

Company Registration Number: 08599329 (England & Wales)

**THE WATFORD UTC**  
**(A Company Limited by Guarantee)**

**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 AUGUST 2019**

**THE WATFORD UTC**  
**(A Company Limited by Guarantee)**

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**REFERENCE AND ADMINISTRATIVE DETAILS**

<b>Members</b>	The Meller Educational Trust UH Holdings Limited Ralph Trustees Ltd
<b>Trustees</b>	Ash Patil, Chair of Trustees Sir Leigh Lewis (resigned 8 July 2019) Emma Loveland, Principal (resigned 31 August 2019) Chris Andrews Kate Bearman (resigned 14 February 2019) Richard Elms Stephen Hunt Ronnie Jacob (appointed 1 September 2018) Celeste Jones (resigned 20 June 2019) Claire Lish Mo Luthra Malcolm Peattie (resigned 12 December 2018) Ian Smithson Helen Langeveld (appointed 1 September 2018) Richard Harrington (appointed 3 April 2019, resigned 20 September 2019) Hilda Worth (appointed 1 September 2018, resigned 10 December 2019)
<b>Company registered number</b>	08599329
<b>Company name</b>	The Watford UTC
<b>Principal and registered office</b>	18 Colonial Way Watford Hertfordshire WD24 4PT
<b>Company secretary</b>	Alex Hall
<b>Senior management team</b>	Emma Loveland, Principal (resigned 31 August 2019) Paul Quinn, Associate Principal (Acting Principal from 1 September 2019) Lorraine Davenport, Director Lisa Williams, Senior Assistant Director Andree Quidder, Assistant Director
<b>Independent auditors</b>	Cooper Parry Group Limited Chartered Accountant Park View On Central Boulevard Blythe Valley Park Solihull West Midlands B90 8BG
<b>Bankers</b>	Lloyds Bank 67 High Street Watford Herts WD17 2DU

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

**Solicitors**

Veale Wasbrough Vizards  
Barnards Inn  
86 Fetter Lane  
London  
United Kingdom  
EC4A 1AD

**THE WATFORD UTC**  
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**TRUSTEES' REPORT**  
**FOR THE YEAR ENDED 31 AUGUST 2019**

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The Trustees present their annual report together with the financial statements and auditor's report of the charitable company for the period from 1 September 2018 to 31 August 2019. The annual report serves the purposes of both a Trustees' report and a Directors' report, including a strategic report, under company law.

The Watford UTC ("the Academy Trust", "Watford UTC" or "the UTC") operates as an Academy Trust for pupils aged 14 to 19 serving a catchment area in Watford and surrounding areas in North London and West Hertfordshire, with a pupil capacity of 600 and 174 pupils currently enrolled based on the Summer Term 2019 Census.

## **STRUCTURE, GOVERNANCE AND MANAGEMENT**

### **Constitution**

The Watford UTC is a company limited by guarantee and an exempt charity. The charitable company's Memorandum and Articles of Association and the UTC's Funding Agreement dated 6 August 2014, made between the UTC and the Secretary of State for Education, are the primary governing documents of Watford UTC. The Trustees are also the Directors of the charitable company for the purposes of company and charity law.

The University of Hertfordshire Higher Education Corporation, the Meller Educational Trust, Twin Technology, Ralph Trustees Limited are sponsors of the UTC.

Details of the Trustees who served during the year are included in the Reference and Administrative Details on page 1.

The charitable company was incorporated on 5 July 2013.

### **Members' Liability**

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

### **Trustees' Indemnities**

The Academy Trust has opted into the Department of Education's Risk Protection Arrangement ('RPA'), an alternative to insurance where UK government funds cover losses that arise. The scheme protects Members, Trustees from claims arising from negligent acts, errors or omissions occurring whilst on Academy Trust business. The scheme provides cover up to £10,000,000.

### **Method of Recruitment and Appointment or Election of Trustees**

The Articles of Association provide for the appointment or election of Trustees as follows:

Up to 9 Trustees appointed by the members, of whom no less than:

- two shall be appointed by UH Holdings Limited; and
- two shall be appointed by the Employer Sponsors (Twin Technology and Ralph Trustees Limited)

Two Parent Trustees elected by parents of registered students of the UTC through such process as the Board of Trustees may determine from time-to-time;

Two Trustees appointed by The Meller Educational Trust;

The Principal, who is an ex-officio Trustee.

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

There are also some discretionary categories of Trustees as follows:

- Where appointed, up to two Staff Governors appointed by the Members (The Meller Educational Trust, UH Holdings Limited, Ralph Trustees Limited) through such process as the Members may determine from time-to-time; and
- 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.

**Policies and Procedures Adopted for the Induction and Training of Trustees**

Statutory training for Trustees is in place. The latest DfE Governor handbook was circulated to Trustees when released and all updates have been shared with Trustees. Further induction and training policies were formalised during the 2018/19 academic year.

All new Trustees visit the UTC and have a 1:1 meeting with the Principal and Associate Principal that focuses on understanding our data. They also meet with the Chair of Trustees and the Clerk to the Trustees as a minimum as part of their induction.

**Organisational Structure**

The Watford UTC is governed by a Board of Trustees constituted under a Memorandum of Association and Articles of Association. The Board of Trustees is responsible for ensuring that high standards of corporate governance are maintained. It exercises its powers and functions with a view to fulfilling a largely strategic leadership role in the running of the UTC, addressing such matters as:

- Policy development and strategic development;
- Ensuring that the UTC delivers a high quality vocational based curriculum maintaining high standards of learning and teaching through constant measurement of the progress and attainment of students;
- Ensuring prudent financial management, and administration of the UTC;
- The management of all resources;
- Ensuring compliance with legal requirements;
- Establishing and maintaining effective internal controls;
- The monitoring of performance;
- Helping the UTC to be responsive to the needs of parents, carers and the community;
- Assessing and managing risk

The Trustees have delegated elements of their responsibility to two committees as follows:

- The Standards Committee, which is responsible for matters relating to the curriculum, academic standards and provision of education at the UTC through objective setting, approval of a development plan, operational implementation and monitoring/reporting on student progress and attainment. The Standards Committee meets three times per annum.
- The Resources Committee, which is responsible for all financial management, ensuring an effective internal environment and oversight of risk management and audit matters. It is also responsible for setting annual budgets, monitoring actual income and expenditure against budget, and ensuring the maintenance of internal controls and rigorous financial discipline. In addition, the Committee approves major resourcing decisions (e.g. staffing, marketing etc.).

Between the Board of Trustee and sub-Committee meetings, Trustees are updated via reports, visits and ad-hoc meetings as appropriate.

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

The Principal has full executive control and is responsible for the day-to-day running of the UTC, and is assisted by a Senior Leadership Team consisting of an Associate Principal, one Director, one Senior Assistant Director and one Assistant Director. The Senior Leadership Team controls the UTC at an executive level implementing the policies laid down by the Trustees and reporting back to them and providing evidence, reports and data analysis to Board of Trustee meetings, enabling Trustees to monitor effectively and offer support when required.

The Senior Leadership Team meets weekly to ensure the UTC is run effectively from an operational point of view. The Principal and Associate Principal meet fortnightly to ensure strategic direction of the UTC.

In terms of accountability:

- The Principal line manages the Associate Principal, Director, Senior Assistant Director and Assistant Director.
- The Associate Principal line manages STEM, Curriculum & Data.
- The Director – TTEM - line manages BTEC programmes across the UTC.
- The Senior Assistant Director line manages Post 16, SENDCO, Pastoral Support, Business and Photography.
- The Assistant Director line manages Teaching & Learning, English, MFL and Media.

**Arrangements for Setting Pay and Remuneration of Key Management Personnel**

The Meller Educational Trust set the Principal's salary on appointment in April 2014 and subsequent changes have been decided by the Chair of Trustees in consultation with the Resources Committee. Other Senior Leadership remuneration is decided by the Principal subject to the Chair of Trustees approval. Criteria are based on current salaries, experience and area of responsibilities allocated.

**Related Parties and Other Connected Charities and Organisations**

The Meller Educational Trust is currently a member of the UTC as defined in the Articles of Association. A Service Level Agreement (SLA) between the two parties is in place. This SLA is set at 3% of the UTC GAG. This gives the UTC access to financial, specialist teaching, legal compliance, governance and industry connection expertise. Being part of a wider Trust gives Watford UTC access to larger organisation level discount that would not be possible as a stand-alone institution. Examples include "Brilliant Club"; facilities management, catering, cleaning, and student employment opportunities.

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

In addition, the UTC works with a range of partners who, amongst other things, provide work experience for students.

**OBJECTIVES AND ACTIVITIES**

**Objects and Aims**

The main objective of the UTC, as set out in its memorandum of association, is:

- to advance the education of the public in the United Kingdom by establishing, maintaining, operating and developing a school offering a broad curriculum with a strong emphasis on, but not limited to, Computer Science, Event Management and Travel & Tourism.

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

The purpose of the UTC is to educate 14-19 year olds with a focus on one of its specialisms of Travel & Tourism and Event Management (TTEM) or Computing/IT alongside approved qualifications such as GCSE, A Level and equivalents. In addition, the UTC prepares its 14-19 year old students for the world of work, apprenticeships, and further/higher education including the development of employability skills.

**Vision, mission and values**

**Our Vision**

To create a learning environment which is dynamic and innovative, where the journey, not just the destination, is fundamental to our students achieving their aspirations.

**Our Mission**

To inspire and nurture the human spirit of each of our students, enabling them to surpass their potential. To create a Watford UTC campus which is an inspiring environment in active partnership with the University of Hertfordshire, our employer partners and the wider community.

**Our Values**

- ◆ Be Energetic and Innovative.
- ◆ Show a Passion for Learning.
- ◆ Aspire to Achieve Excellence.
- ◆ Respect Each Other – Value Difference.

**Objectives, Strategies and Activities**

The UTC's Continued Improvement Plan (CIP) for 2018-19 included the following:

- Improvement Focus 1 – Improve Attendance and punctuality to school and to lessons;
- Improvement Focus 2 – All students to have an attendance of at least 95%;
- Improvement Focus 3 – Increase active participation in Post 16 subject lessons;
- Improvement Focus 4 – Increased percentage of students achieving or exceeding target grades;
- Improvement Focus 5 – Improve student mental wellbeing to embrace life and all its wonderful opportunities; and
- Improvement Focus 6 – That students leave us academically prepared, technically able, with sound employability skills.

**Public Benefit**

The activities undertaken to further the UTC's purposes for the public benefit include the provision of:

- Masterclass programmes (visiting speakers from industry teaching and inspiring its learners);
- Projects (industry links, co-authored activities, workshops, practical experience);
- High-quality work placements;
- Social enterprise (working with groups on community projects);
- Personal, Social and Health education through the assembly and Decision Making programme, visiting speakers, learning materials, advice and counselling; and
- Trips and visits (local, regional, national, European to support UTC based learning and the curriculum).

The Trustees confirm that they have complied with the duty in the Charities Act 2011 to have due regard to the Charity Commission general guidance on public benefit in exercising their powers or duties. They have referred to this guidance when reviewing the Academy Trust's aims and objectives and in planning its future activities.



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

**STRATEGIC REPORT**

**ACHIEVEMENTS AND PERFORMANCE**

The Academy Trust is committed to continual improvement which is achieved in a number of ways, including improvement planning, review meetings, continual professional development, lesson observations, performance management, self evaluation, data analysis and action planning.

The particular achievements and performance of the Academy Trust during the year ended 31 August 2019 were as follows:

**KS4**

**Headline Figures**

<b>Measure</b>	<b>2019</b>
English and Maths Standard Pass or better	47%
English Standard Pass (i.e. grade 4) or better	66%
Maths Standard Pass or better	53%
Students with equivalent of at least 5 "good" GCSE grades including English and Maths	45%
Students with Pass or better in Science	68%
Students with Pass or better in Core & Additional Science	55%

**Specialisms**

Over 90% of students gained a qualification in one of our specialisms of Computing/IT and Travel & Tourism. 12% of these grades were Distinction or better and 44% were Merit or better. The results substantially exceeded BTEC national performance.

**Post 16**

Number of students at the end of 16-18 studies: 49

**A level cohort and results**

Number of students at the end of 16-18 study with an A level exam entry (for average grade measure): 19  
Average point score per A level entry expressed as a grade: D  
Average point score per A level entry: 20.22

**Applied general cohort and results**

Number of students at the end of 16-18 study with an applied general exam entry (for average grade measure): 25  
Average point score per applied general entry expressed as a vocational grade: Merit+  
Average point score per applied general entry: 28.87  
Applied general value added score: 0.16

**Tech level cohort and results**

Number of students at the end of 16 to 18 study with a tech level exam entry (for average grade measure): 11  
Average point score per tech level entry expressed as a vocational grade: Distinction  
Average point score per tech level entry: 33.41

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

**English and maths progress measure**

Number of students at the end of 16-18 study in scope for English progress measure: 12  
Average progress made in English: 0.98

Number of students at the end of 16-18 study in scope for maths progress measure: 13  
Average progress made in maths: 0.38

**Key Performance Indicators**

The Academy Trust uses a number of benchmarks or performance indicators to evaluate its financial performance and drive budgetary control and monitoring.

A key financial performance indicator for the Academy Trust is the level of reserves held at the balance sheet date. At 31 August 2019, the Academy Trust continues to have an overall deficit of revenue funds of £556,838 (2018: £1,198,090), although this has been reduced in the current year. Further details on the level of reserves held by the Academy Trust are set out in the Reserves Policy section below.

As the majority of the Academy Trust's funding is based on pupil numbers, pupil numbers is also a key performance indicator.

Staffing costs are another key performance indicator for the Academy Trust and the percentage of total staff costs to total educational grant funding (being GAG funding plus other operating educational grants from the ESFA and Local Authority) for the year was 54.4% (2018: 72.7%), while the percentage of staff costs to total costs (excluding depreciation and LGPS FRS102 pension cost charges) was 69.9% (2018: 65.8%). The percentage of staff costs to educational grant funding is lower than the previous year due to the additional funding received from the ESFA during the 2018/19 academic year.

**Going Concern**

The Watford UTC has been in ongoing discussions with the ESFA and DfE in relation to its financial position. Financial projections have been reviewed with the ESFA and ongoing discussions are taking place to ensure the UTC focuses its resources appropriately.

The Board of Trustees have previously concluded that it would wish to open entry to the UTC to a wider age range starting at age 11 (Key Stage 3). Following extensive discussions with the Local Education Authority, the Baker Dearing Trust and the Regional Schools Commissioner, amongst others, a formal consultation exercise was launched on 17 September 2018 on a proposal to establish an 11-14 'Academy@WatfordUTC' on the current UTC site as from September 2021. It is anticipated that formal approval for this development will be sought from the Secretary of State during 2020. The Board of Trustees have also previously resolved that the UTC should seek to join a Multi Academy Trust (MAT). Discussions with a MAT are ongoing and the Trustees anticipate that this will take effect during academic year 2019-20. The funding advances and additional funding expected from the ESFA are anticipated to provide sufficient cash up until this point. The Governors will also continue to scrupulously examine new areas for cost savings for the UTC.

Joining a MAT and offering KS3 will not only enable the UTC to address its current structural deficit but also consolidate its financial viability while offering much needed additional secondary schools places to the Watford area.

Based on these developments, and with the anticipated ongoing financial support of the ESFA, the Board of Trustees are confident that the UTC is, and will remain, a going concern.

Finally, the Governors would like to reiterate their absolute commitment to be prudent and pro-active as we go through the process of KS3 extension to the UTC from September 2021, also the due diligence and hopefully a seamless transition and integration into a suitable MAT during academic year 2019-20.

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

**FUNDRAISING**

The Academy Trust has not undertaken any material fundraising activities during the year ended 31 August 2019.

**FINANCIAL REVIEW**

The majority of the Academy Trust's income is received from the Education and Skills Funding Agency ('ESFA') in the form of recurrent grants, the use of which is restricted to particular purposes. The grants received from the ESFA during the year ended 31 August 2019 and the associated expenditure of these grants are shown as restricted funds in the Statement of Financial Activities. The Academy Trust also receives grants for fixed assets from the ESFA and other organisations / funders and these are shown as restricted fixed asset funds in the Statement of Financial Activities. The balance of the restricted fixed asset fund is reduced by the depreciation charges on the assets acquired using these funds.

For the year ended 31 August 2019, the Academy Trust's total income (excluding capital grants) was £2,547,081 (2018: £2,019,372) while the total expenditure (excluding depreciation and LGPS FRS102 pension cost charges) was £1,923,418 (2018: £2,183,427), resulting in a net operating surplus for the year of £623,663 (2018: net operating deficit of £138,055). A contributing factor in this operating result for the year was the additional deficit funding received from the ESFA during the year.

At 31 August 2019, excluding the restricted fixed asset funds and LGPS liability fund, there was a deficit of reserves of £556,838 (2018: £1,198,090).

The net book value of fixed assets at 31 August 2019 were £8,493,859. The fixed assets held by the Academy Trust are used exclusively for providing education and associated support services to the pupils of the Academy Trust.

Included within the Academy's balance sheet at year end is a defined benefit pension scheme liability of £197,000 (2018: £76,000), which arises from the deficit in the Local Government Pension Scheme ("LGPS") that is attributable to the Academy. Further details regarding the deficit in the LGPS at 31 August 2019 are set out in note 21 to the financial statements.

The key financial policies reviewed and adopted during the period included the Financial Procedures Policies and Manual, which lays out the framework for the Academy Trust's financial management, including financial responsibilities of the Board of Trustees, the Principal, managers, budget holders and other staff, as well as the delegated authorities for spending. The other financial policies reviewed and adopted during the period included Charges and Lettings, Asset Management and Insurance.

**Reserves Policy**

The Trustees review the reserve levels of the Academy Trust annually. This review encompasses the nature of the income and expenditure streams, the need to match income with commitments and the nature of reserves. The Trustees also take into consideration the future plans of the Academy Trust, the uncertainty over future income streams and other key risks identified during the risk review. The Trustees have determined that the appropriate level of free cash reserves should be approximately 2 months of operational costs, which equates to approximately £50,000 based on the current 2018/19 academic year expenditure. The reason for this is to provide sufficient working capital to cover delays between spending and receipts of grants and to provide a cushion to deal with unexpected emergencies such as urgent maintenance, long term staff absences etc.

The Academy Trust's current level of reserves at 31 August 2019 is £7,760,197 (2018: £7,723,809), of which £113,978 (2018: £71,671) is free reserves (that is, total funds less the amount held in total restricted funds). There is a deficit of restricted income funds at year end of £670,816 (2018: £1,269,761).

The value of the restricted fixed asset fund at 31 August 2019 is £8,514,035 (2018: £8,997,899), which is represented by the fixed assets that are used exclusively for providing education and associated support services to the pupils of the Academy Trust and the balance of any unspent capital grants and funds. These funds can only be realised by disposing of the associated tangible fixed assets.

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

The pension reserve fund has a deficit balance at 31 August 2019 of £197,000, which represents the deficit in the LGPS at the balance sheet date. The Trustees have noted however that the Government has provided a guarantee that in the event of an Academy closure, any outstanding LGPS liabilities would be met by the Department for Education.

**Investment Policy**

The Trustees' 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**

During this period the key risks were as follows:

- Student recruitment being low and the impact on funding.
- Recruitment and retention of appropriately skilled teaching staff.
- Cash flow issues which would ensue if additional funding were not approved by the ESFA, at appropriate times, given the income from student numbers.

The UTC had planned for a higher level of student numbers in the initial years of operation. Fewer students than projected have joined the UTC and as a consequence funding has been lower than expected. The principal mitigation of this risk, as set out above, is the intended extension of entry to the UTC to KS3.

In addition, the UTC will continue to prioritise further improvements in teaching and learning building on its successful Ofsted report in April 2017, in order to recruit the maximum possible number of students.

Recruitment and retention of appropriately skilled staff in a UTC is challenging. In order to retain and recruit appropriate staff competitive rates and recruitment strategies have had to be employed.

Cash flow is under constant scrutiny by the leadership team and regularly challenged by the Resources Committee. Cash forecasts have been prepared and are subject to ongoing discussions with the ESFA. Discussions currently include requirements for additional funding from the ESFA while the UTC transitions into a MAT. Notwithstanding that, the ESFA have indicated their support for the UTC in this regard, the position will continue to be closely monitored. The focus on student recruitment and retention alongside securing KS3 entry is also important to mitigate this risk given the relationship to funding. Constant scrutiny of the UTCs cash position, monthly review of projected costs and clear and open communication with the ESFA are other mitigating factors.

**PLANS FOR FUTURE PERIODS**

The Academy Trust strives to continually improve levels of attainment for all pupils, equipping them with the qualifications, skills and character to follow their chosen pathway, whether it is into further and higher education or employment, as well as promoting the continued professional development of its staff.

The Academy Trust's plans for future periods are:

- As noted above, the UTC plans to extend entry to KS3 so that full student capacity can be achieved. This is fully supported and endorsed by the Board of Trustees and Sponsors. This is a key objective for the UTC and is designed to ensure the financial viability and continued success of the UTC.
- The Board of Trustees and Senior Leadership team will work to ensure the UTC continues to prioritise its objectives and that it is able to attract more students at KS4 and KS5.

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

**FUNDS HELD AS CUSTODIAN TRUSTEE ON BEHALF OF OTHERS**

The Academy Trust and its Trustees do not act as Custodian Trustees of any other charity.

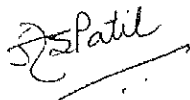
The Academy does however hold Post 16 Bursary Funds on behalf of the ESFA, which are distributed to students as required and in line with the terms and conditions of the funds.

**AUDITOR**

In so far as the Trustees are aware:

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

The Trustees' Report, incorporating a strategic report, was approved by order of the Board of Trustees, as the company Directors, on 20 December 2019 and signed on its behalf by:



**Ash Patil**  
Chair of Trustees

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**GOVERNANCE STATEMENT**

**Scope of responsibility**

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

**Governance**

The information on governance included here supplements that described in the Trustees' Report and in the Statement of Trustees' Responsibilities. The Board of Trustees has formally met 4 times during the year. Attendance during the year at meetings of the Board of Trustees was as follows:

Trustee	Meetings attended	Out of a possible
Ash Patil, Chair of Trustees	4	4
Sir Leigh Lewis	3	3
Richard Elms	4	4
Ian Smithson	3	4
Emma Loveland, Principal	4	4
Celeste Jones	1	3
Kate Bearman	2	2
Ronnie Jacob	3	4
Mo Luthra	3	4
Claire Lish	3	4
Stephen Hunt	2	4
Malcolm Peattie	1	2
Chris Andrews	1	4
Helen Langeveld	3	4
Richard Harrington	1	2
Hilda Worth	3	4

The Board of Trustees reviewed the Trust's governance structure during the year to evaluate its impact and effectiveness. The Board of Trustees has a wide range of skills that contribute to the successful governance of the Trust and are satisfied that the current structure in place is appropriate and effective for the Trust. Although the Board of Trustees has met less than 6 times during the current year, the Trustees are satisfied they have maintained effective financial oversight of the Trust through the separate meetings of the Resources Committee and through the various ongoing discussions with the ESFA during the course of the year.

The Resources Committee is a sub-Committee of the main Board of Trustees. Attendance during the year at meetings was as follows:

Trustee	Meetings attended	Out of a possible
Ash Patil	3	4
Sir Leigh Lewis	3	4
Stephen Hunt	1	4
Emma Loveland	4	4
Kate Bearman	2	2
Mo Luthra	4	4
Ronnie Jacob	4	4
David Hughes	4	4

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**GOVERNANCE STATEMENT (CONTINUED)**

The key issues dealt with by the Resources Committee during the year was the review of the Academy Trust's financial forecasts and ongoing discussions with the ESFA on the Trust's financial position and recovery plans.

**Review of value for money**

As Accounting Officer, the Principal has responsibility for ensuring that the Academy Trust delivers good value in the use of public resources. The Accounting Officer understands that value for money refers to the educational and wider societal outcomes achieved in return for the taxpayer resources received.

The Accounting Officer considers how the Academy Trust's use of its resources has provided good value for money during each academic year, and reports to the Board of Trustees where value for money can be improved, including the use of benchmarking data where appropriate. The Accounting Officer for the Academy Trust has delivered improved value for money during the year by:

- The UTC is committed to raising student attainment. 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 try to ensure that attendance is in line with the national average for the majority of students.
- 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 timetabled lessons.
- The UTC explores every opportunity to generate income through the hire of facilities and associated services.
- The links that the UTC has with business and charities has enabled groups of students to benefit from a wide range of learning activities and morale raising events. To that end, students have benefited from high quality work experience opportunities at The Grove, Cisco and Fortnum & Mason as well as managing high-end events at The Great Barn and running a travel agency in collaboration with Baway Travel. These opportunities have enabled students to display and develop skills.
- The work of the 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.

**The purpose of the system of internal control**

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives. It can, therefore, only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an on-going process designed to identify and prioritise the risks to the achievement of Academy Trust policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in The Watford UTC for the year 1 September 2018 to 31 August 2019 and up to the date of approval of the annual report and financial statements.

**THE WATFORD UTC**  
**(A Company Limited by Guarantee)**

**GOVERNANCE STATEMENT (CONTINUED)**

**Capacity to handle risk**

The Board of Trustees has reviewed the key risks to which the Academy Trust is exposed together with the operating, financial and compliance controls that have been implemented to mitigate those risks. The board of Trustees is of the view that there is a formal ongoing process for identifying, evaluating and managing the Academy Trust's significant risks that has been in place for the year 1 September 2018 to 31 August 2019 and up to the date of approval of the annual report and financial statements. This process is regularly reviewed by the board of Trustees.

**The risk and control framework**

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

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

The Board of Trustees has considered the need for a specific internal audit function and has decided to appoint SBS School Business Services to perform a program of additional internal reviews and checks. The reviewer's role includes giving advice on financial matters and performing a range of checks on the Academy Trust's financial systems.

On an annual basis, the reviewer reports to the Board of Trustees through the Resource Committee on the operation of the systems of control and on the discharge of the Trustees' financial responsibilities. The reviewer has completed their program of work as planned and while no significant internal control weaknesses were identified from the work completed, the Trustees and management have developed an action plan to continue to strengthen and improve internal controls over the next 12 months.

**Review of effectiveness**

As Accounting Officer, the Principal has responsibility for reviewing the effectiveness of the system of internal control. During the year in question the review has been informed by:

- the work of the reviewer;
- the work of the external auditors;
- the work of the executive managers within the Academy Trust who have responsibility for the development and maintenance of the internal control framework.

The Accounting Officer has been advised of the implications of the result of their review of the system of internal control by the Resources Committee and a plan to weaknesses in the systems have been addressed to ensure continuous improvement of of the system is in place.

Approved by order of the members of the Board of Trustees on 20 December 2019 and signed on their behalf by:



**Ash Patil**  
Chair of Trustees



**Paul Quinn**  
Accounting Officer



**THE WATFORD UTC**  
**(A Company Limited by Guarantee)**

**STATEMENT ON REGULARITY, PROPRIETY AND COMPLIANCE**

As Accounting Officer of The Watford UTC I have considered my responsibility to notify the Academy Trust board of Trustees and the Education & Skills Funding Agency (ESFA) of material irregularity, impropriety and non-compliance with terms and conditions of all funding received by the Academy Trust, under the funding agreement in place between the Academy Trust and the Secretary of State for Education. As part of my consideration I have had due regard to the requirements of the Academies Financial Handbook 2018.

I confirm that I and the Academy Trust Board of Trustees are able to identify any material irregular or improper use of all funds by the Academy Trust, or material non-compliance with the terms and conditions of funding under the Academy Trust's funding agreement and the Academies Financial Handbook 2018.

I confirm that no instances of material irregularity, impropriety or funding non-compliance have been discovered to date. If any instances are identified after the date of this statement, these will be notified to the Board of Trustees and ESFA



**Paul Quinn**  
Accounting Officer

Date: 20 December 2019

**THE WATFORD UTC**  
**(A Company Limited by Guarantee)**

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

The Trustees (who are also the directors of the charitable company for the purposes of company law) are responsible for preparing the Trustees' Report and the financial statements in accordance with the Academies Accounts Direction published by the Education & Skills Funding Agency, United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) and applicable law and regulations.

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

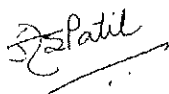
- select suitable accounting policies and then apply them consistently;
- observe the methods and principles of the Charities SORP 2015 and the Academies Accounts Direction 2018 to 2019;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charitable company will continue in business.

The Trustees are responsible for keeping adequate accounting records that are sufficient to show and explain the charitable company's transactions and disclose with reasonable accuracy at any time the financial position of the charitable company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the charitable company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Trustees are responsible for ensuring that in its conduct and operation the charitable company applies financial and other controls, which conform with the requirements both of propriety and of good financial management. They are also responsible for ensuring grants received from ESFA/DfE have been applied for the purposes intended.

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

Approved by order of the members of the Board of Trustees on 20 December 2019 and signed on its behalf by:



**Ash Patil**  
Chair of Trustees

**THE WATFORD UTC**  
**(A Company Limited by Guarantee)**

**INDEPENDENT AUDITORS' REPORT ON THE FINANCIAL STATEMENTS TO THE MEMBERS OF THE  
WATFORD UTC**

**Opinion**

We have audited the financial statements of The Watford UTC (the 'Academy Trust') for the year ended 31 August 2019 which comprise the Statement of Financial Activities, the Balance Sheet, the Statement of Cash Flows and the related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law, United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland', the Charities SORP 2015 and the Academies Accounts Direction 2018 to 2019 issued by the Education & Skills Funding Agency.

In our opinion the financial statements:

- give a true and fair view of the state of the Academy Trust's affairs as at 31 August 2019 and of its incoming resources and application of resources, including its income and expenditure for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006, the Charities SORP 2015 and the Academies Accounts Direction 2018 to 2019 issued by the Education & Skills Funding Agency.

**Basis for opinion**

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

**Material uncertainty related to going concern**

We draw attention to note 1.2 in the financial statements, which indicates that the Academy Trust has a deficit on operating reserves at year end. As stated in note 1.2, these events or conditions, along with the other matters as set forth in note 1.2, indicate that a material uncertainty exists that may cast significant doubt on the Academy Trust's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

**THE WATFORD UTC**  
**(A Company Limited by Guarantee)**

**INDEPENDENT AUDITORS' REPORT ON THE FINANCIAL STATEMENTS TO THE MEMBERS OF THE  
WATFORD UTC (CONTINUED)**

**Other information**

The Trustees are responsible for the other information. The other information comprises the information included in the Annual Report, other than the financial statements and our Auditors' Report thereon. Other information includes the Reference and Administrative Details, the Trustees' Report including the Strategic Report, and the Governance Statement. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

**Opinion on other matters prescribed by the Companies Act 2006**

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

- the information given in the Trustees' Report including the Strategic Report for the financial year for which the financial statements are prepared is consistent with the financial statements.
- the Trustees' Report and the Strategic Report have been prepared in accordance with applicable legal requirements.

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

In the light of our knowledge and understanding of the Academy Trust and its environment obtained in the course of the audit, we have not identified material misstatements in the Trustees' Report including the Strategic Report.

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Trustees' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

**THE WATFORD UTC**  
**(A Company Limited by Guarantee)**

**INDEPENDENT AUDITORS' REPORT ON THE FINANCIAL STATEMENTS TO THE MEMBERS OF THE  
WATFORD UTC (CONTINUED)**

**Responsibilities of trustees**

As explained more fully in the Trustees' Responsibilities Statement, the Trustees (who are also the directors of the Academy Trust for the purposes of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

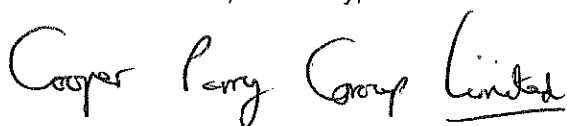
**Auditors' responsibilities for the audit of the financial statements**

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

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

**Use of our report**

This report is made solely to the Academy Trust's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Academy Trust's members those matters we are required to state to them in an Auditors' Report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Academy Trust and its members, as a body, for our audit work, for this report, or for the opinions we have formed.



**Simon Atkins FCA (Senior Statutory Auditor)**

for and on behalf of

**Cooper Parry Group Limited**

Chartered Accountant

Statutory Auditor

Park View

On Central Boulevard

Blythe Valley Park

Solihull

West Midlands

B90 8BG

23 December 2019

**THE WATFORD UTC**  
**(A Company Limited by Guarantee)**

**INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON REGULARITY TO THE  
WATFORD UTC AND THE EDUCATION & SKILLS FUNDING AGENCY**

In accordance with the terms of our engagement letter dated 29 October 2019 and further to the requirements of the Education & Skills Funding Agency (ESFA) as included in the Academies Accounts Direction 2018 to 2019, we have carried out an engagement to obtain limited assurance about whether the expenditure disbursed and income received by The Watford UTC during the year 1 September 2018 to 31 August 2019 have been applied to the purposes identified by Parliament and the financial transactions conform to the authorities which govern them.

This report is made solely to The Watford 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 Watford UTC and ESFA those matters we are required to state in a report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than The Watford UTC and ESFA, for our work, for this report, or for the conclusion we have formed.

**Respective responsibilities of The Watford UTC's accounting officer and the reporting accountant**

The accounting officer is responsible, under the requirements of The Watford UTC's funding agreement with the Secretary of State for Education dated 6 August 2014 and the Academies Financial Handbook, extant from 1 September 2018, for ensuring that expenditure disbursed and income received is applied for the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

Our responsibilities for this engagement are established in the United Kingdom by our profession's ethical guidance and are to obtain limited assurance and report in accordance with our engagement letter and the requirements of the Academies Accounts Direction 2018 to 2019. We report to you whether anything has come to our attention in carrying out our work which suggests that in all material respects, expenditure disbursed and income received during the year 1 September 2018 to 31 August 2019 have not been applied to purposes intended by Parliament or that the financial transactions do not conform to the authorities which govern them.

**Approach**

We conducted our engagement in accordance with the Academies Accounts Direction 2018 to 2019 issued by ESFA. We performed a limited assurance engagement as defined in our engagement letter.

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

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

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

The work undertaken to draw our conclusions included:

- A review of internal control policies and procedures implemented by the Academy Trust and an evaluation of their design and effectiveness to understand how the Academy Trust has complied with the framework of authorities;
- A review of the minutes of meetings of the Directors, relevant sub-committees and Local Governing Bodies and other evidence made available to us, relevant to our consideration of regularity;

**THE WATFORD UTC**  
**(A Company Limited by Guarantee)**

**INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON REGULARITY TO THE  
WATFORD UTC AND THE EDUCATION & SKILLS FUNDING AGENCY (CONTINUED)**

**Approach (continued)**

- Enquiries of the Accounting Officer, including a review of the work undertaken by the Accounting Officer in relation to their Statement on Regularity, Propriety and Compliance; and
- Detailed testing of the income and expenditure of the Academy Trust based on our assessment of the risk of material irregularity, impropriety and non-compliance. This work was integrated with our audit of the financial statements where appropriate and included analytical review and detailed substantive testing of transactions.

**Conclusion**

In the course of our work, nothing has come to our attention which suggest in all material respects the expenditure disbursed and income received during the year 1 September 2018 to 31 August 2019 has not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.

*Cooper Parry Group Limited*

**Reporting Accountant**

**Cooper Parry Group Limited**

Park View  
On Central Boulevard  
Blythe Valley Park  
Solihull  
West Midlands  
B90 8BG

Date: 23 December 2019

**THE WATFORD UTC**  
(A Company Limited by Guarantee)

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

	Note	Unrestricted funds 2019 £	Restricted funds 2019 £	Restricted fixed asset funds 2019 £	Total funds 2019 £	Total funds 2018 £
<b>Income from:</b>						
Donations and capital grants	3	211	-	89,234	89,445	76,497
Charitable activities		8,050	2,472,255	-	2,480,305	1,951,656
Other trading activities		66,466	-	-	66,466	67,716
Investments	6	99	-	-	99	-
<b>Total income</b>		<b>74,826</b>	<b>2,472,255</b>	<b>89,234</b>	<b>2,636,315</b>	<b>2,095,869</b>
<b>Expenditure on:</b>						
Raising funds		-	-	-	-	8,127
Charitable activities		32,519	1,920,899	555,509	2,508,927	2,796,654
<b>Total expenditure</b>		<b>32,519</b>	<b>1,920,899</b>	<b>555,509</b>	<b>2,508,927</b>	<b>2,804,781</b>
<b>Net income/(expenditure)</b>		<b>42,307</b>	<b>551,356</b>	<b>(466,275)</b>	<b>127,388</b>	<b>(708,912)</b>
Transfers between funds	16	-	17,589	(17,589)	-	-
<b>Net movement in funds before other recognised gains/(losses)</b>		<b>42,307</b>	<b>568,945</b>	<b>(483,864)</b>	<b>127,388</b>	<b>(708,912)</b>
<b>Other recognised gains/(losses):</b>						
Actuarial losses on defined benefit pension schemes	21	-	(91,000)	-	(91,000)	40,000
<b>Net movement in funds</b>		<b>42,307</b>	<b>477,945</b>	<b>(483,864)</b>	<b>36,388</b>	<b>(668,912)</b>
<b>Reconciliation of funds:</b>						
Total funds brought forward		71,671	(1,345,761)	8,997,899	7,723,809	8,392,721
Net movement in funds		42,307	477,945	(483,864)	36,388	(668,912)
<b>Total funds carried forward</b>		<b>113,978</b>	<b>(867,816)</b>	<b>8,514,035</b>	<b>7,760,197</b>	<b>7,723,809</b>

The Statement of Financial Activities includes all gains and losses recognised in the year.

The notes on pages 25 to 46 form part of these financial statements.




**THE WATFORD UTC**  
**(A Company Limited by Guarantee)**  
**REGISTERED NUMBER: 08599329**

**BALANCE SHEET**  
**AS AT 31 AUGUST 2019**

	Note	2019 £	2018 £
<b>Fixed assets</b>			
Tangible assets	13	8,493,859	8,997,899
		<u>8,493,859</u>	<u>8,997,899</u>
<b>Current assets</b>			
Debtors	14	438,368	386,656
Cash at bank and in hand		115,904	4,190
		<u>554,272</u>	<u>390,846</u>
Creditors: amounts falling due within one year	15	(1,090,934)	(1,588,936)
<b>Net current liabilities</b>		<u>(536,662)</u>	<u>(1,198,090)</u>
<b>Total assets less current liabilities</b>		<u>7,957,197</u>	<u>7,799,809</u>
<b>Net assets excluding pension liability</b>		<u>7,957,197</u>	<u>7,799,809</u>
Defined benefit pension scheme liability	21	(197,000)	(76,000)
<b>Total net assets</b>		<u><u>7,760,197</u></u>	<u><u>7,723,809</u></u>
<b>Funds of the Academy Trust</b>			
<b>Restricted funds:</b>			
Fixed asset funds	16	8,514,035	8,997,899
Restricted income funds	16	(670,816)	(1,269,761)
Pension reserve	16	(197,000)	(76,000)
<b>Total restricted funds</b>	16	<u>7,646,219</u>	<u>7,652,138</u>
<b>Unrestricted income funds</b>	16	113,978	71,671
<b>Total funds</b>		<u><u>7,760,197</u></u>	<u><u>7,723,809</u></u>

The financial statements on pages 22 to 46 were approved by the Trustees, and authorised for issue on 20 December 2019 and are signed on their behalf, by:



**Ash Patil**  
Chair of Trustees

The notes on pages 25 to 46 form part of these financial statements.

**THE WATFORD UTC**  
**(A Company Limited by Guarantee)**

**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED 31 AUGUST 2019**

	Note	2019 £	2018 £
<b>Cash flows from operating activities</b>			
Net cash provided by/(used in) operating activities	18	<b>73,850</b>	(79,224)
<b>Cash flows from investing activities</b>	19	<b>37,864</b>	76,497
<b>Change in cash and cash equivalents in the year</b>		<b>111,714</b>	(2,727)
Cash and cash equivalents at the beginning of the year		<b>4,190</b>	6,917
<b>Cash and cash equivalents at the end of the year</b>	20	<u><b>115,904</b></u>	<u>4,190</u>

The notes on pages 25 to 46 form part of these financial statements

**THE WATFORD UTC**  
**(A Company Limited by Guarantee)**

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

**1. Accounting policies**

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

**1.1 Basis of preparation of financial statements**

The financial statements of the Academy Trust, which is a public benefit entity under FRS 102, have been prepared under the historic cost convention in accordance with the Financial Reporting Standard Applicable in the UK and Republic of Ireland (FRS 102), the Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) (Charities SORP (FRS 102)), the Academies Accounts Direction 2018 to 2019 issued by ESFA, the Charities Act 2011 and the Companies Act 2006.

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

**1.2 Going concern**

The Trustees assess whether the use of going concern is appropriate i.e. whether there are any material uncertainties related to events or conditions that may cast significant doubt on the ability of the Academy Trust to continue as a going concern. The Trustees make this assessment in respect of a period of at least one year from the date of authorisation for issue of the financial statements.

The Watford UTC has been in ongoing discussions with the ESFA and DfE in relation to its financial position. Financial projections have been reviewed with the ESFA and ongoing discussions are taking place to ensure the UTC focuses its resources appropriately.

The Board of Trustees have previously concluded that it would wish to open entry to the UTC to a wider age range starting at age 11 (Key Stage 3). Following extensive discussions with the Local Education Authority, the Baker Dearing Trust and the Regional Schools Commissioner, amongst others, a formal consultation exercise was launched on 17 September 2018 on a proposal to establish an 11-14 'Academy@WatfordUTC' on the current UTC site as from September 2021. It is anticipated that formal approval for this development will be sought from the Secretary of State during 2020. The Board of Trustees has also previously resolved that the UTC should seek to join a Multi Academy Trust (MAT). Discussions with a MAT are ongoing and the Trustees anticipate that this will take effect during academic year 2019-20. The funding advances and additional funding expected from the ESFA are anticipated to provide sufficient cash up until this point. The Governors will also continue to scrupulously examine new areas for cost savings for the UTC.

Joining a MAT and offering KS3 will not only enable the UTC to address its current structural deficit but also consolidate its financial viability while offering much needed additional secondary schools places to the Watford area.

Based on these developments, and with the anticipated ongoing financial support of the ESFA, the Board of Trustees are confident that the UTC is, and will remain, a going concern.

As such, based on these developments and information and after making appropriate enquiries, the Board of Trustees has a reasonable expectation that, with the anticipated ongoing financial support of the ESFA, the Academy Trust has adequate resources to continue in operational existence for the foreseeable future. For this reason, the Trustees continue to adopt the going concern basis of accounting in preparing the financial statements.

**THE WATFORD UTC**  
**(A Company Limited by Guarantee)**

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

**1. Accounting policies (continued)**

**1.3 Income**

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

- **Grants**

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

General Annual Grant is recognised in full in the Statement of Financial Activities in the year for which it is receivable and any abatement in respect of the year is deducted from income and recognised as a liability.

- **Other income**

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

**1.4 Expenditure**

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

- **Expenditure on raising funds**

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

- **Charitable activities**

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

All resources expended are inclusive of irrecoverable VAT.

**THE WATFORD UTC**  
**(A Company Limited by Guarantee)**

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

**1. Accounting policies (continued)**

**1.5 Tangible fixed assets**

Assets costing £1,000 or more are capitalised as tangible fixed assets and are carried at cost, net of depreciation and any provision for impairment.

Where tangible fixed assets have been acquired with the aid of specific grants, either from the government or from the private sector, they are included in the Balance Sheet at cost and depreciated over their expected useful economic life. Where there are specific conditions attached to the funding requiring the continued use of the asset, the related grants are credited to a restricted fixed asset fund in the Statement of Financial Activities and carried forward in the Balance Sheet. Depreciation on the relevant assets is charged directly to the restricted fixed asset fund in the Statement of Financial Activities. Where tangible fixed assets have been acquired with unrestricted funds, depreciation on such assets is charged to the unrestricted fund.

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

Depreciation is provided on the following bases:

Freehold Building	- 2% per annum
Leasehold Building	- Length of the lease
Fixtures, fittings and equipment	- 20% per annum
IT equipment	- 20% - 33% per annum

Assets in the course of construction are included at cost. Depreciation on these assets is not charged until they are brought into use and reclassified to freehold or leasehold land and buildings.

A review for impairment of a fixed asset is carried out if events or changes in circumstances indicate that the carrying value of any fixed asset may not be recoverable. Shortfalls between the carrying value of fixed assets and their recoverable amounts are recognised as impairments. Impairment losses are recognised in the Statement of Financial Activities.

**1.6 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.

**1.7 Operating leases**

Rentals paid under operating leases are charged to the Statement of Financial Activities on a straight line basis over the lease term.

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight line basis over the lease term.

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

**1. Accounting policies (continued)**

**1.8 Financial instruments**

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

*Financial assets* - trade and other debtors are basic financial instruments and are debt instruments measured at amortised cost as detailed in note 14. 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 15. Taxation and social security are not included in the financial instruments disclosure definition. Deferred income is not deemed to be a financial liability, as the cash settlement has already taken place and there is an obligation to deliver services rather than cash or another financial instrument.

**1.9 Taxation**

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

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

**1.10 Pensions**

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

The TPS is an unfunded scheme and contributions are calculated so as to spread the cost of pensions over employees' working lives with the Academy Trust in such a way that the pension cost is a substantially level percentage of current and future pensionable payroll. The contributions are determined by the Government Actuary on the basis of quadrennial valuations using a prospective unit credit method. TPS is an unfunded multi-employer scheme with no underlying assets to assign between employers. Consequently, the TPS is treated as a defined contribution scheme for accounting purposes and the contributions recognised in the period to which they relate.

The LGPS is a funded multi-employer scheme and the assets are held separately from those of the Academy Trust in separate trustee administered funds. Pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis using the projected unit credit method and discounted at a rate equivalent to the current rate of return on a high quality corporate bond of 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.

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**1. Accounting policies (continued)**

**1.11 Agency arrangements**

The Academy Trust acts as agent in distributing bursary funds from the ESFA. Payments received from the ESFA and subsequent disbursements to students are excluded from the statement of financial activities as the Trust does not have control over the charitable application of the funds. The funds received and any balances held are recognised in note 24.

**1.12 Fund accounting**

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

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

Restricted general funds comprise all other restricted funds received with restrictions imposed by the funder/donor and include grants from the Department for Education Group.

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**2. Critical accounting estimates and areas of judgment**

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

Critical accounting estimates and assumptions:

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

The present value of the Local Government Pension Scheme defined benefit liability depends on a number of factors that are determined on an actuarial basis using a variety of assumptions. The assumptions used in determining the net cost or income for pensions include the discount rate. Any changes in these assumptions, which are disclosed in note 21, will impact the carrying amount of the pension liability. Furthermore a roll forward approach which projects results from the latest full actuarial valuation performed at 31 March 2016 has been used by the actuary in valuing the pensions liability at 31 August 2019. Any differences between the figures derived from the roll forward approach and a full actuarial valuation would impact on the carrying amount of the pension liability.

Tangible fixed assets are depreciated over their economic useful lives taking into account residual values where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors.

Critical areas of judgment:

The classification of expenditure between restricted and unrestricted funds is a critical area of judgement as certain expenditure can be applied to both funds. Where this is the case and the amounts in question are considered material the expenditure is apportioned to both funding streams on an appropriate basis.

The Academy Trust obtains use of fixed assets as a lessee. The classification of such leases as operating or finance lease requires the Academy Trust to determine, based on an evaluation of the terms and conditions of the arrangements, whether it retains or acquires the significant risks and rewards of ownership of these assets and accordingly whether the lease requires an asset and liability to be recognised in the Balance Sheet

**3. Income from donations and capital grants**

	Unrestricted funds 2019 £	Restricted fixed asset funds 2019 £	Total funds 2019 £	Total funds 2018 £
Donations	211	-	211	-
Capital Grants	-	89,234	89,234	76,497
	<u>211</u>	<u>89,234</u>	<u>89,445</u>	<u>76,497</u>
Total 2018	<u>-</u>	<u>76,497</u>	<u>76,497</u>	



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

	Unrestricted funds 2019 £	Restricted funds 2019 £	Total funds 2019 £	Total funds 2018 £
<b>DfE/ESFA grants</b>				
General Annual Grant	-	953,233	<b>953,233</b>	1,162,054
Start up grant	-	57,000	<b>57,000</b>	124,549
Pupil premium	-	29,101	<b>29,101</b>	18,310
Other DfE/EFSA grants	-	1,370,728	<b>1,370,728</b>	642,255
	-	2,410,062	<b>2,410,062</b>	1,947,168
<b>Other Government grants</b>				
Local Authority grants	-	62,193	<b>62,193</b>	4,488
	-	62,193	<b>62,193</b>	4,488
<b>Other income</b>				
Other income	8,050	-	<b>8,050</b>	-
	8,050	2,472,255	<b>2,480,305</b>	1,951,656
Total 2018	-	1,951,656	1,951,656	

**5. Income from other trading activities**

	Unrestricted funds 2019 £	Total funds 2019 £	Total funds 2018 £
Hire of facilities/lettings income	49,143	<b>49,143</b>	52,614
Trip, catering and other income	17,323	<b>17,323</b>	15,102
	66,466	<b>66,466</b>	67,716

In 2018, the total income from other trading activities of £67,716 all related to unrestricted funds.

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

**6. Investment income**

	<b>Unrestricted funds 2019 £</b>	<b>Total funds 2019 £</b>
Bank interest	99	99

**7. Expenditure**

	<b>Staff Costs 2019 £</b>	<b>Premises 2019 £</b>	<b>Other 2019 £</b>	<b>Total 2019 £</b>	<b>Total 2018 £</b>
Expenditure on fundraising trading activities:					
Direct costs	-	-	-	-	8,127
Expenditure on Educational operations:					
Direct costs	1,113,795	-	56,768	<b>1,170,563</b>	1,134,442
Allocated support costs	256,986	518,910	562,468	<b>1,338,364</b>	1,662,212
	<u>1,370,781</u>	<u>518,910</u>	<u>619,236</u>	<u><b>2,508,927</b></u>	<u>2,804,781</u>
Total 2018	<u>1,448,737</u>	<u>1,144,868</u>	<u>211,176</u>	<u>2,804,781</u>	

**8. Analysis of expenditure by activities**

	<b>Activities undertaken directly 2019 £</b>	<b>Support costs 2019 £</b>	<b>Total funds 2019 £</b>	<b>Total funds 2018 £</b>
Educational operations	1,170,563	1,338,364	<b>2,508,927</b>	2,796,654
Total 2018	<u>1,134,442</u>	<u>1,662,212</u>	<u>2,796,654</u>	

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**8. Analysis of expenditure by activities (continued)**

**Analysis of support costs**

	<b>Total funds 2019 £</b>	<b>Total funds 2018 £</b>
LGSP FRS102 net pension interest cost	3,000	-
Staff costs	256,988	275,896
Depreciation	555,509	544,857
Repairs and maintenance	176,215	235,220
Rent and rates	289,980	289,152
Light and heat	72,050	54,996
Catering	30,405	23,468
Legal and professional	39,298	60,206
Other support costs	(85,081)	178,417
	<u><b>1,338,364</b></u>	<u><b>1,662,212</b></u>

Included in other support costs is an amount of £198,534 which relates to creditors that were recognised in previous years which have been written-off in the year ended 31 August 2019.

**9. Net income/(expenditure)**

Net income/(expenditure) for the year includes:

	<b>2019 £</b>	<b>2018 £</b>
Operating lease rentals	218,120	225,230
Depreciation of tangible fixed assets	555,508	544,857
Fees paid to auditors for:		
- audit	8,000	8,750
- other services	3,750	6,775
	<u><b>3,750</b></u>	<u><b>6,775</b></u>

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

**10. Staff costs**

**a. Staff costs**

Staff costs during the year were as follows:

	<b>2019</b>	2018
	<b>£</b>	<b>£</b>
Wages and salaries	<b>1,039,329</b>	1,094,621
Social security costs	<b>108,954</b>	114,407
Pension costs	<b>183,638</b>	167,472
	<hr/> <b>1,331,921</b>	<hr/> 1,376,500
Agency staff costs	<b>38,860</b>	72,237
	<hr/> <b>1,370,781</b> <hr/>	<hr/> 1,448,737 <hr/>

**b. Staff numbers**

The average number of persons employed by the Academy Trust during the year was as follows:

	<b>2019</b>	2018
	<b>No.</b>	<b>No.</b>
Teachers	<b>20</b>	18
Administration and support	<b>8</b>	8
Management	<b>5</b>	5
	<hr/> <b>33</b> <hr/>	<hr/> 31 <hr/>

**c. Higher paid staff**

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

	<b>2019</b>	2018
	<b>No.</b>	<b>No.</b>
In the band £60,001 - £70,000	<b>1</b>	1
In the band £80,001 - £90,000	<b>1</b>	1
In the band £90,001 - £100,000	<b>1</b>	1
	<hr/> <b>3</b> <hr/>	<hr/> 3 <hr/>

All of the above employees participated in the Teachers' Pension Scheme and employer contributions for the year amounted to £39,728 (2018: £29,312).

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

**10. Staff costs (continued)**

**d. Key management personnel**

The key management personnel of the Academy Trust comprise the Trustees and the senior leadership team as listed on page 1. The total amount of employee benefits (including employer pension contributions) received by key management personnel for their services to the UTC was £441,440 (2018: £455,892).

**11. Trustees' remuneration and expenses**

One or more Trustees has been paid remuneration or has received other benefits from an employment with the Academy Trust. The principal and other staff Trustees only receive remuneration in respect of services they provide undertaking the roles of principal and staff members under their contracts of employment. The value of Trustees' remuneration and other benefits was as follows:

		<b>2019</b>	<b>2018</b>
		<b>£</b>	<b>£</b>
Emma Loveland, Principal	Remuneration	<b>90,000 -</b>	90,000 -
		<b>95,000</b>	95,000
	Pension contributions paid	<b>15,000 -</b>	15,000 -
		<b>20,000</b>	20,000

Expenses incurred by Emma Loveland in her role as Principal of £Nil (2018: £20,826) were reimbursed during the year.

No other travel and subsistence expenses were reimbursed to Trustees in the current or prior year.

**12. Trustees' and Officers' insurance**

The Academy Trust has opted into the Department of Education's risk protection arrangement (RPA), an alternative to insurance where UK government funds cover losses that arise. This scheme protects Trustees 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 Trustees and officers indemnity element from the overall cost of the RPA scheme membership.

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**NOTES TO THE FINANCIAL STATEMENTS  
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**13. Tangible fixed assets**

	Freehold property £	Long-term leasehold property £	Furniture and equipment £	Computer equipment £	Total £
<b>Cost or valuation</b>					
At 1 September 2018	7,264,998	2,191,218	1,570,175	-	11,026,391
Additions	-	-	8,870	42,599	51,469
At 31 August 2019	<u>7,264,998</u>	<u>2,191,218</u>	<u>1,579,045</u>	<u>42,599</u>	<u>11,077,860</u>
<b>Depreciation</b>					
At 1 September 2018	243,938	526,807	1,257,747	-	2,028,492
Charge for the year	60,985	168,766	316,881	8,877	555,509
At 31 August 2019	<u>304,923</u>	<u>695,573</u>	<u>1,574,628</u>	<u>8,877</u>	<u>2,584,001</u>
<b>Net book value</b>					
At 31 August 2019	<u>6,960,075</u>	<u>1,495,645</u>	<u>4,417</u>	<u>33,722</u>	<u>8,493,859</u>
At 31 August 2018	<u>7,021,060</u>	<u>1,664,411</u>	<u>312,428</u>	<u>-</u>	<u>8,997,899</u>

The UTC is located on a site acquired on its behalf by the DfE/ESFA. Part of the site is held under freehold and the remainder of the site is occupied under a 30 year lease agreement with a third party. The payments on the leasehold building commenced two years after the start of the 30 year lease on 1 July 2014. Under the funding agreement with the ESFA, the ESFA provide additional funding to cover the annual rental payments under the lease.

**14. Debtors**

	2019 £	2018 £
Trade debtors	12,947	7,559
Other debtors	394,070	348,306
Prepayments and accrued income	22,522	24,261
Tax recoverable	8,829	6,530
	<u>438,368</u>	<u>386,656</u>

Included within other debtors is an amount of £324,243 (2018: £339,243) that relates to the lease incentive cost funding commitment from the ESFA under the site lease agreement. This will amortise over the remaining term of the lease, which was 25 years at the balance sheet date.

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**NOTES TO THE FINANCIAL STATEMENTS**  
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**15. Creditors: Amounts falling due within one year**

	2019 £	2018 £
Trade creditors	<b>33,061</b>	261,332
Other taxation and social security	-	25,016
ESFA GAG abatement	<b>30,080</b>	165,407
ESFA loan	<b>667,970</b>	442,970
Other creditors	<b>324,677</b>	558,685
Accruals and deferred income	<b>35,146</b>	135,526
	<b>1,090,934</b>	1,588,936

Included within other creditors is an amount of £324,243 (2018: £339,243) that relates to the lease incentive cost under the site lease agreement. This will amortise over the remaining term of the lease, which was 25 years at the balance sheet date.

The ESFA loan represents the balance of non-recoverable deficit funding provided by the ESFA to 31 August 2019. There is no interest payable by the Academy Trust on this loan funding.

Included within accruals and deferred income is deferred income of £18,851 (2018: £34,333) which relates to lease rental funding from the ESFA received in advance at the year end.

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

**16. Statement of funds**

	Balance at 1 September 2018 £	Income £	Expenditure £	Transfers in/out £	Gains/ (Losses) £	Balance at 31 August 2019 £
<b>Unrestricted funds</b>						
General funds	71,671	74,826	(32,519)	-	-	113,978
<b>Restricted general funds</b>						
General Annual Grant (GAG)	(1,274,249)	953,233	(367,389)	17,589	-	(670,816)
Start Up Grant	-	57,000	(57,000)	-	-	-
Pupil Premium	-	29,101	(29,101)	-	-	-
Other DfE/ESFA grants	-	1,370,728	(1,370,728)	-	-	-
Local Authority grants	4,488	62,193	(66,681)	-	-	-
Pension reserve	(76,000)	-	(30,000)	-	(91,000)	(197,000)
	<u>(1,345,761)</u>	<u>2,472,255</u>	<u>(1,920,899)</u>	<u>17,589</u>	<u>(91,000)</u>	<u>(867,816)</u>
<b>Restricted fixed asset funds</b>						
Fixed assets	8,997,899	89,234	(555,509)	(17,589)	-	8,514,035
<b>Total Restricted funds</b>	<u>7,652,138</u>	<u>2,561,489</u>	<u>(2,476,408)</u>	<u>-</u>	<u>(91,000)</u>	<u>7,646,219</u>
<b>Total funds</b>	<u><u>7,723,809</u></u>	<u><u>2,636,315</u></u>	<u><u>(2,508,927)</u></u>	<u><u>-</u></u>	<u><u>(91,000)</u></u>	<u><u>7,760,197</u></u>

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

**Restricted fixed asset fund**

This represents the net book value of the fixed assets of the Academy Trust at year end together with the balance of any unspent capital grants and funding received by the Academy Trust.

**Restricted funds**

The General Annual Grant funding must be used for the normal running costs of the Academy Trust in line with its funding Agreement. Under the funding agreement with the Secretary of State, the Academy Trust was not subject to a limit on the amount of GAG that it could carry forward at 31 August 2019.

Other DfE/ESFA grants, which include start-up grants, pupil premium funding, ESFA deficit recovery funding and Local Authority funding are all used in accordance with the restrictions of the individual grants or funding which are all for the provision of education to pupils of the Academy Trust.



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**NOTES TO THE FINANCIAL STATEMENTS  
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**16. Statement of funds (continued)**

The pension reserve represents the Local Government Pension Scheme deficit.

The Academy Trust is carrying a net deficit of £670,816 on restricted general funds (excluding the pension reserve fund). The Academy Trust has submitted a recovery plan to the ESFA to restructure the educational activities undertaken by the Academy Trust and improve performance in the long term.

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

	Balance at 1 September 2017 £	Income £	Expenditure £	Gains/ (Losses) £	Balance at 31 August 2018 £
<b>Unrestricted funds</b>					
General funds	12,082	67,716	(8,127)	-	71,671
<b>Restricted general funds</b>					
General Annual Grant (GAG)	(1,072,117)	1,162,054	(1,364,186)	-	(1,274,249)
Start Up Grant	-	124,549	(124,549)	-	-
Pupil Premium	-	18,310	(18,310)	-	-
Other DfE/ESFA grants	-	642,255	(642,255)	-	-
Local Authority grants	-	4,488	-	-	4,488
Pension reserve	(90,000)	-	(26,000)	40,000	(76,000)
	<u>(1,162,117)</u>	<u>1,951,656</u>	<u>(2,175,300)</u>	<u>40,000</u>	<u>(1,345,761)</u>
<b>Restricted fixed asset funds</b>					
Fixed assets	9,542,756	76,497	(621,354)	-	8,997,899
<b>Total Restricted funds</b>	<u>8,380,639</u>	<u>2,028,153</u>	<u>(2,796,654)</u>	<u>40,000</u>	<u>7,652,138</u>
<b>Total funds</b>	<u><u>8,392,721</u></u>	<u><u>2,095,869</u></u>	<u><u>(2,804,781)</u></u>	<u><u>40,000</u></u>	<u><u>7,723,809</u></u>

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**17. Analysis of net assets between funds**

**Analysis of net assets between funds - current year**

	Unrestricted funds 2019 £	Restricted funds 2019 £	Restricted fixed asset funds 2019 £	Total funds 2019 £
Tangible fixed assets	-	-	8,493,859	<b>8,493,859</b>
Current assets	113,978	420,118	20,176	<b>554,272</b>
Creditors due within one year	-	(1,090,934)	-	<b>(1,090,934)</b>
Provisions for liabilities and charges	-	(197,000)	-	<b>(197,000)</b>
<b>Total</b>	<b>113,978</b>	<b>(867,816)</b>	<b>8,514,035</b>	<b>7,760,197</b>

**Analysis of net assets between funds - prior year**

	Unrestricted funds 2018 £	Restricted funds 2018 £	Restricted fixed asset funds 2018 £	Total funds 2018 £
Tangible fixed assets	-	-	8,997,899	8,997,899
Current assets	71,671	319,175	-	390,846
Creditors due within one year	-	(1,588,936)	-	(1,588,936)
Provisions for liabilities and charges	-	(76,000)	-	(76,000)
<b>Total</b>	<b>71,671</b>	<b>(1,345,761)</b>	<b>8,997,899</b>	<b>7,723,809</b>

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**18. Reconciliation of net income/(expenditure) to net cash flow from operating activities**

	2019 £	2018 £
Net income/(expenditure) for the year (as per Statement of Financial Activities)	<b>127,388</b>	(708,912)
<b>Adjustments for:</b>		
Depreciation	<b>555,509</b>	544,857
Capital grants from DfE and other capital income	<b>(89,234)</b>	(76,497)
Interest receivable	<b>(99)</b>	-
Defined benefit pension scheme cost less contributions payable	<b>27,000</b>	23,000
Defined benefit pension scheme finance cost	<b>3,000</b>	3,000
(Increase)/decrease in debtors	<b>(51,712)</b>	66,918
(Decrease)/increase in creditors	<b>(498,002)</b>	68,410
<b>Net cash provided by/(used in) operating activities</b>	<b>73,850</b>	(79,224)

**19. Cash flows from investing activities**

	2019 £	2018 £
Dividends, interest and rents from investments	<b>99</b>	-
Purchase of tangible fixed assets	<b>(51,469)</b>	-
Capital grants from DfE Group	<b>89,234</b>	76,497
<b>Net cash provided by investing activities</b>	<b>37,864</b>	76,497

**20. Analysis of cash and cash equivalents**

	2019 £	2018 £
Cash in hand	<b>115,904</b>	4,190
<b>Total cash and cash equivalents</b>	<b>115,904</b>	4,190

**21. Pension commitments**

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

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**NOTES TO THE FINANCIAL STATEMENTS**  
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**21. Pension commitments (continued)**

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

Contributions amounting to £Nil were payable to the schemes at 31 August 2019 (2018 - £12,402) and are included within creditors.

**Teachers' Pension Scheme**

The Teachers' Pension Scheme (TPS or scheme) is a statutory, unfunded, defined benefit occupational scheme, governed by the Teachers' Pensions Regulations 2010 (as amended), and the Teachers' Pension Scheme Regulations 2014 (as amended). These regulations apply to teachers in schools and other educational establishments, including academies, in England and Wales that are maintained by local authorities. In addition, teachers in many independent and voluntary-aided schools and teachers and lecturers in some establishments of further and higher education may be eligible for membership. Membership is automatic for full-time teachers and lecturers and, from 1 January 2007, automatic too for teachers and lecturers in part-time employment following appointment or a change of contract. Teachers and lecturers are able to opt out of the TPS.

**The Teachers' Pension Budgeting and Valuation account**

Although members may be employed by various bodies, their retirement and other pension benefits are set out in regulations made under the Superannuation Act (1972) and Public Service Pensions Act (2013) and are paid by public funds provided by Parliament. The TPS is an unfunded scheme and members contribute on a 'pay as you go' basis – contributions from members, along with those made by employers, are credited to the Exchequer under arrangements governed by the above Acts.

The Teachers' Pensions Regulations 2010 require an annual account, the Teachers' Pension Budgeting and Valuation Account, to be kept of receipts and expenditure (including the cost of pension increases). From 1 April 2001, the Account has been credited with a real rate of return, which is equivalent to assuming that the balance in the Account is invested in notional investments that produce that real rate of return.

**Valuation of the Teachers' Pension Scheme**

The latest valuation of the Teachers' Pension Scheme has now taken place, in line with directions issued by HM Treasury and using membership data as at 31 March 2016. As a result of this valuation TPS employers will pay an increased contribution rate of 23.68% from September 2019 (this includes the administration levy of 0.8%). The timing of the implementation is to align its introduction with employers' budget planning cycles. Until then, employers will pay the current rate of 16.48%.

**Scheme Changes**

The arrangements for a reformed Teachers' Pension Scheme, in line with the recommendations made by Lord Hutton, in particular the introduction of a Career Average Revalued Earnings (CARE) scheme, were implemented from 1 April 2015.

In December 2018, the Court of Appeal held that transitional protection provisions contained in the reformed judicial and firefighter pension schemes, introduced as part of public service pension reforms in 2015, gave rise to direct age discrimination and were therefore unlawful. The Supreme Court, in a decision made in June 2019, have rejected the Government's application for permission to appeal the Court of Appeal's ruling. The case will now be referred to an Employment Tribunal for a decision regarding the remedy which will need to be offered to those members of the two schemes who were subject of the age discrimination.

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**21. Pension commitments (continued)**

**Scheme Changes (continued)**

HM Treasury are clear that the ruling has implications for the other public service schemes, including the Teachers' Pension Scheme. Those implications are currently being considered and any impact on scheme costs is expected to be looked at within the next scheme valuation, which is currently scheduled to be based on April 2020 data and implemented in April 2023.

The employer's pension costs paid to TPS in the period amounted to £120,181 (2018: £128,603).

A copy of the valuation report and supporting documentation is on the Teachers' Pension website at <https://www.teacherspensions.co.uk/news/employers/2019/04/teachers-pensions-valuation-report.aspx>.

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

**Local Government Pension Scheme**

The LGPS is a funded defined benefit pension scheme, with the assets held in separate trustee-administered funds. The total contribution made for the year ended 31 August 2019 was £36,000 (2018 - £22,000), of which employer's contributions totalled £26,000 (2018 - £16,000) and employees' contributions totalled £ 10,000 (2018 - £6,000). The agreed contribution rates for future years are 19.0 per cent for employers and 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**

	2019 %	2018 %
Rate of increase in salaries	2.4	2.4
Rate of increase for pensions in payment/inflation	2.3	2.3
Discount rate for scheme liabilities	1.9	2.8
Inflation assumption (CPI)	2.3	2.3

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

	2019 Years	2018 Years
<i>Retiring today</i>		
Males	21.5	22.5
Females	23.7	24.9
<i>Retiring in 20 years</i>		
Males	22.3	24.1
Females	25.0	26.7

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**21. Pension commitments (continued)**

**Sensitivity analysis**

	2019 £000	2018 £000
Discount rate -0.5%	81	45
Pension rate +0.5%	80	45

The Academy Trust's share of the assets in the scheme was:

	At 31 August 2019 £'000	At 31 August 2018 £'000
Equities	92	74
Bonds	73	49
Property	15	11
Cash and other liquid assets	8	5
<b>Total market value of assets</b>	<b>188</b>	<b>139</b>

The actual return on scheme assets was £13,000 (2018 - £7,000).

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

	2019 £	2018 £
Current service cost	(53,000)	(23,000)
Interest income	4,000	3,000
Interest cost	(7,000)	(6,000)
<b>Total amount recognised in the Statement of Financial Activities</b>	<b>(56,000)</b>	<b>(26,000)</b>

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

	2019 £	2018 £
<b>At 1 September</b>	<b>215,000</b>	<b>200,000</b>
Current service cost	53,000	39,000
Interest cost	7,000	6,000
Employee contributions	10,000	6,000
Actuarial Gain/Loss	100,000	(36,000)
<b>At 31 August</b>	<b>385,000</b>	<b>215,000</b>

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**21. Pension commitments (continued)**

Changes in the fair value of the Academy Trust's share of scheme assets were as follows:

	2019 £	2018 £
<b>At 1 September</b>	<b>139,000</b>	110,000
Actuarial gains	-	4,000
Employee contributions	-	16,000
Interest income	4,000	3,000
Actuarial (losses)/gains	9,000	-
Employer contributions	26,000	-
Employee contributions	10,000	6,000
<b>At 31 August</b>	<b>188,000</b>	139,000

**22. Operating lease commitments**

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

	2019 £	2018 £
Not later than 1 year	226,208	218,120
Later than 1 year and not later than 5 years	678,624	635,580
Later than 5 years	4,693,816	4,377,530
	<b>5,598,648</b>	5,231,230

**23. 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.

**24. Agency arrangements**

The Academy Trust distributes 16-19 bursary funds to students as an agent for the ESFA. In the year ended 31 August 2019 the Trust received £9,841 (2018: £10,406) and distributed £9,841 (2018: £10,406). There are no amounts carried forward at the year end that are repayable to the ESFA (2018: £Nil).

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**25. Related party transactions**

Owing to the nature of the Academy Trust's operations and the composition of the Board of Trustees being drawn from local public and private sector organisations, transactions may take place with organisations in which Trustees have an interest. All transactions involving such organisations are conducted in accordance with the requirements of the AFH including notifying the ESFA of all transactions made on or after 1 April 2019 and obtaining their approval where required, and with the Academy Trust's financial regulations and normal procurement procedures relating to connected and related party transactions.

The following related party transactions took place during the current year:

The Meller Educational Trust ("MET") one of the Academy Trust's sponsors. During the year ended 31 August 2019, the Academy Trust incurred charges for management services provided by MET of £35,422 (2018: £85,592) and received recharges salary payments from MET of £Nil (2018: £2,600). At the year end, an amount of £2,952 (2018: 102,128) was payable to MET. In entering into these transactions, the Academy Trust has complied with the requirements of the Academies Financial Handbook 2018, including the "at cost" requirements.

The Academy Trust made payments of £Nil (2018: £8,800) to Tenacity Productions Limited (trading as Bland to Bland), a company in which Mo Luthra, a Trustee, has a controlling interest.