generated through unrestricted business activities of the UTC, 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 take guidance from the external auditor if there is a need to take further action.



## **STRATEGIC REPORT (continued)**

### **Financial review (continued)**

#### ***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 refurbishment works such as the top floor currently mothballed.

#### **Financial and risk management objectives and policies**

During this period, the risks were as follows:

- **Pupil Numbers**  
Elstree UTC continues to be slightly undersubscribed (by 30 students). Student numbers rose by 57 on the previous year and are set to grow further this year. Elstree UTC anticipates higher student numbers next year. Although unlikely, were student numbers to fall, Elstree UTC could face cash flow problems, which would constitute a financial risk.
- **Lagged Funding**  
EUTC is expanding. However the college is funded on the number of students on role in the previous academic year. Therefore, while we have 399 students currently on role, we are funded on 342. This means that EUTC is not receiving all the money within the academic year for the number of students on role, meaning costs can be higher than income.
- **Safeguarding and cost of the Perimeter Fence**  
When EUTC was opened in September 2013, the perimeter fence in the original plans was value engineered out of the project meaning that the college opened without sufficiently safe perimeter fence and front entrance. This leaves the college vulnerable to intruder coming onto the campus and also means that the college cannot always ensure students stay on site if they wish to leave the campus. This represents a safeguarding risk. Therefore, the board of governors have agreed to fund the cost of installing a new fence and a joint bid has also been submitted to the Local Authority. If the bid is unsuccessful, then EUTC will have to fund the fence without support. This necessary capital project therefore represents some financial risk. EUTC has budgeted for both eventualities.

### **FUNDRAISING**

The UTC currently has no fundraising activities other than the Parents Association any donations received are entirely voluntary.

### **FUTURE PLANS**

- Educational support from Herts & Bucks Teaching School alliance is continuing during the Autumn Term and we are hoping to secure additional funds so this support can continue into the Spring and Summer of 2019
- Danes Educational Trust is continuing its SLA with the UTC for Finance and Payroll

### **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 board of governors on 4<sup>th</sup> December 2018 and signed on their behalf by:

A handwritten signature in black ink, appearing to read 'Roger Morris', with a stylized flourish at the end.

Roger Morris  
Chair of governors

### 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 three 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	3	3
Roger Morris	2	3
Chris Mitchell	3	3
Dalla Smith	3	3
Judy Glasman	2	3
Claire Charles	2	2
Lucy Insua	1	1
Alex Hall	1	3
Dominic Bygate	3	3
David Zerafa	2	2
Anne Lean	2	2
Geoff Butler	2	2

### Governance reviews

Attendance at joint Finance, Resources and Personnel meetings in the year was as follows:

Governor	Meetings attended	Out of a possible
Brian Larholm (Chair)	4	4
Chris Mitchell	4	4
Roger Morris	2	4
Dalla Smith	3	3
David Zerafa	3	3
Lucy Insua	1	1
Dominic Bygate	2	2

### Review of value for money

As Accounting Officer, the Principal 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.

**Review of value for money (continued)**

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:

- ♦ The Elstree UTC is committed to raising student attainment and therefore reputation to increase word of mouth and improve student recruitment. The 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 focuses 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 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.
- ♦ The UTC secured the assurance services of an independent finance consultant and chartered accountant to conduct in year quality assurance checks and reports.
- ♦ The Principal has conducted reviews of pay and benchmarking against national pay scales to ensure fair and reasonable rates of pay and progression for staff.
- ♦ The 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. In 2017-18, the UTC has continued to use the services of 'Schools Plus' to manage the hires of the facilities and services and to secure additional clients. The number of regular hire clients has increased from one to four.
- ♦ The Principal and Assistant Principal for curriculum have reviewed and reduced the curriculum model to maximise class sizes and staff deployment and to increase appropriate courses for students.

**Review of value for money (continued)**

- ♦ The links that the UTC has with business and charities 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 the 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 UTC secured the assurance services of an independent finance consultant and chartered accountant to conduct in year quality assurance checks and reports. This system of internal control has been in place at the UTC for the year ended 31 August 2018 and up to the date of approval of the annual report. 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 2018 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 2018, the UTC succeeded in implementing some significant recommendations within the post audit report from the prior year's external audit and required under the Academies Financial Handbook including: moving to a monthly cycle for reconciliation and VAT returns (rather than quarterly); the UTC has finalised the implementation of the financial software package and accounting system (PS Financials) including the management of all payments and authorisations - this has led to the delivery of more appropriate and timely reporting to the SLT, Governors, internal quality assurers and auditors.

The governors are satisfied that the appropriate action has been taken to improve processes and controls which ensures compliance with the standards expected under the Academies Financial Handbook. Going forward, the UTC will be receiving financial direction from the Danes Educational Trust, initially as part of an SLA and then as part of the MAT from 2018/19.

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

- ♦ HCSS budgeting system with an annual budget and periodic financial reports which are reviewed and agreed by the board of governors;
- ♦ 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.

**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 internal assurance 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 consultancy, support and oversight of the Financial Services Director at Danes Educational Trust.

**Governance statement 31 August 2018**


**Review of effectiveness (continued)**

The Accounting Officer has advised the Finance Personnel, 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 governors on 4<sup>th</sup> December 2018 and signed on their behalf by:



Roger Morris  
Chair of governors



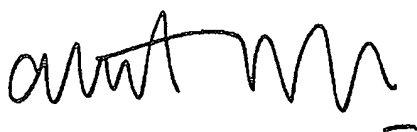
Chris Mitchell  
Accounting Officer

**Statement on regularity, propriety and compliance 31 August 2018**

As Accounting Officer of Elstree UTC, I have considered my responsibility to notify the UTC board of governors and the Education and Skills Funding Agency of material irregularity, impropriety and non-compliance with ESFA 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 2016.

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 2016.

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 throughout 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 ESFA.



Chris Mitchell  
Accounting Officer

Date: 04.12.2018



## Statement of governors' responsibilities 31 August 2017<sup>8</sup>

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 and Skills 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 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 2017 to 2018;
- ♦ 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 ESFA/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 board of governors on 4<sup>th</sup> December 2018 and signed on their behalf by:



Roger Morris  
Chair of governors

## **Independent auditor's report 31 August 2018**

### **Independent auditor's report to the members of The Elstree UTC**

#### **Opinion**

We have audited the financial statements of The Elstree UTC (the 'charitable company') for the year ended 31 August 2018 which comprise the statement of financial activities, the balance sheet, the statement of cash flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice), 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) (the Charities SORP 2015) and the Academies Accounts Direction 2017 to 2018.

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 2018 and of its income and expenditure for the year then ended;
- ♦ have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- ♦ have been prepared in accordance with the requirements of the Companies Act 2006; and
- ♦ have been prepared in accordance with the Charities SORP 2015 and Academies Accounts Direction 2017 to 2018.

#### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the charitable company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### **Conclusions relating to going concern**

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

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

## **Independent auditor's report 31 August 2018**

### **Other information**

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

### **Opinions on other matters prescribed by the Companies Act 2006**

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

- ♦ the information given in the governors' report including the strategic report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- ♦ the governors' report including the strategic report has been prepared in accordance with applicable legal requirements.

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

In the light of the knowledge and understanding of the charitable company and its environment obtained in the course of the audit, we have not identified material misstatements in the governors' report including the strategic report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- ♦ adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- ♦ the financial statements are not in agreement with the accounting records and returns; or
- ♦ certain disclosures of governors' remuneration specified by law are not made; or
- ♦ we have not received all the information and explanations we require for our audit; or
- ♦ the governors were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies' exemptions in preparing the governors' report and from the requirement to prepare a strategic report.

### **Responsibilities of governors**

As explained more fully in the governors' responsibilities statement, the governors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the governors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the governors are responsible for assessing the charitable company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless governors either intend to liquidate the charitable company or to cease operations, or have no realistic alternative but to do so.

### **Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

### **Use of our report**

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.



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

18 December 2018

## **Independent reporting accountant's report 31 August 2018**

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

In accordance with the terms of our engagement letter dated 7 September 2017 and further to the requirements of the Education and Skills Funding Agency (ESFA) as included in the Academies Accounts Direction 2017 to 2018, 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 2017 to 31 August 2018 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 ESFA 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 ESFA those matters we are required to state in a report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Elstree UTC and the ESFA, 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 2016, for ensuring that expenditure disbursed and income received is applied for the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

Our responsibilities for this engagement are established in the United Kingdom by our profession's ethical guidance and are to obtain limited assurance and report in accordance with our engagement letter and the requirements of the Academies Accounts Direction 2016 to 2017. We report to you whether anything has come to our attention in carrying out our work which suggests that in all material respects, expenditure disbursed and income received during the period from 1 September 2017 to 31 August 2018 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 2017 to 2018 issued by the ESFA. We performed a limited assurance engagement as defined in our engagement letter.

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

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

The Elstree UTC 27

## Independent reporting accountant's report 31 August 2018

### 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 throughout 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 throughout the period from 1 September 2017 to 31 August 2018 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

18 December 2018

**Statement of financial activities (including income and expenditure account) Year to 31 August 2018**

	Notes	Unrestricted general fund £'000	Restricted funds		2018 Total funds £'000	2017 Total funds £'000
			General £'000	Fixed assets fund £'000		
<b>Income from:</b>						
Donations and capital grants	1	6	—	13	19	12
Charitable activities						
· Funding for the UTC's educational operations	4	—	2,229	—	2,229	2,347
Other trading activities	2	182	—	—	182	93
Investments	3	—	—	—	—	1
<b>Total income</b>		<b>188</b>	<b>2,229</b>	<b>13</b>	<b>2,430</b>	<b>2,453</b>
<b>Expenditure on:</b>						
Charitable activities						
· UTC's educational operations	6	185	2,496	612	3,293	3,210
<b>Total expenditure</b>		<b>185</b>	<b>2,496</b>	<b>612</b>	<b>3,293</b>	<b>3,210</b>
<b>Net income (expenditure) before transfers</b>		<b>3</b>	<b>(267)</b>	<b>(599)</b>	<b>(863)</b>	<b>(757)</b>
<b>Transfers between funds</b>	15	<b>—</b>	<b>(9)</b>	<b>9</b>	<b>—</b>	<b>—</b>
<b>Net income (expenditure)</b>		<b>3</b>	<b>(276)</b>	<b>(590)</b>	<b>(863)</b>	<b>(757)</b>
<b>Other recognised gains or losses</b>						
Actuarial gain/(loss) on defined benefit pension scheme	19	—	13	—	13	11
<b>Net movement in funds</b>		<b>3</b>	<b>(263)</b>	<b>(590)</b>	<b>(850)</b>	<b>(746)</b>
<b>Reconciliation of funds</b>						
Total fund balances brought forward at 1 September 2017		54	(191)	12,336	12,199	12,945
<b>Total fund balances carried forward at 31 August 2018</b>		<b>57</b>	<b>(454)</b>	<b>11,746</b>	<b>11,349</b>	<b>12,199</b>

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

**Balance sheet 31 August 2018**

	Notes	2018 £'000	2018 £'000	2017 £'000	2017 £'000
<b>Fixed assets</b>					
Tangible fixed assets	11		11,734		12,324
<b>Current assets</b>					
Debtors	12	61		210	
Cash at bank and in hand		431		802	
		<u>492</u>		<u>1,012</u>	
<b>Liabilities</b>					
Creditors: amounts falling due within one year	13	(416)		(1,112)	
<b>Net current (liabilities)/assets</b>			<u>76</u>		<u>(100)</u>
<b>Total assets less current liabilities</b>			<b>11,810</b>		<b>12,224</b>
Creditors: amounts falling due after more than one year	14		(427)		—
<b>Net assets excluding pension scheme liability</b>			<b>11,383</b>		<b>12,224</b>
Pension liabilities	20		<u>(34)</u>		<u>(25)</u>
<b>Total net assets</b>			<u><b>11,349</b></u>		<u><b>12,199</b></u>
<b>Restricted funds</b>					
Fixed assets fund	15		11,746		12,336
Restricted income fund	15		(420)		(166)
Pension reserve	15		<u>(34)</u>		<u>(25)</u>
<b>Total restricted funds</b>			<u><b>11,292</b></u>		<u><b>12,145</b></u>
<b>Unrestricted income funds</b>					
General fund	15		<u>57</u>		<u>54</u>
<b>Total funds</b>			<u><b>11,349</b></u>		<u><b>12,199</b></u>

The financial statements on pages 29 to 51 were approved by the governors, and authorised for issue on 4<sup>th</sup> December 2018 and are signed on their behalf by:



Roger Morris  
Chair of governors

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



## Principal accounting policies 31 August 2018

		2018 £'000	2017 £'000
<b>Net cash flows from operating activities</b>			
Net cash provided by operating activities	A	(362)	(157)
<b>Cash flows from investing activities</b>			
	B	(9)	(25)
<b>Change in cash and cash equivalents in the year</b>		<b>(371)</b>	<b>(182)</b>
<b>Reconciliation of net cash flow to movement in net funds:</b>			
Cash and cash equivalents at 1 September 2017		802	984
Cash and cash equivalents at 31 August 2018	C	431	802

### A Reconciliation of income to net cash flow from operating activities

	2018 £'000	2017 £'000
<b>Net (expenditure)/income for the year (as per the statement of financial activities)</b>	<b>(863)</b>	<b>(757)</b>
<b>Adjusted for:</b>		
Depreciation (note 11)	612	699
Capital grants from DfE	(13)	(12)
Interest receivable (note 3)	—	(1)
Defined benefit pension scheme obligation inherited	2	—
Defined benefit pension scheme cost less contributions payable (note 20)	20	13
Decrease (increase) in debtors	149	(144)
(Decrease) increase in creditors	(269)	45
<b>Net cash provided by operating activities</b>	<b>(362)</b>	<b>(157)</b>

### B Cash flows from investing activities

	2018 £'000	2017 £'000
Dividends, interest and rents from investments	—	1
Purchase of tangible fixed assets	(22)	(38)
Capital grant from DfE/ESFA	13	12
<b>Net cash used in investing activities</b>	<b>(9)</b>	<b>(25)</b>

### C Analysis of cash and cash equivalents

	2018 £'000	2017 £'000
Cash at bank and in hand	431	802
<b>Total cash and cash equivalents</b>	<b>431</b>	<b>802</b>

**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 2017 to 2018 issued by ESFA, the Charities Act 2011 and the Companies Act 2006.

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

**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 ESFA 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 the latest agreement allowing repayment of the £427,000 after more than one year. 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 income is 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.

**Income (continued)**

***Grants (continued)***

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. Capital grants are recognised when there is entitlement and are not deferred over the life of the asset on which they are expended.

***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.

***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 expenditure is 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

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.

### **Financial instruments**

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

*Financial assets* – trade and other debtors are basic financial instruments and are debt instruments measured at amortised cost as detailed in note 12. Prepayments are not financial instruments.

*Cash at bank* – is classified as a basic financial instrument and is measured at face value.

*Financial liabilities* – trade creditors, accruals and other creditors are financial instruments, and are measured at amortised cost as detailed in note 13. Taxation and social security are not included in the financial instruments disclosure definition. Deferred income is not deemed to be a financial liability, as the cash settlement has already taken place and there is an obligation to deliver services rather than cash or another financial instrument.

### **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 and Skills 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 and Skills 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 2016 has been used by the actuary in valuing the pensions liability at 31 August 2018. 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 2018

**1 Donations and capital grants**

	Unrestricted funds £'000	Restricted funds £'000	Restricted fixed asset funds £'000	2018 Total funds £'000	2017 Total funds £'000
Capital grants	—	—	13	13	12
Other donations	6	—	—	6	—
	6	—	13	19	12

**2 Other trading activities**

	Unrestricted funds £'000	Restricted funds £'000	2018 Total funds £'000	2017 Total funds £'000
Hire of facilities/lettings income	21	—	21	7
Trip Income	49	—	49	4
Catering income	78	—	78	82
Miscellaneous Income	34	—	34	—
	182	—	182	93

**3 Investment income**

	Unrestricted funds £'000	Restricted funds £'000	2018 Total funds £'000	2017 Total funds £'000
Interest receivable	—	—	—	1

**4 Funding for UTC's educational operations**

	Unrestricted funds £'000	Restricted funds £'000	2018 Total funds £'000	2017 Total funds £'000
<b>DfE / ESFA revenue grants</b>				
. General Annual Grant (GAG)	—	2,119	2,119	2,309
. Other DfE/ESFA grants	—	83	83	36
	—	2,202	2,202	2,345
<b>Other Government grants</b>				
. Local authority grants	—	27	27	—
Other income from the UTC's educational operations	—	—	—	2
	—	2,229	2,229	2,347



## Notes to the Financial Statements Year to 31 August 2018

### 5 Expenditure

	Non pay expenditure			2018 Total funds £'000	2017 Total funds £'000
	Staff costs £'000	Premises £'000	Other costs £'000		
UTC's educational operations					
. Direct costs	1,526	612	208	2,346	2,202
. Allocated support costs	223	406	318	947	1,008
	1,749	1,018	526	3,293	3,210
<b>Net income for the year includes:</b>					
Operating lease rentals (computer lease paid off in 2017)				37	—
Depreciation				612	699
Fees payable to auditor for:					
Audit of financial statements					
. Current year				8	9
. Prior year				—	6
Other services				9	8

### 6 Charitable activities

	2018 Total funds £'000	2017 Total funds £'000
Direct costs	2,346	2,202
Support costs	947	1,008
	3,293	3,210
<b>Analysis of support costs</b>		
Support staff costs	223	266
Technology costs	74	110
Premises costs	406	303
Other support costs	214	256
Governance costs	30	73
<b>Total support costs</b>	<b>947</b>	<b>1,008</b>

## 6 Comparative information

Analysis of income and expenditure in the year ended 31 August 2017 between restricted and unrestricted funds:

	Unrestricted general fund £'000	Restricted funds		2017 Total funds £'000
		General £'000	Fixed assets fund £'000	
<b>Income from:</b>				
Donations and capital grants	—	—	12	12
Charitable activities				
· Funding for the UTC's educational operations	—	2,347	—	2,347
Other trading activities	93	—	—	93
Investments	1	—	—	1
<b>Total income</b>	<b>94</b>	<b>2,347</b>	<b>12</b>	<b>2,453</b>
<b>Expenditure on:</b>				
Charitable activities				
· UTC's educational operations	92	2,419	699	3,210
<b>Total expenditure</b>	<b>92</b>	<b>2,419</b>	<b>699</b>	<b>3,210</b>
<b>Net income (expenditure) before transfers</b>	<b>2</b>	<b>(72)</b>	<b>(687)</b>	<b>(757)</b>
<b>Transfers between funds</b>	<b>—</b>	<b>(142)</b>	<b>142</b>	<b>—</b>
<b>Net income (expenditure)</b>	<b>2</b>	<b>(214)</b>	<b>(545)</b>	<b>(757)</b>
<b>Other recognised gains or losses</b>				
Actuarial gain/(loss) on defined benefit pension scheme	—	11	—	11
<b>Net movement in funds</b>	<b>2</b>	<b>(203)</b>	<b>(545)</b>	<b>(746)</b>
<b>Reconciliation of funds</b>				
Total fund balances brought forward at 1 September 2016	52	12	12,881	12,945
<b>Total fund balances carried forward at 31 August 2017</b>	<b>54</b>	<b>(191)</b>	<b>12,336</b>	<b>12,199</b>

## 8 Staff

### (a) Staff costs

Staff costs during the year were:

	2018 Total funds £'000	2017 Total funds £'000
Wages and salaries	1,383	1,341
Social security costs	140	136
Pension costs	119	126
	<b>1,642</b>	<b>1,603</b>
Supply staff costs	88	51
Staff restructuring costs	19	8
	<b>1,749</b>	<b>1,662</b>
<b>Staff restructuring costs comprise</b>	<b>2018 £'000</b>	<b>2017 £'000</b>
Severance payments	19	—
Other restructuring costs	—	8
	<b>19</b>	<b>8</b>

Included in staff restructuring costs are non-statutory (non-contractual) severance payments of £18,941 (2016: £8,000 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 2018 expressed on an average headcount basis was as follows:

	Headcount 2018 No.	Headcount 2017 No.
<b>Charitable activities</b>		
Teachers	21	21
Administration and support	14	12
Management	5	7
	<b>40</b>	<b>40</b>

### (b) Higher paid staff

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

	2018 No	2017 No
<b>Charitable activities</b>		
£60,001 - £70,000	2	2
£90,001 - £100,000	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 governors 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 £358,000 (2017 - £399,000).

**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:

	2018 £'000	2017 £'000
Principal and governor		
. Remuneration	90 – 95	90- 95
. Employer's pension contributions	15 – 20	15- 20
D Zerafa, Staff governor		
. Remuneration	25 – 30	—
. Employer's pension contributions	0 – 5	—
A Lean, Staff trustee		
. Remuneration	20 – 25	—
. Employer's pension contributions	0 – 5	—

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

**10 Governors' and Officers' insurance**

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

## Notes to the Financial Statements Year to 31 August 2018

### 11 Tangible fixed assets

	Freehold land and buildings £'000	Furniture and equipment £'000	Computer equipment £'000	Total funds £'000
<b>Cost</b>				
At 1 September 2017	12,628	1,686	698	15,012
Additions	—	—	22	22
At 31 August 2018	12,628	1,686	720	15,034
<b>Depreciation</b>				
At 1 September 2017	760	1,328	600	2,688
Charge in year	206	337	69	612
At 31 August 2018	966	1,665	669	3,300
<b>Net book value</b>				
At 31 August 2018	11,662	21	51	11,734
At 31 August 2017	11,868	358	98	12,324

### 12 Debtors

	2018 £'000	2017 £'000
Trade debtors	3	—
VAT recoverable	36	174
Other debtors	9	34
Prepayments and accrued income	13	2
	<b>61</b>	<b>210</b>

### 13 Creditors: amounts falling due within one year

	2018 £'000	2017 £'000
Trade creditors	13	146
Taxation and social security	38	51
ESFA: abatement of GAG	260	887
Other creditors	9	—
Accruals	96	28
	<b>416</b>	<b>1,112</b>
<b>Deferred income</b>		
Deferred income at 1 September 2017	10	—
Released during the year	(10)	—
Resources deferred in the year	40	10
Deferred income at 31 August 2018	<b>40</b>	<b>10</b>

Deferred income relates to rates relief received for the year ending 31 August 2019.

Notes to the Financial Statements Year to 31 August 2018

**14 Creditors: amounts falling due in greater than one year**

	2017 £'000	2016 £'000
ESFA creditors: abatement of GAG	427	—
	<b>427</b>	<b>—</b>

**15 Funds**

	Balance at 1 September 2017 £'000	Income £'000	Expenditure £'000	Gains, losses and transfers £'000	Balance at 31 August 2018 £'000
<b>ESFA revenue grant fund</b>					
. General Annual Grant (GAG)	(255)	2,119	(2,362)	(9)	(507)
. Pupil premium	—	48	(48)	—	—
. Local authority grants	2	27	(29)	—	—
. Other grants	—	35	(35)	—	—
. Other restricted funds	87	—	—	—	87
. Pension reserve	(25)	—	(22)	13	(34)
	<b>(191)</b>	<b>2,229</b>	<b>(2,496)</b>	<b>4</b>	<b>(454)</b>
<b>Restricted fixed asset funds</b>					
. DfE/ESFA capital grants	12,084	11	(612)	—	11,483
. Capital expenditure from GAG	252	—	—	9	261
. Bursary funds	—	2	—	—	2
	<b>12,336</b>	<b>13</b>	<b>(612)</b>	<b>9</b>	<b>11,746</b>
<b>Total restricted funds</b>	<b>12,145</b>	<b>2,242</b>	<b>(3,108)</b>	<b>13</b>	<b>11,292</b>
<b>Unrestricted funds</b>					
. General funds	54	188	(185)	—	57
<b>Total unrestricted funds</b>	<b>54</b>	<b>188</b>	<b>(185)</b>	<b>—</b>	<b>57</b>
<b>Total funds</b>	<b>12,199</b>	<b>2,430</b>	<b>(3,293)</b>	<b>13</b>	<b>11,349</b>

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

**ESFA revenue grant fund and other restricted funds**

*Restricted general funds*

This fund represents grants received for the UTC operational activities and development. The pension reserve relates to the UTC's share of the deficit to the Local Government Pension Scheme administered by Hertfordshire County Council.

*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 2018.

*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.

# Notes to the Financial Statements Year to 31 August 2018

## 15 Funds (continued)

### Unrestricted funds

The unrestricted funds represent funds available to the governors to apply for the general purposes of the UTC.

### Comparative information

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

	Balance at 1 September 2016 £'000	Income £'000	Expenditure £'000	Gains, losses and transfers £'000	Balance at 31 August 2017 £'000
<b>ESFA revenue grant fund</b>					
. General Annual Grant (GAG)	(54)	2,309	(2,368)	(142)	(255)
. Pupil premium	—	36	(36)	—	—
. Local authority grants	2	2	(2)	—	2
. Other restricted funds	87	—	—	—	87
. Pension reserve	(23)	—	(13)	11	(25)
	<u>12</u>	<u>2,347</u>	<u>(2,419)</u>	<u>(131)</u>	<u>(191)</u>
<b>Restricted fixed asset funds</b>					
. DfE/ESFA capital grants	12,771	12	(699)	—	12,084
. Capital expenditure from GAG	110	—	—	142	252
	<u>12,881</u>	<u>12</u>	<u>(699)</u>	<u>142</u>	<u>12,336</u>
<b>Total restricted funds</b>	<u>12,893</u>	<u>2,359</u>	<u>(3,118)</u>	<u>11</u>	<u>12,145</u>
<b>Unrestricted funds</b>					
. General funds	52	94	(92)	—	54
<b>Total unrestricted funds</b>	<u>52</u>	<u>94</u>	<u>(92)</u>	<u>—</u>	<u>54</u>
<b>Total funds</b>	<u>12,945</u>	<u>2,453</u>	<u>(3,210)</u>	<u>11</u>	<u>12,199</u>

Notes to the Financial Statements Year to 31 August 2018

15 Funds (continued)

**Comparative information (continued)**

A current year 12 months and prior year 12 months combined position is as follows:

	Balance at 1 September 2016 £'000	Income £'000	Expenditure £'000	Gains, losses and transfers £'000	Balance at 31 August 2018 £'000
<b>ESFA revenue grant fund</b>					
. General Annual Grant (GAG)	(54)	4,428	(4,730)	(151)	(507)
. Pupil premium	—	84	(84)	—	—
. Local authority grants	2	29	(31)	—	—
. Other grants	—	35	(35)	—	—
. Other restricted funds	87	—	—	—	87
. Pension reserve	(23)	—	(35)	24	(34)
	12	4,576	(4,915)	(127)	(454)
<b>Restricted fixed asset funds</b>					
. DfE/ESFA capital grants	12,771	23	(1,311)	—	11,483
. Capital expenditure from GAG	110	—	—	151	261
. Bursary funds	—	2	—	—	2
	12,881	25	(1,311)	151	11,746
<b>Total restricted funds</b>	12,893	4,601	(6,226)	24	11,292
<b>Unrestricted funds</b>					
. General funds	52	282	(277)	—	57
<b>Total unrestricted funds</b>	52	282	(277)	—	57
<b>Total funds</b>	12,945	4,883	(6,503)	24	11,349

16 Analysis of net assets between funds

	Unrestricted funds £'000	Restricted general funds £'000	Restricted fixed asset fund £'000	Total 2018 £'000
<b>Fund balances at 31 August 2018 are represented by:</b>				
Tangible fixed assets	—	—	11,734	11,734
Current assets	57	423	12	492
Current liabilities	—	(416)	—	(416)
Non-current liabilities	—	(427)	—	(427)
Pension scheme liabilities	—	(34)	—	(34)
<b>Total net assets</b>	57	(454)	11,746	11,349



## 17 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:

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

## 18 Commitments under operating leases

### *Operating leases*

At 31 August 2018, the total of the UTC's future minimum lease payments under non-cancellable operating leases was as follows:

	2018 £'000	2017 £'000
Amounts due within one year	—	—

## 19 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

## 20 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 2016.

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

## 20 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.

#### *Valuation of the Teachers' Pension Scheme*

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

- ♦ employer contribution rates set at 16.48% of pensionable pay (including a 0.08% employer administration charge);
- ♦ total scheme liabilities (pensions currently in payment and the estimated cost of future benefits) for service to the effective date of £191,500 million, and notional assets (estimated future contributions together with the notional investments held at the valuation date) of £176,600 million giving a notional past service deficit of £14,900 million;
- ♦ an employer cost cap of 10.9% of pensionable pay will be applied to future valuations; and
- ♦ 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%.

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

The employer's pension costs paid to TPS in the period amounted to £120,740 (2017: £109,033).

## 20 Pension and similar obligations (continued)

### *Teachers' Pension Scheme (continued)*

#### *Valuation of the Teachers' Pension Scheme (continued)*

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 UTC has accounted for its contributions to the scheme as if it were a defined contribution scheme. The UTC 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 2018 was £19,000 (2017: £11,000), of which employer's contributions totalled £14,000 (2017: £8,000) and employees' contributions totalled £5,000 (2017: £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.

<b>Principal Actuarial Assumptions</b>	<b>At 31 August 2018</b>	<b>At 31 August 2017</b>
Rate of increase in salaries	2.4%	2.5%
Rate of increase for pensions in payment / inflation	2.3%	2.4%
Discount rate for scheme liabilities	2.8%	2.5%
Inflation assumption (CPI)	2.3%	2.4%
Commutation of pensions to lump sums (pre-April 2008 service)	50%	50%
Commutation of pensions to lump sums (post-April 2008 service)	75%	75%

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

	<b>At 31 August 2018</b>	<b>At 31 August 2017</b>
<i>Retiring today</i>		
Males	22.5	22.5
Females	24.9	24.9
<i>Retiring in 20 years</i>		
Males	24.1	24.1
Females	26.7	26.7

**20 Pension and similar obligations (continued)**

**Local Government Pension Scheme (LGPS) (continued)**

*Valuation of the Teachers' Pension Scheme (continued)*

	Approximate % change to defined benefit liability	Monetary value £'000
<b>Sensitivity analysis</b>		
0.5% decrease in Real Discount Rate	18%	16
0.5% increase in the Salary Increase Rate	0%	—
0.5% increase in the Pension Increase Rate	18%	16
	<b>Fair value at 31 August 2018 £'000</b>	<b>Fair value at 31 August 2017 £'000</b>
Equities	28	22
Corporate bonds	19	8
Property	4	2
Cash and other liquid assets	2	1
<b>Total market value of assets</b>	<b>53</b>	<b>33</b>
<b>Present value of scheme liabilities</b>		
Funded	(87)	(58)
<b>Deficit in the scheme</b>	<b>(34)</b>	<b>(25)</b>

The actual return on scheme assets was £3,000 (2017: £1,000).

	2018 £'000	2017 £'000
<b>Amounts recognised in statement of financial activities</b>		
Current service cost	34	21
Interest income	—	1
Interest cost	(2)	(1)
<b>Total amount recognised in the SOFA</b>	<b>32</b>	<b>21</b>
<b>Analysis of pension finance income/(costs)</b>		
Expected return on pension scheme assets	—	1
Interest on pension liabilities	(2)	(1)
<b>Pension finance income/(costs)</b>	<b>(2)</b>	<b>—</b>

	2018 £'000	2017 £'000
<b>Changes in the present value of defined benefit obligations were as follows:</b>		
At 1 September 2017	58	43
Current service cost	34	21
Interest cost	2	1
Employee contributions	5	3
Actuarial (gain)/loss	(12)	(10)
<b>At 31 August 2018</b>	<b>87</b>	<b>58</b>

## Notes to the Financial Statements Year to 31 August 2018

### 20 Pension and similar obligations (continued)

#### *Local Government Pension Scheme (LGPS) (continued)*

#### *Valuation of the Teachers' Pension Scheme (continued)*

Changes in the fair value of the UTC's share of scheme assets:	2018 £'000	2017 £'000
At 1 September 2017	33	20
Interest income	—	1
Actuarial gain/(loss)	1	1
Employer contributions	14	8
Employee contributions	5	3
<b>At 31 August 2018</b>	<b>53</b>	<b>33</b>

### 21 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 trust 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.

Elstree UTC received confirmation from the Mellor Trust Board on the 5 October 2018 that they were not going to pursue any amounts owing in relation to the SLA that came to an end on 31 August 2017. During the year fees incurred in relation to Mellor Educational Trust for access to financial guidance, specialist training, legal compliance, governance and industry connection expertise were nil (2017: £42,515) and the balance owing at year end was nil (2017: £20,365). In the year £14,509 (2017: nil) of staff costs were paid to Mellor Trust in relation to services of one teacher (2017: nil). This charge was made on a cost basis.

Herts and Bucks Teaching School Alliance received a Grant of £20,000 in November 2017 from the Department for Education to provide Education support in the Academic Year 2017-18 for Elstree UTC – this support is continuing into Academic Year 2018-19.

Danes Educational Trust received a payment of £12,800 (2017: nil) in relation to a signed Service Level Agreement for Finance and Payroll support. This fee was on a cost basis.