

# **London Design & Engineering UTC**

## **Annual Report and Financial Statements**

Year to 31 August 2017

Company Limited by Guarantee  
Registration Number  
08283657 (England and Wales)

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## Reference and administrative information

<b>Members</b>	University of East London Thames Water Utilities Ltd Costain Ltd Skanska UK plc Chelmsford Diocese Educational Trust
<b>Directors</b>	Chris Beales Janet Burr Fary Cachelin Haydn Evans Dan Forbes-Pepitone Geoffrey Fowler Jeremy Galpin (Chair) Nick Rathbone Catherine Ritman-Smith
<b>Staff Director</b>	Roxana Lucas (Née Osso)
<b>Parent Directors</b>	Dorith Morgan
<b>Senior Team</b>	
Chief Executive Officer (CEO)	Geoffrey Fowler
Chief Learning Officer (CLO)	Ian Pearson
Chief Experience Officer (CXO)	Gloria Gold
Chief Information Officer (CIO)	Victoria Webb
Chief Financial Officer (CFO)	Dave Watherston
<b>Company and academy name</b>	London Design & Engineering UTC
<b>Registered address</b>	London Design & Engineering UTC Docklands Campus University Way London E16 2RD
<b>Company registration number</b>	08283657
<b>Auditor</b>	Buzzacott LLP 130 Wood Street London EC2V 6DL
<b>Bankers</b>	Lloyds Bank plc PO Box 1000 Andover BX1 1LT

## **DIRECTORS' REPORT**

The Directors of London Design & Engineering UTC ('the academy trust') present their annual report together with the financial statements and the auditor's reports of the charitable company for the year to 31 August 2017. The annual report serves the purposes of both a trustees' report and a directors' report under company law.

The financial statements have been prepared in accordance with the accounting policies set out on pages 26 to 28 of the attached financial statements and comply with the Academy'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.

The trust operates a University Technical College (UTC) for students aged 14 to 19 based in Newham serving the whole of London and beyond. It opened on 6 September 2016 in temporary accommodation on the University of East London's (UEL's) Docklands Campus with a total of 175 students. The UTC's first cohort consisted of 60 Year 10 students and 120 Year 12 students. In its permanent building, which will be situated alongside UEL's Dockland Campus, on the Royal Docks, it will accommodate a total of 750 learners; 600 full time students and 150 apprentices.

## **STRUCTURE, GOVERNANCE AND MANAGEMENT**

### **Constitution**

The academy trust is a company limited by guarantee and an exempt charity. The charitable company's memorandum and articles of association are the primary governing documents of the academy trust. The Directors of the London Design & Engineering UTC Trust are also the directors of the charitable company for the purposes of company law. The charitable company is known as London Design & Engineering UTC. Details of the Directors who served during the year are included below.

<b>Director</b>	<b>Appointed/resigned</b>
Feroze Fredoon Amroliwala (Chair of the Board until 10 March 2017)	
Chris Beales	
Jason Bradbury	Resigned 17 August 2017
Janet Burr	
Haydn Evans	
Dan Forbes Pepitone	
Geoffrey Fowler (CEO)	
Jeremy Galpin (Vice Chair)	
John Headley	Resigned 30 April 2017
David Hogben	
Dorith Morgan	Appointed 2 March 2017
Rhys Harman Morgan	Resigned 18 November 2016
Lord Patel of Bradford (Chair from 6 April 2017)	Appointed 8 March 2017
Grace Oba' Fayose	Appointed 2 March 2017

## STRUCTURE, GOVERNANCE AND MANAGEMENT (continued)

### Constitution (continued)

Director	Appointed/resigned
Roxanna Lucas (née Osso)	Appointed 15 December 2016
Catherine Ritman-Smith	

Since the period end, Grace Oba' Fayose resigned as a Parent Director on 27/09/2017. Lord Patel of Bradford resigned as Chair of the Board and a Director on 18/10/2017. Feroze Freedoon Amroliwala resigned as Director on 31/10/2017 and David Hogben resigned as Director on 03/11/2017.

Jeremy Galpin was appointed Chair to the Board on 16 November 2017 and Catherine Ritman-Smith was appointed Vice Chair on the same day. Nick Rathbone was appointed as a Director on 06/11/2017 and Fary Cachelin was appointed as a Director on 07/12/2017.

### Members' liability

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

### Method of Recruitment and Appointment or Election of Directors

- ◆ There shall be at least 5 Members, all of whom to be UK-based, in order to ensure both a range of views, but also that meetings can be scheduled and managed with ease. Less than half the Members will be Directors.
- ◆ The Board of Directors will contain at least 5 Directors and no more than 17, all of whom to be UK-based, in order to ensure both a range of views, but also that meetings can be scheduled and managed with ease. This includes 2 elected Parent Directors.
- ◆ The CEO will for all purposes be treated as being an ex-officio Director
- ◆ The Members can appoint by ordinary resolution up to 15 Directors provided that in making such appointments the Members shall ensure that nominees of the Employer Sponsors and University Sponsor together form a majority of the total number of Directors.
- ◆ The Chair of the Board of Directors will seek candidates, using the UTC's networks or related organisations to approach suitable individuals where relevant this could include advertising. Other Directors will also be invited to recommend suitable candidates.
- ◆ Prospective Directors will be expected to read the UTC's prospectus and relevant policies setting out information for prospective Directors and visit the UTC ahead of confirming their appointment to familiarise themselves with London Design & Engineering UTC and ensure they fully understand the requirements.

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

### **Method of Recruitment and Appointment or Election of Directors** (continued)

- ◆ The prospective candidates will be considered at London Design & Engineering UTC Board Meetings or by correspondence.
- ◆ Depending on the outcome of this process the Chair of the Board of Directors will then make a recommendation to Members as to whether candidates should be appointed as a Director to the Board.
- ◆ London Design & Engineering UTC will not always fill vacant positions and will operate on the principle of preferring to leave a position vacant than fill it with an inappropriate candidate. It falls to the Chair of the Board of Directors to conduct succession planning and continuously scan for new candidates.

Staff and Parent Directors are elected by their respective constituencies. Elections operate as follows:

#### ***Staff - Director elections***

- ◆ Ahead of the election, the Principal shall publicise the nature of the role and the process for election to all (teaching and non-teaching) staff.
- ◆ Any member of staff who wishes to stand for election should notify the Principal and provide a short personal statement that will be circulated to all staff. This will set out who they are, why they wish to become a Staff Director, and what they would bring to the role. Members of the UTC's Senior Team may not stand for election.
- ◆ The full list of candidates and supporting personal statements will be circulated to staff, all of whom other than the Principal will have one vote.
- ◆ Staff votes are returned to the Principal through a secret ballot; email votes will be acceptable. The Principal will act as Returning Officer and in the event of a tie will consult the Board of Directors to choose the successful candidate.
- ◆ If there is only one nominee per vacancy, that candidate will be deemed elected.
- ◆ If there are no nominees, the Board of Directors will either ask a member of staff (including members of Senior Team) to become a Staff Director without an election (known as co-opting) or leave the vacancy unfilled.

#### ***Parent - Director elections***

- ◆ Ahead of the election, the Principal shall publicise the nature of the role and the process for election to all parents.
- ◆ Any parent who wishes to stand for election should notify the Principal and provide a short personal statement that will be circulated to all parents. This will set out who they are, why they wish to become a Parent Director, and what they would bring to the role.

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

### ***Parent - Director elections (continued)***

- ◆ The full list of candidates and supporting personal statements will be circulated to parents, who will cast one vote for each child attending London Design & Engineering UTC at the point of election.
- ◆ Parent votes are returned to the Principal through a secret ballot; email votes will be acceptable. The Principal will act as Returning Officer and in the event of a tie will consult the Board of Directors to choose the successful candidate(s). When the results are announced, the number of votes received by each candidate will not be published.
- ◆ If there is only one nominee per vacancy, that candidate will be deemed elected.
- ◆ If there are no nominees, the Board of Directors will either ask a parent to become a Parent Director without an election (known as co-opting) or will leave the vacancy unfilled or co-opt a parent who does not have a child attending the UTC, but who is a parent of a child or children attending other state-funded schools.

### **Policies and Procedures Adopted for the Induction and Training of Directors**

On appointment, new Directors follow an induction programme, which includes:

- ◆ Personal reading: within the first month of appointment, all new Directors will be encouraged to read:
  - ◇ The London Design & Engineering UTC Governance Plan
  - ◇ Keeping children safe in education part 1 and 2
  - ◇ The DfE's 'Governors' Handbook'
  - ◇ London Design & Engineering UTC's Funding Agreement and Articles of Association
  - ◇ Ofsted's School Inspection Framework
  - ◇ London Design & Engineering UTC's Directors Code of Conduct

Other training includes

- ◆ Induction meeting with the Clerk to the Board of Directors to familiarise them about how the Board and its Committees operate.
- ◆ Formal induction training: following their appointment, new Directors will also undertake induction training covering the role of an effective Director, delivered by an experienced school governance expert.
- ◆ A chance for new Directors to visit the UTC including arranging to spend a day observing the UTC in operation as soon as possible after taking up their post. This will include a meeting with the Principal to receive a briefing on the current UTC priorities.

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

### ***Parent - Director elections*** (continued)

- ◆ Meeting with the Chair of the Board: within the first couple of months, new Directors will meet with the Chair and/or Vice-Chair of the Board to be briefed on their role and the UTC's over-arching priorities.

### **Organisational Structure**

- ◆ **Directors** are responsible for setting the outcomes the UTC should achieve. This will always happen in discussion with the Senior Team.
- ◆ **The Senior Team** are responsible for deciding and implementing the methods by which the UTC should achieve those outcomes.
- ◆ **Directors** are responsible for assessing the efficacy of the Senior Team's approaches and acting to secure an alternate approach if necessary.
- ◆ **The Senior Team** are responsible for providing sufficient information to Directors to enable them to effectively assess the efficacy of the approaches and the likelihood of the chosen outcomes being achieved.
- ◆ **Directors** are responsible for setting parameters to guide the Senior Team's freedom of manoeuvre to select their approaches (for example, placing restrictions on what qualifications may be offered, through the formulation of policies).
- ◆ **The Senior Team** are responsible for discharging school policies once they are agreed, holding true to their intent – even with aspects with which they disagree.
- ◆ **Directors** are responsible for considering and approving what the Senior Team think they need to be effective, whilst safeguarding value for public money.
- ◆ **The Senior Team** are responsible for requesting support / feeding back to Governors on what they need to be effective and continuously improving.
- ◆ **Directors** are responsible for discharging any functions where an impartial judgement is needed (for example, considering complaints or assessing the performance of the Principal).
- ◆ **The Senior Team** are responsible for managing the day-to-day operations, specifically staff, facilities and students.

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

London Design & Engineering UTC has a set of banded pay scales to which staff are appointed to. These have been benchmarked against other school and academies. Staff pay and progression are reviewed annually to ensure value for money is delivered.



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

### **Related Parties and other Connected Charities and Organisations**

London Design & Engineering UTC Trust was originally set up in November 2012 by the following five organisations: University of East London (UEL), Thames Water Utilities Ltd, Costain Ltd, Alpha Building Services Engineering Ltd and Rainmaker Books Ltd. It was established in response to a lack of high-quality technical education and the need amongst employer sponsors to recruit work ready candidates with the right skills and attitude to fit into their organisations.

In June 2016, both Alpha Building Services Engineering Ltd and Rainmaker Books Ltd stepped down from the Trust and were replaced by Skanska UK plc and the Chelmsford Diocese Educational Trust.

All five organisations are independent legal entities that also operate independently.

### **Objectives, Strategies and Activities**

Whilst focusing on the water industry the London Design & Engineering (LDE) UTC will prepare students for the exciting and wide employment opportunities across the engineering and construction industry from major projects such as the Thames Tideway Tunnel, High Speed 2 through to the essential skills necessary to provide the new housing the UK needs.

LDE UTC will therefore provide both strong educational support and access to a thriving employment sector - at all levels, be it apprentice or graduate engineer level - within the large and dynamic water industry and into the wider construction and engineering sector. Its STEM focused qualifications would, of course, also permit further studies and employment in other related science and technology sectors.

LDE UTC aims to achieve the following:

- ◆ Students leave the UTC as work ready, independent, enterprising learners with a desire to succeed, take pride in their achievements, and have high self-esteem and confidence in their own identities. They will be technologically skilled and have a clear vision with achievable plans for their future.
- ◆ Become an outstanding centre of excellence, specialising in design and engineering, creating and sharing educational materials for both teacher delivery and teacher training. Develop professional and motivated staff and learners who will proactively engage with the vision, mission, core values and ethos of the UTC.
- ◆ Serve industry by listening and understanding their skills needs to create a relevant, sustainable and creative curriculum offer; by preparing their future workforces to have the transferable skills needed to cope in the demanding 21st century workplace environment.

At the heart of the LDE UTC is the vision to develop the next generation of tech savvy young learners, who will grasp the application of pure subjects and how they relate to solving some of the world's greatest challenges in sustainable living. The UTC's leading-edge technology learning spaces coupled with a pioneering and inspirational curriculum, integrating technical and academic subjects, will enable it to unlock the talents and skills of students training them today for jobs of tomorrow. Built around real work related employer driven projects every aspect of the curriculum is linked to the students' future. LDE UTC students will be well known

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

### **Objectives, Strategies and Activities** (continued)

for having the skills, behaviours, attitudes, experience and knowledge looked for by leading employers. Being well connected with its sponsors, UTC students will get unparalleled access to great opportunities for employment and future support.

### **Public Benefit**

As laid down in the articles of association the Academy exists for the benefit of public education in the United Kingdom. Secondary to this, is an object to promote for the benefit of the inhabitants of the areas in which the Academy is situated. In all instances the Academy exists for the benefit of the public.

## **STRATEGIC REPORT**

### **Achievements and Performance**

Having only opened on 6 September 2016, it is too early yet to assess the performance and achievement of the London Design & Engineering (LDE) UTC and its students through formal examinations.

Nevertheless, the LDE UTC has had some remarkable successes. Internally assessed student progress is positive and encouraging with a positive projected progress 8, student attitudes to learning and engagement are excellent. Also, the LDE UTC is one of the only UTCs across the country that has been oversubscribed for its first two years of operation. For its first cohort it had to take more students than its published admissions number. Over a third of its first cohort of 175 students are female, which is an outstanding achievement for an engineering UTC.

The LDE UTC has excellent links and relationships with industry and its sponsors. It is a Fujitsu Education Ambassador, a Lego Innovation Studio and will soon be a Microsoft education partner. This coupled with excellent partners Costain, Skanska, Thames Water and Tideway to name but a few has enabled each of its students to have an Industry Mentor and to work closely with employers to develop their employability and technical skills through its new Disce Compagne learning approach.

Funded by the Diocese of Chelmsford and delivered through the Centre for Theology and Community, the LDE UTC is offering an innovative Multi-Faith Chaplaincy Service to all its students. This to date has included the appointment of student Faith Ambassadors; establishment of Christian and Muslim prayer groups; an Aspire Leadership programme; community focused charitable projects; and the setting up of a Gospel Choir.

The UTC's Gospel Choir held a very successful inaugural Carol Service, organised jointly with the Thames Tideway Tunnel Alliance, at Lambeth Palace on the 5th December 2017,

**STRATEGIC REPORT** (continued)

Its innovative approaches and cutting-edge technology have led to the UTC being featured on BBC London News, and its students being interviewed as part of the BBC live coverage of the Spring Budget 2017. Also, working with the Institute of Civil Engineering it arranged a school ski trip to Italy where students learnt how to programme robots to ski.

**Going Concern**

The Trust had net current assets at 31 August 2017 of £60,000 (2016 - £4,000). During the year the Trust made an operational surplus of £56,000 (2016 – operating loss of £42,000). This excludes movements on the fixed assets fund and the defined benefit scheme pension adjustments. Due to strong student recruitment and careful financial management, the UTC has been able to generate this modest level of reserves in its first year as an open academy. This along with the increasing size of the student roll has put the LDE UTC in a healthy financial position, as such budgets and forecasts for the first years of opening have been set to use these positives to further strengthening the unique offer of the UTC as a leading provider of technical education and training.

Post year end the UTC has successfully received its second intake of students, and its student recruitment remains very strong. To accommodate the increase in students the UTC has enlarged its temporary buildings with an additional floor and enhanced its catering and student amenities.

Significant progress has been made on the UTC's permanent building, with work having started on-site, this new state-of-the art technical building is estimated to be completed in the latter part of the 2018 or early in the 2019 calendar year. Until the time the final building is ready the Education and Skills Funding Agency (ESFA) has shown a significant financial commitment to ensure the UTC has temporary accommodation, and indeed planning for September 2018 temporary expansion has already commenced.

In light of the above, the Directors have a reasonable expectation that the Trust has adequate resources to continue in operation for the foreseeable future. For this reason, it continues to adopt the going concern basis in preparing the financial statements.

**Financial Review**

***Principal Funding Sources***

Most of the trust's income is obtained from the Education and Skills Funding Agency (ESFA), which is part of the Department for Education (DfE), in the form of recurrent grants. The grants received from the ESFA in the period to 31 August 2017 and the associated expenditure are shown as restricted funds in the Statement of Financial Activities.

## **STRATEGIC REPORT** (continued)

### **Financial Review** (continued)

The trust also receives capital grants for fixed assets from the ESFA. In accordance with the Charities Statement of Recommended Practice (FRS 102), such grants are shown in the Statement of Financial Activities as restricted income in the fixed asset fund. The restricted fixed asset balance is reduced by annual depreciation charges over the expected life of the relevant assets. The academy trust owned the freehold to a property in East Ham, which was formerly the police station. It was previously intended for the academy trust to utilise the property for educational purposes. At the end of the financial year, it was agreed that the property would return to The Secretary of State for Communities and Local Government for alternative public use at £nil consideration and it has been treated as a disposal in these financial statements.

### **Reserves Policy**

Funding for London Design & Engineering UTC is made up of restricted funds funded by fixed asset funds, General Annual Grant (GAG) funding and unrestricted funds, for example donations and carry over from the Academy Trust's pre-opening development grant.

The restricted funds shall be spent in accordance with the terms of the particular funds. Unrestricted funds are the 'free reserves' for use on the general purpose of the trust at the discretion of the Governors. The aim of the governors is to increase this reserve to meet future working capital requirements.

Total revenue funds carried forward as of 31 August 2017 were in excess of £50,000. A significant portion of this related to a sponsorship received at the end of the year. Directors are aware of a number of future financial uncertainties including national funding levels, pension contribution rates and additional resources required whilst the UTC grows. Directors are particularly conscious of the need to build reserves, where possible, to support the renewal of the UTC's specialist ICT and other equipment as part of its medium term plans. As such, they believe that a cautious approach to reserves is currently required.

### **Investment Policy**

Directors will consider the investment of surplus funds of the academy trust should future circumstances require, in accordance with the Academies Handbook.

### **Principal Risks and Uncertainties**

The academy trust is developing a formal risk management process in place to assess all risks and implements risk management strategies. The process, which will be overseen and reviewed by the Directors on an annual basis, identifies the types of risk the academy trust faces. These risks are then assessed and prioritised in terms of their potential impact and the likelihood of occurrence. Where necessary, actions to mitigate the risks identified are put in place.

**STRATEGIC REPORT** (continued)

The principal risks for the academy trust are connected with:

- ◆ The funding climate for academy trusts. Mitigation includes encouraging sponsors and partners to make donations in cash or in-kind to keep the UTC's offer differentiated from other providers; alternative revenue streams are being investigated and robust budget monitoring and forecasting procedures are in place;
- ◆ Management of the temporary site and the move to the permanent site. Mitigation includes building a relationship with planning bodies and the prospective freeholder, working closely with the ESFA and appointed building contractors and utilising the construction and project management expertise of our sponsoring employers through a dedicated accommodation sub-committee of the board; and
- ◆ Developing the reputation of the trust and achieving positive outcomes for the students. Mitigation includes working closely with the Department for Education (DfE) Educational Advisers team, maintaining a strong focus on setting targets and tracking student progress through a dedicated Standards, Teaching & Learning Committee and recruiting high quality teaching and leadership personnel.

**Plans for Future Periods**

For the next academic year, 2017/18, the UTC's key priority will be on teaching and learning and achieving positive student outcomes, through the public examinations in summer 2018. The UTC will also be working and planning towards achieving an outstanding set of first public examination results and preparing for a first Ofsted inspection during 2018/19 academic year.

Student recruitment will also continue to be a priority for the foreseeable future as the UTC grows to full capacity and establishes itself as an outstanding institution. Current student recruitment indicators remain strong, with the UTC again oversubscribed for its September 2017 intake. The UTC intends to recruit in accordance with its published pupil admission numbers, and as such will increase its overall student cohort progressively to a full capacity of 600 full time students and 150 apprentices by September 2019.

There has also been an admissions consultation undertaken this academic year regarding moving the youngest intake year to national curriculum Year 9 (instead of the current Year 10 entry point), and introducing a gender oversubscription criterion to prioritise applications from girls to achieve a 50:50 mix of boys and girls, if possible. Permission had been granted by DfE for the gender oversubscription criteria to be introduced from September 2018 onwards. The change to a Year 9 entry point / intake have been deferred with the UTC aiming to gain approval effective from September 2019 onwards.

The UTC has expanded its current temporary site to accommodate the additional intake in September 2017, and will then move into its purpose built new permanent building in the latter part of 2018 or early in the 2019 calendar year. During 2017/18, the UTC has also become an ESFA registered apprenticeship training provider and is running a small-scale apprenticeship training programme in conjunction with its employer partners. The plan for the future is to continue to steadily grow the UTC's apprenticeship programme year upon year.

**Directors' report** Year to 31 August 2017

**AUDITOR**

Insofar as the Directors are aware:

- ♦ there is no relevant audit information of which the charitable company's auditor is unaware
- ♦ the Directors 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.

Directors' report, incorporating a strategic report, was approved by order of the board of Directors, as the company directors, and signed on the board's behalf by:

A handwritten signature in black ink, appearing to read 'J Galpin', with a stylized, wavy line extending from the end.

Jeremy Galpin

Chair of the Board of Directors

Date: 14/Dec/2017

## GOVERNANCE STATEMENT

### Scope of Responsibility

As Directors we acknowledge we have overall responsibility for ensuring that London Design & Engineering 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 Directors has delegated the day-to-day responsibility to the principal, as accounting officer, for ensuring financial controls conform with the requirements of both propriety and good financial management and in accordance with the requirements and responsibilities assigned to it in the funding agreement between London Design & Engineering UTC and the Secretary of State for Education. They are also responsible for reporting to the Board of Directors any material weaknesses or breakdowns in internal control.

### Governance

The information on governance included here supplements that described in the Directors' Report and in the Statement of Directors' Responsibilities. The Board of Directors has formally met four times during the year. Attendance during the year at meetings of the Board of Directors was as follows:

Director	Meetings Attended	Out of a possible
Lord Kamlesh Patel (Chair from 06/04/17)	2	2
Feroze Amroliwala (Chair until 10/03/17)	1	5
Chris Beales	4	5
Jason Bradbury	—	5
Janet Burr	4	5
Haydn Evans	5	5
Geoffrey Fowler (CEO)	5	5
Jeremy Galpin (Vice Chair)	5	5
John Headley	3	4
David Hogben	4	5
Dorith Morgan	—	2
Rhys Harman Morgan	—	1
Grace Oba' Foyse	—	2
Roxanna Lucas (Née Osso)	2	4
Dan Forbes Pepitone	4	5
Catherine Ritman-Smith	2	5

The governance of the UTC was reviewed in May 2017, following the appointment of the new Chair. The review identified the need to further improve the gender balance, financial and educational capability of the Board. The Trust has since the summer been working to forward those recommendations.

### **Review of Value for Money**

As accounting officer, the principal has responsibility for ensuring that the academy trust delivers good value in the use of public resources. The accounting officer understands that value for money refers to the educational and wider societal outcomes achieved in return for the taxpayer resources received.

The accounting officer considers how the trust's use of its resources has provided good value for money during each academic year, and reports to the Board of Directors where value for money can be improved, including the use of benchmarking data where appropriate.

### **The Purpose of the System of Internal Control**

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives. It can, therefore, only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an on-going process designed to identify and prioritise the risks to the achievement of academy trust policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in London Design & Engineering UTC for the period 1 September 2016 to 31 August 2017 and up to the date of approval of the annual report and financial statements.

### **Capacity to Handle Risk**

The Board of Directors has reviewed the key risks to which the academy trust is exposed together with the operating, financial and compliance controls that have been implemented to mitigate those risks. The Board of Directors is of the view that there is a formal on-going process for identifying, evaluating and managing the academy trust's significant risks that has been in place for the period 1 September 2016 to 31 August 2017 and up to the date of approval of the annual report and financial statements. This process is regularly reviewed by the Board of Directors.

### **The Risk and Control Framework**

The academy trust is in the process of developing a system of internal financial control is based on a framework of regular management information and administrative procedures including the segregation of duties and a system of delegation and accountability. In particular it will include:

- ◆ comprehensive budgeting and monitoring systems with an annual budget and periodic financial reports which are reviewed and agreed by the Board of Directors
- ◆ regular reviews by the newly appointed audit committee of reports which indicate financial performance against the forecasts and of major purchase plans, capital works and expenditure programmes
- ◆ setting targets to measure financial and other performance
- ◆ clearly defined purchasing (asset purchase or capital investment) guidelines
- ◆ delegation of authority and segregation of duties
- ◆ identification and management of risks

The Board of Directors has considered the need for a specific internal audit function and has appointed Buzzacott to carry out a programme of internal checks.



**Review of Effectiveness**

As accounting officer, the principal has responsibility for reviewing the effectiveness of the system of internal control. During the year in question the review has been informed by the work of the executive managers within the academy trust who have responsibility for the development and maintenance of the internal control framework

The accounting officer has been advised of the implications of the result of their review of the system of internal control by the finance and audit committee and a plan to address weaknesses and ensure continuous improvement of the system is in place.

Approved by order of the members of the Board of Directors and signed on its behalf by:



Jeremy Galpin

Chair of the Board of Directors

Date: 14/Dec/2017



Geoffrey Fowler

Accounting Officer

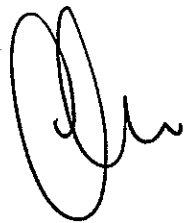
Date: 14/Dec/2017

**STATEMENT ON REGULARITY, PROPRIETY AND COMPLIANCE**

As accounting officer of London Design & Engineering UTC, I have considered my responsibility to notify the academy trust board of Directors 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 academy trust 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 academy trust board of Directors are able to identify any material irregular or improper use of funds by the academy trust, or material non-compliance with the terms and conditions of funding under the academy trust's funding agreement and the Academies Financial Handbook 2016.

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 Directors and ESFA.



Geoffrey Fowler

Accounting Officer

Date: 14/Dec/2017

## **STATEMENT OF TRUSTEES' RESPONSIBILITIES**

The trustees (who act as governors of the academy trust and are also the directors of the Academy for the purposes of company law) are responsible for preparing the Directors' 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 Directors to prepare financial statements for each financial year. Under company law, the Directors 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 Academy and of its incoming resources and application of resources, including its income and expenditure, for that period. In preparing these financial statements, the Directors 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 2016 to 2017;
- ♦ 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 Academy will continue in operation.

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

The Directors are responsible for ensuring that in its conduct and operation the academy trust 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 Directors are responsible for the maintenance and integrity of the charity and financial information included on the Academy's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Approved by order of the members of the Board of Directors and signed on its behalf by:

  
Jeremy Galpin  
Chair of the Board of Directors

Date: 14/DEC/2017

**Independent auditor's report on the financial statements to the Members of London Design & Engineering UTC**

**Opinion**

We have audited the financial statements of London Design & Engineering UTC (the 'charitable company') for the year ended 31 August 2017 which comprise the statement of financial activities, the balance sheet, the statement of cash flows, the principal accounting policies and the related notes to the financial statements. 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 2016 to 2017.

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.

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 2017 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 2016 to 2017.

**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 trustees' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- ◆ the trustees have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the 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.

**Other information**

The trustees are responsible for the other information. The other information comprises the information included in the annual report other than the financial statements and our 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 trustees' report including the strategic report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- ◆ the trustees' 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 trustees' report including the strategic report.

**Matters on which we are required to report by exception (continued)**

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 or returns; or
- ♦ certain disclosures of trustees' remuneration specified by law are not made; or
- ♦ we have not received all the information and explanations we require for our audit.

**Requirements of trustees**

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

In preparing the financial statements, the trustees are responsible for assessing the 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 the trustees 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.

*Buzzacott LLP*

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

*20/12/17*

**Independent reporting auditor's assurance report on regularity to London Design & Engineering UTC and the Education and Skills Funding Agency**

In accordance with the terms of our engagement letter dated 20 March and further to the requirements of the Education and Skills Funding Agency (ESFA) as included in the Academies Accounts Direction 2016 to 2017, we have carried out an engagement to obtain limited assurance about whether the expenditure disbursed and income received by London Design & Engineering UTC during the period from 1 September 2016 to 31 August 2017 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 London Design & Engineering UTC and the ESFA in accordance with the terms of our engagement letter. Our work has been undertaken so that we might state to London Design & Engineering 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 London Design & Engineering UTC and the ESFA, for our work, for this report, or for the conclusion we have formed.

**Respective responsibilities of London Design & Engineering UTC's accounting officer and the reporting auditor**

The accounting officer is responsible, under the requirements of London Design & Engineering UTC's funding agreement with the Secretary of State for Education dated April 2016 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 2016 to 31 August 2017 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 2016 to 2017 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.

**Approach (continued)**

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

The work undertaken to draw to our conclusion includes:

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

**Conclusion**

Nothing has come to our attention in the course of our work which suggests that in all material respects the expenditure disbursed and income received during the period from 1 September 2016 to 31 August 2017 has not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.

*Buzzacott CP*

Buzzacott LLP  
Chartered Accountants  
130 Wood Street  
London  
EC2V 6DL

*20/12/17*



**Statement of financial activities (including income and expenditure account)**  
Year to 31 August 2017

	Notes	Restricted funds			2017 Total funds £'000	2016 Total funds £'000
		Unrestricted general fund £'000	General fund £'000	Fixed assets fund £'000		
<b>Income from:</b>						
Donations and capital grants	1	—	78	2,210	2,288	1,139
Charitable activities						
· Funding for the academy's educational operations	2	—	1,786	—	1,786	164
Other trading activities	3	9	—	—	9	1
Investments		—	2	—	2	—
<b>Total income</b>		<b>9</b>	<b>1,866</b>	<b>2,210</b>	<b>4,085</b>	<b>1,304</b>
<b>Expenditure on:</b>						
Charitable activities						
· Academy's educational operations	5	—	1,847	1,079	2,926	320
Other						
· Loss on disposal of fixed assets	9	—	—	—	—	4,710
<b>Total expenditure</b>		<b>—</b>	<b>1,847</b>	<b>1,079</b>	<b>2,926</b>	<b>5,030</b>
<b>Net income (expenditure)</b>		<b>9</b>	<b>19</b>	<b>1,131</b>	<b>1,159</b>	<b>(3,726)</b>
<b>Transfers between funds</b>		<b>—</b>	<b>(37)</b>	<b>37</b>	<b>—</b>	<b>—</b>
<b>Other recognised losses</b>						
Actuarial losses on defined benefit pension schemes	17	—	(38)	—	(38)	—
<b>Net movement in funds</b>		<b>9</b>	<b>(56)</b>	<b>1,168</b>	<b>1,121</b>	<b>986</b>
<b>Reconciliation of funds</b>						
Total fund balances brought forward at 31 August 2016		4	—	982	986	—
<b>Total fund balances carried forward at 31 August 2017</b>		<b>13</b>	<b>(56)</b>	<b>2,150</b>	<b>2,107</b>	<b>986</b>

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

# **Balance sheet** 31 August 2017

	Notes	2017 £'000	2017 £'000	2016 £'000	2016 £'000
<b>Fixed assets</b>					
Tangible fixed assets	9		2,150		982
<b>Current assets</b>					
Debtors	10	1,568		1,527	
Cash at bank and in hand		<u>372</u>		<u>12</u>	
		1,940		1,539	
<b>Liabilities</b>					
Creditors: amounts falling due within one year	11	<u>(1,880)</u>		<u>(1,535)</u>	
<b>Net current assets</b>			<u>60</u>		<u>4</u>
<b>Total assets less current liabilities</b>			2,210		986
Defined benefit pension scheme			(103)		—
<b>Total net assets</b>			<u>2,107</u>		<u>986</u>
<b>Funds of the Academy</b>					
Restricted income funds					
. Fixed assets fund	12		2,150		982
. General fund	12		47		—
. Pension reserve			<u>(103)</u>		<u>—</u>
<b>Total restricted funds</b>			2,094		982
<b>Unrestricted funds</b>					
. General fund	12		<u>13</u>		<u>4</u>
<b>Total funds</b>			<u>2,107</u>		<u>986</u>

The financial statements on page 23 to 44 were approved by the Directors, and authorised for issue on 14/Dec/2017 and are signed on their behalf by:



Jeremy Galpin  
Chair of the Board of Directors

London Design & Engineering UTC  
Company Limited by Guarantee  
Registration Number: 08283657 (England and Wales)

# Statement of cash flows Year to 31 August 2017

		2017 £'000	2016 £'000
<b>Cash flows from operating activities</b>			
Net cash provided by operating activities	A	397	4
<b>Cash flows used in investing activities</b>	B	(37)	—
<b>Change in cash and cash equivalents in the year</b>		<b>360</b>	<b>4</b>
<b>Reconciliation of net cash flow to movement in net funds:</b>			
Cash and cash equivalents at 1 September 2016		12	8
<b>Cash and cash equivalents at 31 August 2017</b>	<b>C</b>	<b>372</b>	<b>12</b>
<b>A Reconciliation of income to net cash flow from operating activities</b>			
		2017 £'000	2016 £'000
<b>Net income (expenditure) for the year (as per the statement of financial activities)</b>		<b>1,159</b>	<b>(3,732)</b>
<b>Adjusted for:</b>			
Loss on the sale of fixed assets		—	4,710
Depreciation charges (note 9)		601	—
Rental expense		478	—
Capital grants from DfE and other capital income		(2,210)	(1,026)
Defined benefit pension scheme cost less contributions payable (note 17)		67	—
Defined benefit pension scheme finance cost (note 17)		(2)	—
Increase in debtors		(41)	(1,197)
Increase in creditors		345	1,250
<b>Net cash provided by operating activities</b>		<b>397</b>	<b>4</b>
<b>B Cash flows from investing activities</b>			
		2017 £'000	2016 £'000
Purchase of tangible fixed assets		(1,769)	(1,026)
Capital grants from DfE/ESFA for rental expense		(478)	—
Capital grants from DfE/ESFA		2,210	1,026
<b>Net cash used in investing activities</b>		<b>(37)</b>	<b>—</b>
<b>C Analysis of cash and cash equivalents</b>			
		2017 £'000	2016 £'000
Cash at bank and in hand		372	12
<b>Total cash and cash equivalents</b>		<b>372</b>	<b>12</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 academy trust, 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 2016 to 2017 issued by ESFA, the Charities Act 2011 and the Companies Act 2006.

**Going concern**

The Trust had net current assets at 31 August 2017 of £60,000 (2016 - £4,000). During the year the Trust made an operational surplus of £56,000 (2016 – operating loss of £42,000). This excludes movements on the fixed assets fund and the defined benefit scheme pension adjustments. Due to strong student recruitment and careful financial management, the UTC has been able to generate this modest level of reserves in its first year as an open academy. This along with the increasing size of the student roll has put the LDE UTC in a healthy financial position, as such budgets and forecasts for the first years of opening have been set to use these positives to further strengthening the unique offer of the UTC as a leading provider of technical education and training.

Post year end the UTC has successfully received its second intake of students, and its student recruitment remains very strong. To accommodate the increase in students the UTC has enlarged its temporary buildings with an additional floor and enhanced its catering and student amenities.

Significant progress has been made on the UTC's permanent building, with work having started on-site, this new state-of-the art technical building is estimated to be completed in the latter part of the 2018 or early in the 2019 calendar year. Until the time the final building is ready the Education and Skills Funding Agency (ESFA) has shown a significant financial commitment to ensure the UTC has temporary accommodation, and indeed planning for September 2018 temporary expansion has already commenced.

In light of the above, the Directors have a reasonable expectation that the Trust has adequate resources to continue in operation for the foreseeable future. For this reason, it continues to adopt the going concern basis in preparing the financial statements.

### **Income**

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

### **Grants**

Grants are included in the statement of financial activities on a receivable basis. The balance of income received for specific purposes but not expended during the period is shown in the relevant funds on the balance sheet. Where income is received in advance of meeting any performance-related conditions there is not unconditional entitlement to the income and its recognition is deferred and included in creditors as deferred income until the performance-related conditions are met. Where entitlement occurs before income is received, the income is accrued.

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.

Where an asset is being constructed and the trust is recognising an asset on balance sheet for the development from ESFA funding, then the policy for this should be disclosed.

Where a trust is recognising an asset under these programmes, it should not be accrued on the basis of the funding letter, which does not give rise to an unconditional entitlement.

### **Expenditure**

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

### **Charitable activities**

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

All resources expended are 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 Academy's depreciation policy.

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

Leasehold land and buildings	The remaining term of the lease
Furniture and equipment	5 years
Computer equipment	3 years

Depreciation will be charged on assets under construction once they are brought into use.

### **Debtors**

Debtors are recognised at their settlement amount less any provision for non-recoverability. Prepayments are valued at the amounts prepaid. They have been discounted to the present value of the future cash receipt where such discounting is material.

### **Cash at bank and in hand**

Cash at bank and in hand represents such accounts and instruments that are available on demand. Notice deposits are included on the balance sheet as short term deposits.

### **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 academy trust anticipates it will pay to settle the debt or the amount it has received as advanced payments for the goods or services it must provide.

### **Leased assets**

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

### **Financial instruments**

The academy trust only holds basic financial instruments as defined in FRS 102. The financial assets and financial liabilities of the academy trust and their measurement 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 10. Prepayments are not financial instruments. Amounts due to the charity's wholly owned subsidiary are held at face value less any impairment.

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

### **Financial instruments (continued)**

*Financial liabilities* – trade creditors, accruals and other creditors are financial instruments, and are measured at amortised cost as detailed in note 11. 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. Amounts due to charity's wholly owned subsidiary are held at face value less any impairment.

### **Taxation**

The Academy is considered to pass the tests set out in Paragraph 1 Schedule 6 of the Finance Act 2010 and therefore it meets the definition of a charitable company for UK corporation tax purposes. Accordingly, the Academy 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.

### **Fund accounting**

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

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.

### **Pensions benefits**

Retirement benefits to employees of the academy trust are provided by the Teachers' Pension Scheme ('TPS') and the Local Government Pension Scheme ('LGPS'). These are defined benefit schemes.

The TPS is an unfunded scheme and contributions are calculated so as to spread the cost of pensions over employees' working lives with the academy trust in such a way that the pension cost is a substantially level percentage of current and future pensionable payroll. The contributions are determined by the Government Actuary on the basis of quadrennial valuations using a prospective unit credit method. As stated in note 29, 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.

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

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



**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.

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 17, 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 2017. 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.
- The net book value of tangible fixed assets is based on the original cost/value of the asset net of provision for depreciation. The depreciation provision to date is based on the Directors' assessment of the estimated useful economic lives of such assets.

These estimates, together with the going concern assessment as described above, also constitute the key critical areas of judgement applied by the Governors in the preparation of the financial statements.

# Notes to the Financial Statements Year to 31 August 2017

## 1 Donations and capital grants

	Unrestricted funds £'000	Restricted funds £'000	Restricted fixed assets funds £'000	2017 Total funds £'000	2016 Total funds £'000
Capital grants	—	—	2,210	2,210	1,026
Donations	—	78	—	78	113
	30	78	2,210	2,318	1,139

## 2 Funding for academy's educational operations

	Unrestricted funds £'000	Restricted funds £'000	2017 Total funds £'000	2016 Total funds £'000
<b>DfE / ESFA revenue grants</b>				
. General Annual Grant	—	1,509	1,509	—
. Start Up Grants	—	240	240	—
. Other DfE / ESFA	—	37	37	164
	—	1,786	1,786	164

## 3 Other trading income

	Unrestricted funds £'000	Restricted funds £'000	2017 Total funds £'000	2016 Total funds £'000
Catering income	3	—	3	—
Miscellaneous income	6	—	6	1
	9	—	9	1

## 4 Expenditure

	Non pay expenditure			2017 Total funds £'000	2016 Total funds £'000
	Staff costs £'000	Premises £'000	Other costs £'000		
Charitable activities					
. Academy's educational operations					
.. Direct costs	910	601	178	1,689	158
.. Allocated support costs	376	572	289	1,237	162
	1,286	1,173	467	2,926	320
<b>Expenditure for the period includes:</b>					
Operating lease rentals				478	—
Depreciation				601	—
Fees payable to auditor				7	3
. Statutory audit				5	1
. Other services					

**5 Charitable activities - academy's educational operations**

	2017 Total funds £'000	2016 Total funds £'000
Direct costs	1,694	158
Support costs	1,232	162
	<b>2,926</b>	<b>320</b>

	2017 Total funds £'000	2016 Total funds £'000
<b>Analysis of support costs</b>		
Support staff costs	376	42
Technology costs	42	5
Premises costs	572	—
Other support costs	193	110
Governance costs	49	4
<b>Total support costs</b>	<b>1,232</b>	<b>162</b>

**6 Staff**

**(a) Staff costs**

Staff costs during the period were:

	2017 Total funds £'000	2016 Total funds £'000
Wages and salaries	893	162
Social security costs	90	17
Pension costs	180	19
	<b>1,163</b>	<b>198</b>
Supply staff costs	123	—
	<b>1,286</b>	<b>198</b>

**(b) Staff numbers**

The average number of persons (including the senior management team) employed by the charitable company during the year ended 31 August 2017 was as follows:

Charitable activities	2017 No	2016 No
Teachers	10	1
Administration and support	10	1
Management	3	1
	<b>23</b>	<b>3</b>

**6 Staff (continued)**

**(c) Higher paid staff**

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

	2017 No	2016 No
£60,001 - £70,000	1	1
£70,001 - £80,000	1	—
£90,001 - £100,000	—	1
£110,001 - £120,000	1	—

**(d) Key management personnel**

The key management personnel of the academy trust comprise the Directors and the senior team as listed on page 1. The total amount of employee benefits (including employer national insurance and pension contributions) received by key management personnel for their services to the academy trust was £322,000 (2016 - £126,000).

**7 Directors' 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 services as Director. Other Directors did not receive any payments from the academy in respect of their role as Directors. The value of Director's remuneration was as follows:

	2017 £'000	2016 £'000
Geoffrey Fowler, Principal and Trustee		
. Remuneration	116	98
. Employer's pension contributions	17	16
Roxanna Lucas (née Osso), Staff Trustee		
. Remuneration	25	—
. Employer's pension contributions	4	—

During the year ended 31 August 2017, travel and subsistence expenses totalling £301 were reimbursed or paid directly to two Directors. In the period ended 31 August 2016 no travel and subsistence expenses were reimbursed to Directors.

## 8 Comparative information

Analysis of income and expenditure in the year ended 31 August 2016 between restricted and unrestricted funds:

	Restricted funds			2016 Total funds £'000
	Unrestricted general fund £'000	General fund £'000	Fixed assets fund £'000	
<b>Income from:</b>				
Donations and capital grants	83	30	1,026	1,139
Charitable activities				
· Funding for the academy's educational operations	—	164	—	164
Other trading activities	1	—	—	1
<b>Total income</b>	<b>84</b>	<b>194</b>	<b>1,026</b>	<b>1,304</b>
<b>Expenditure on:</b>				
Charitable activities				
· Academy's educational operations	80	240	—	320
Other				
· Loss on disposal of fixed assets	—	—	4,710	4,710
<b>Total expenditure</b>	<b>80</b>	<b>240</b>	<b>4,710</b>	<b>5,030</b>
<b>Net income (expenditure) and net movement in funds</b>	<b>4</b>	<b>(46)</b>	<b>(3,684)</b>	<b>(3,726)</b>
<b>Reconciliation of funds</b>				
Total fund balances brought forward at 31 August 2015	—	46	4,666	4,712
<b>Total fund balances carried forward at 31 August 2016</b>	<b>4</b>	<b>—</b>	<b>982</b>	<b>986</b>

**9 Tangible fixed assets**

	Assets under construction £'000	Leasehold land and buildings £'000	Furniture and equipment £'000	Computer equipment £'000	Total 2017 £'000
<b>Cost/valuation</b>					
At 1 September 2016	—	293	290	399	<b>982</b>
Additions	482	499	635	153	<b>1,769</b>
At 31 August 2017	<b>482</b>	<b>792</b>	<b>925</b>	<b>552</b>	<b>2,751</b>
<b>Depreciation</b>					
At 1 September 2016	—	—	—	—	—
Charge for the year	—	232	185	184	601
At 31 August 2017	<b>—</b>	<b>232</b>	<b>185</b>	<b>184</b>	<b>601</b>
<b>Net book value</b>					
At 31 August 2017	<b>482</b>	<b>560</b>	<b>740</b>	<b>368</b>	<b>2,150</b>
At 31 August 2016	<b>—</b>	<b>293</b>	<b>290</b>	<b>399</b>	<b>982</b>

The academy trust owned the freehold to a property in East Ham, which was formerly the police station. It was previously intended for the academy trust to utilise the property for educational purposes. At the end of the 2015/16 financial year, it was agreed that the property would return to The Secretary of State for Communities and Local Government for alternative public use at £nil consideration and in 2015/16 it was been treated as a disposal in the financial statements.

The academy trust is in the process of negotiating a lease for their long term site and anticipate that this will be concluded early in the 2017/18 financial year. The Directors have a reasonable belief that the economic benefits of the construction work performed to date will extend past the next financial year and for this reason it has been deemed appropriate to capitalise eligible costs incurred to date.

**Notes to the Financial Statements** Year to 31 August 2017

**10 Debtors**

	2017 £'000	2016 £'000
Trade debtors	—	2
VAT recoverable		
. On capital works	500	468
. On revenue expenditure	102	37
Accrued ESFA capital grants	877	982
Other debtors	18	—
Prepayments and other debtors	71	38
	<b>1,568</b>	<b>1,527</b>

**11 Creditors: amounts falling due within one year**

	2017 £'000	2016 £'000
Trade creditors	639	12
Tax and social security	29	5
Payable to ESFA	739	468
Accrued capital expenditure	353	982
Accruals and other creditors	120	68
	<b>1,880</b>	<b>1,535</b>
<b>Deferred income</b>		
Deferred income at 1 September 2016	—	—
Resources deferred in the year	21	—
Deferred income at 31 August 2017	<b>21</b>	<b>—</b>

## 12 Funds

	Balance at 1 September 2016 £'000	Income £'000	Expenditure £'000	Gains, losses and transfers £'000	Balance at 31 August 2017 £'000
<b>Restricted general fund</b>					
. General Annual Grant (GAG)	—	1,509	(1,449)	(13)	47
. Start Up Grant	—	240	(240)	—	—
. Pupil Premium	—	37	(37)	—	—
. Other restricted funds	—	78	(54)	(24)	—
. Pension reserve	—	2	(67)	(38)	(103)
	—	1,866	(1,847)	(75)	(56)
<b>Fixed assets fund</b>					
. Capital expenditure	982	1,732	(601)	37	2,150
. Rental expense	—	478	(478)	—	—
	982	2,210	(1,079)	37	2,150
<b>Total restricted funds</b>	982	4,076	(2,926)	(38)	2,094
<b>Unrestricted funds</b>					
. Unrestricted funds	4	9	—	—	13
<b>Total unrestricted funds</b>	4	9	—	—	13
<b>Total funds</b>	986	4,085	(2,926)	(38)	2,107

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

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

#### *ESFA revenue grant funds*

The General Annual Grant (GAG) has been provided by the EFA in order to fund the normal running costs of the UTC. Other funding received from the EFA included the Pupil Premium, and a Start Up Grant.

Under the funding agreement with the Secretary of State, the academy trust was not subject to a limit on the amount of GAG that it could carry forward at 31 August 2017.

#### *Fixed asset fund*

Restricted fixed assets funds were funded by government grants. When capital expenditure is incurred a transfer is made from the fund which funded the acquisition to the restricted fixed asset fund. That asset is then depreciated through the restricted fixed asset fund over the lifetime of that asset.

#### *Other restricted funds*

Other restricted funds comprise of private donations towards specific activities to be carried out by the UTC.



### 13 Analysis of net assets between funds

	Unrestricted funds £'000	Restricted General Funds £'000	Restricted Fixed Asset Fund £'000	Total 2017 £'000
Fund balances at 31 August 2017 are represented by:				
Tangible fixed assets	—	—	2,150	2,150
Current assets	13	1,927	—	1,940
Current liabilities	—	(1,880)	—	(1,880)
Pension scheme liability	—	(103)	—	(103)
<b>Total net assets</b>	<b>13</b>	<b>(56)</b>	<b>2,150</b>	<b>2,107</b>

### 14 Capital commitments

	2017 £'000	2016 £'000
Contracted for, but not provided in the financial statements	291	—

### 15 Commitments under operating leases

	2017 £'000	2016 £'000
Amounts due within one year	1,082	—
	<b>1,082</b>	<b>—</b>

### 16 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

### 17 Pension and similar obligations

The academy trust's employees belong to two principal pension schemes: the Teachers' Pension Scheme England and Wales (TPS) for academic and related staff; and the Local Government Pension Scheme (LGPS) for non-teaching staff, which is managed by the London Borough of Newham. 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.

## 17 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 (previously 14.1%))
- ♦ total scheme liabilities (pensions currently in payment and the estimated cost of future benefits) for service to the effective date of £191,500 million, and notional assets (estimated future contributions together with the notional investments held at the valuation date) of £176,600 million giving a notional past service deficit of £14,900 million
- ♦ an employer cost cap of 10.9% of pensionable pay will be applied to future valuations
- ♦ the assumed real rate of return is 3.0% in excess of prices and 2% in excess of earnings. The rate of real earnings growth is assumed to be 2.75%. The assumed nominal rate of return is 5.06%.

## 17 Pension and similar obligations (continued)

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

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

During the previous year the employer contribution rate was 14.1%. The TPS valuation for 2012 determined an employer rate of 16.4%, which was payable from September 2015. The next valuation of the TPS 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 £20,434 (2016 - £15,656).

A copy of the valuation report and supporting documentation is on the Teachers' Pensions website.

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

### *Local Government Pension Scheme*

The LGPS is a funded defined benefit pension scheme, with the assets held in separate trustee-administered funds. The total contribution made for the year ended 31 August 2017 was £33k, of which employer's contributions totalled £21k and employees' contributions totalled £12k. The agreed contribution rates for future years are 12% per cent for employers and a sliding scale of 5.5% to 12.5% per cent for employees.

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

Principal Actuarial Assumptions	At 31 August 2017	At 31 August 2016
Rate of increase in salaries	4.2%	—
Rate of increase for pensions in payment / inflation	2.7%	—
Discount rate for scheme liabilities	2.6%	—
Inflation assumption (CPI)	2.7%	—

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

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

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

	At 31 August 2017 years	At 31 August 2016 years
<i>Retiring today</i>		
Males	22.6	—
Females	25.1	—
<i>Retiring in 20 years</i>		
Males	24.8	—
Females	27.4	—

<b>Sensitivity analysis</b>	At 31 August 2017 £'000	At 31 August 2016 £'000
Discount rate +0.1%	7	—
Discount rate -0.1%	(8)	—
Mortality assumption – 1 year increase	(5)	—
Mortality assumption – 1 year decrease	5	—
CPI rate +0.1%	7	—
CPI rate – 0.1%	(7)	—

The Academy's share of the assets and liabilities in the scheme were:

	Fair value at 31 August 2017 £'000	Fair value at 31 August 2016 £'000
Equities	26	—
Gilts	2	—
Other bonds	4	—
Property	3	—
Cash and other liquid assets	8	—
Alternative assets	2	—
<b>Total market value of assets</b>	<b>45</b>	<b>—</b>
<b>Present value of scheme liabilities</b>		
Funded	(133)	—
<b>Deficit in the scheme</b>	<b>(88)</b>	<b>—</b>

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

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

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

<b>Amounts recognised in statement of financial activities</b>	<b>2017 £'000</b>	<b>2016 £'000</b>
Current service cost	(67)	—
Interest income	3	—
Interest cost	(1)	—
<b>Total amount recognised in the SOFA</b>	<b>(65)</b>	<b>—</b>

<b>Changes in the present value of defined benefit obligations were as follows:</b>	<b>2017 £'000</b>	<b>2016 £'000</b>
At 1 September 2016	—	—
Current service cost	88	—
Interest cost	1	—
Employee contributions	12	—
Actuarial loss	61	—
<b>At 31 August 2017</b>	<b>162</b>	<b>—</b>

<b>Changes in the fair value of the Academy's share of scheme assets:</b>	<b>2017 £'000</b>	<b>2016 £'000</b>
At 1 September 2016	—	—
Interest income	3	—
Actuarial gain	23	—
Employer contributions	21	—
Employee contributions	12	—
Benefits paid	—	—
<b>At 31 August 2017</b>	<b>59</b>	<b>—</b>

## 18 Related party transactions

Owing to the nature of the trust's operations and the composition of the Board of Directors being drawn from local public and private sector organisations, transactions may take place with organisations in which a member of the Director has an interest. All transactions involving such organisations are conducted at arm's length and in accordance with the Academy's financial regulations, the requirement of the Academies Financial Handbook and normal procurement procedures.

The following related party transactions took place in the period of account:

- ◆ Limited accounting services and use of premises were provided free of charge by the University of East London in both 2017 and 2016, these have not been valued as a Gift in Kind due to the absence of an open market value. Purchases of £57,161 (2016 - £1,935) were made from The University of East London during the 2017 financial year at an arms' length basis, in the process of these transactions the Trust complied with the requirements of the Academies Financial Handbook. The University of East London is a member of the UTC.
- ◆ Sponsorship grants were received from Costain Ltd during the year totalling £8,500 (2016 – two grants totalling £30,000). Costain Ltd is a member of the UTC.
- ◆ The UTC was awarded a grant of £69,500 (2016: £30,000) in the year from The Sir John Cass's Foundation. David Hogben is a Director of the UTC and a Governor of The Sir John Cass's Foundation. The award was made in accordance with the Sir John Cass's Foundation's normal grants policy.

In addition, the following related party transactions took place in the previous period of account ended 31 August 2016:

- ◆ The trust received a sponsorship grant from the University of East London totalling £15,000.
- ◆ A sponsorship grant of £8,167 was received from Thames Water Utilities Ltd. Thames Water Utilities Ltd is a member of the UTC.