

Registration number: 08599329

# The Watford UTC

(A company limited by guarantee)

Annual Report and Financial Statements

for the Year Ended 31 August 2022

# **The Watford UTC**

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# **The Watford UTC**

## **Reference and Administrative Details**

<b>Members</b>	UH Holdings Limited Ralph Trustees Ltd Margaret Chapman (appointed 22 February 2022)
<b>Trustees (Directors)</b>	Ashok Patil (Chair of Trustees) Chris Andrews Stephen Hunt Ronnie Jacob Mo Luthra Ian Smithson Sir Leigh Lewis Dean Russell Helen Langeveld (resigned 20 October 2021) Claire May (appointed 23 February 2022)
<b>Company Secretary</b>	Alexander Hall
<b>Head Teacher</b>	Paul Quinn
<b>Senior Management Team</b>	Paul Quinn, Acting Principal Lisa Williams, Senior Assistant Director Andree Quidder, Assistant Director
<b>Principal and Registered Office</b>	18 Colonial Way Watford Hertfordshire WD24 4PT
<b>Company Registration Number</b>	08599329
<b>Auditors</b>	Fortus Audit LLP Chartered Accountants and Statutory Auditors Hamilton Office Park 31 High View Close Leicester LE4 9LJ
<b>Bankers</b>	Lloyds Bank 67 High Street Watford Herts WD17 2DU

## **The Watford UTC**

### **Reference and Administrative Details (continued)**

#### **Solicitors**

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

# **The Watford UTC**

## **Trustees' Report for the Year Ended 31 August 2022**

The Trustees present their annual report together with the financial statements and auditors' report of the charitable company for the year ended 31 August 2022. The annual report serves the purposes of both a trustees' report, and a directors' 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.

### **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 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 Governors are also the trustees of and directors of the charitable company for the purposes of company and charity law.

The University of Hertfordshire Higher Education Corporation and Ralph Trustees Limited are sponsors of the UTC.

Details of the governors 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 and the Local Governing Body members 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 governors as follows:

Up to 9 Governors 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 (Ralph Trustees Limited)

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

Principal (ex officio).

## **The Watford UTC**

### **Trustees' Report for the Year Ended 31 August 2022 (continued)**

#### Discretionary categories

Where appointed, up to two Staff Governors appointed by the Members (Mrs Margaret Chapman, 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 Governors is in place. The latest DfE Governor handbook was circulated to Governors when released in autumn 2014 and all updates have been shared with governors.

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

#### ***Organisational structure***

The Watford UTC is governed by a Board of Governors constituted under a memorandum of association and articles of association. The Board of Governors 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 Governors have delegated elements of their responsibility to two committees (Standards & Curriculum and Resources & Audit).

The Standards & Curriculum Committee 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 Resources & Audit Committee is responsible for all financial management, ensuring an effective internal environment and oversight of risk management and audit matters.

The Acting Principal is the Accounting Officer of the UTC, has full executive authority and is responsible for the day to day running of the UTC.

## **The Watford UTC**

### **Trustees' Report for the Year Ended 31 August 2022 (continued)**

The Full Board of Governors meets six times per annum. The Standards & Curriculum Committee meets three times per annum. The Resources & Audit Committee meet ten times per annum. The Standards & Curriculum Committee reviews standards of learning and teaching. The Resources & Audit Committee is 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 Board and Committee meetings, Governors are updated via reports, visits and ad-hoc meetings as appropriate.

The Acting 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 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 Governors and reporting back to them and providing evidence, reports and data analysis to Governing Body meetings, enabling Governors 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.

#### **Accountability**

The Acting Principal line manages the Senior Assistant Director and Assistant Director.

The Acting Principal line manages STEM, Curriculum & Data and 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 Acting Principal's salary on appointment in September 2014 and subsequent changes have been decided by the Chair of Governors in consultation with the Resources Committee. Other Senior Leadership remuneration is decided by the Acting Principal subject to the Chair of Governors' approval. Criteria are based on current salaries, experience and area of responsibilities allocated.

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

University of Hertfordshire

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.

## **The Watford UTC**

### **Trustees' Report for the Year Ended 31 August 2022 (continued)**

#### **Objectives and activities**

##### ***Objectives, strategies and activities***

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.

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.

The UTC's Continued Improvement Plan (CIP) for 2021-22 included the following:

- Improvement Focus 1 – Improve Attendance and punctuality to school and to lessons;
- Improvement Focus 2 – Increased percentage of students achieving or exceeding target grades;
- Improvement Focus 3 – Improve student mental wellbeing to embrace life and all its wonderful opportunities; and
- Improvement Focus 4 – 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 Watford UTC**

### **Trustees' Report for the Year Ended 31 August 2022 (continued)**

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.

## The Watford UTC

### Trustees' Report for the Year Ended 31 August 2022 (continued)

#### Strategic Report

##### Achievements and performance

The Academy Trust continues to evolve and to adapt to the ever-changing educational environment. 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 2022 were as follows:

##### KS4 - Headline Figures

Measure	2022
English and Maths Standard Pass or better	49%
English Standard Pass (i.e. grade 4) or better	65%
Maths Standard Pass or better	51%
Students with equivalent of at least 5 “good” GCSE grades including English and Maths	43%
Students with Pass or better in Science	67%

##### Specialisms

49% of students gained a Level 2 qualification in one of our specialisms of Computing/IT and Travel & Tourism.

##### **Post 16**

Number of students at the end of 16-18 studies: 14

##### 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): 3

Average point score per A level entry expressed as a grade: 40 (B)

##### Vocational Specialisms Results

Number of students at the end of 16-18 study with a Vocational Specialism entry (for average grade measure): 14

Average point score per Vocational entry expressed as a grade: 28.4 (C/Merit)

##### **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 Trust is the level of reserves held at the balance sheet date and, in particular, the amount of unrestricted reserves plus restricted income reserves at year end. At 31 August 2022, the balance of the unrestricted and restricted income reserves was a deficit of £477,906 (2021: deficit of £111,210), which is after transfers of £nil to the restricted fixed asset fund to fund capital expenditure during the year. Further details on the level of reserves held by the Academy Trust are set out in the Reserves Policy section below.

## **The Watford UTC**

### **Trustees' Report for the Year Ended 31 August 2022 (continued)**

#### **Strategic Report**

As the majority of the Academy Trust's funding is based on pupil numbers, pupil numbers are also a key performance indicator. The total number of pupils during the year ended 31 August 2022 were 66 which is an decrease of 66 from the previous year.

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 / or Local Authority) for the year was 58.8% (2021: 47.7%), while the percentage of staff costs to total costs (excluding depreciation and LGPS FRS102 pension cost charges) was 41% (2021: 54%).

#### ***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 Governing Body, together with the DfE, have agreed by mutual consent to close the Watford UTC at the end of the 2022-23 academic year. The ESFA have agreed the required and appropriate funding to enable the UTC to continue with teaching and learning of students to enable them to complete relevant qualifications during the academic year 2022-2023.

Based upon the assurances around the financial support provided by the ESFA in November 2022, the Governors believe that this will enable a solvent winding up of the charitable company within 12 months of the date of approval of these accounts or, should the winding up process not be completed within 12 months of the date of approval of the financial statements, that the ESFA's financial support will enable the UTC to remain solvent through to at least December 2023.

## **The Watford UTC**

### **Trustees' Report for the Year Ended 31 August 2022 (continued)**

#### **Strategic Report**

##### **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 2022 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 2022, the Academy Trust's total income (excluding capital grants) was £1,672,273 (2021: £2,151,873) while the total expenditure (excluding depreciation and LGPS FRS102 pension cost charges) was £1,775,728 (2021: £1,872,219), resulting in a net revenue deficit for the year of £103,455 (2021: surplus of £279,654).

The net book value of fixed assets at 31 August 2022 were £7,792,761 (2021: £8,026,101). 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 £5,000 (2021: £227,000), 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 2022 are set out in note 22 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, Acting 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 £300,000 based on the 2021/22 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 operating reserves at 31 August 2022 is a deficit of £170,666 (2021: deficit of £111,210), which is made up of unrestricted income reserves of £158,347 (2021: £126,390) and a restricted income fund deficit of £329,013 (2021: deficit of £237,600). To address this restricted fund deficit the Governors are taking the actions as detailed in the going concern section of this report.

## **The Watford UTC**

### **Trustees' Report for the Year Ended 31 August 2022 (continued)**

#### **Strategic Report**

The value of the restricted fixed asset fund at 31 August 2022 is £7,813,403 (2021: £8,050,856), which is represented by the fixed assets that are used exclusively for providing education and associated support services to the pupils of the Trust, and the balance of any unspent capital grants to be used on future capital expenditure. These funds can only be realised by disposing of the associated tangible fixed assets.

The pension reserve fund has a deficit balance at 31 August 2022 of £5,000 (2021: £227,000), 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 Governors' investment powers are governed by the articles of association, which permit the UTC's funds, not immediately required, to be invested in furtherance of its objects after obtaining expert financial advice. The UTC did not engage in any investment of surplus funds during the year under review.

#### ***Principal risks and uncertainties***

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.

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.

Fraud and mismanagement of funds

The Academy Trust has engaged Baker Dearing Trust to perform a programme of work aimed at checking and reviewing the financial systems and records as required by the Academies Financial Handbook. All finance staff receive training to keep them up to date with financial practice requirements and to develop their skills in this area.

#### ***Notice to improve (NtI) from ESFA***

A NtI has been in place throughout the academic/financial year 2021-22. It has been in place since 4th May 2018. A link to the NtI on ESFA's website is here: <https://www.gov.uk/government/publications/financial-notice-to-improve-the-watford-utc>.

#### **Fundraising**

The Academy Trust has not undertaken any material fundraising activities during the year ended 31 August 2022.

#### ***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 Watford UTC**

### **Trustees' Report for the Year Ended 31 August 2022 (continued)**

#### **Strategic Report**

##### **Employment of disabled persons**

The Academy Trust's policy is to consult and discuss with employees, through unions, staff councils and at meetings, matters likely to affect employees' interests. Information about matters of concern to employees is given through information bulletins, reports and meetings which seek to achieve a common awareness on the part of all employees of the financial and economic factors affecting the Academy Trust's performance.

During employment the Trust seeks to work with employees, taking into account their personal circumstances, to ensure appropriate training, development and advanced employment opportunities are available to them to reach their full potential.

Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment within the Academy Trust continues and that the appropriate training is arranged. It is the Academy Trust's policy that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

##### **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**

Insofar 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.

##### ***Reappointment of auditor***

The auditors Fortus Audit LLP are deemed to be reappointed under section 487(2) of the Companies Act 2006.

The trustees' report, incorporating a Strategic Report, was approved by order of the members of the Board of Trustees on 5 December 2022 and signed on its behalf by:

.....  
Ashok Patil (Chair of Trustees)  
Trustee

# **The Watford UTC**

## **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.

As trustees, we have reviewed and taken account of the guidance in DfE's Government Handbook and competency framework for governance.

The Board of Trustees has delegated the day-to-day responsibility to Paul Quinn, 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 5 times during the year. Attendance during the year at meetings of the Board of Trustees was as follows:

<b>Trustee</b>	<b>Meetings attended</b>	<b>Out of a possible</b>
Ashok Patil (Chair of Trustees)	4	5
Chris Andrews	2	5
Stephen Hunt	4	5
Ronnie Jacob	4	5
Mo Luthra	5	5
Ian Smithson	3	5
Sir Leigh Lewis	2	5
Dean Russell	2	5
Helen Langeveld (resigned 20 October 2021)	1	1
Claire May (appointed 23 February 2022)	3	3

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.

The Resources Committee is a sub-committee of the main Board of Trustees. Its purpose is to consider finance reports, funding proposals, agree the annual budget, monitor management accounts, undertake the audit function, review annual insurance arrangements and all matters relating to good financial management. Its purpose in relation to personnel is to consider all staff related matters including training and development, staffing structure, terms and conditions of service, staff related policies including new pay and appraisal policies, and termly absence recording reports Attendance at meetings during the year was as follows:

## The Watford UTC

### Governance Statement (continued)

Trustee	Meetings attended	Out of a possible
Ashok Patil (Chair of Trustees)	9	11
Stephen Hunt	1	11
Mo Luthra	6	11
Ronnie Jacob	10	11

The key issue dealt with by the Resources Committee during the year was the review of the Academy Trust's financial forecasts and the actions required to address the reduced funding expected over this period.

#### Review of value for money

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

The Accounting Officer considers how the trust's use of its resources has provided good value for money during each academic year, and reports to the board of 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 focusses on developing and enhancing management and leadership skills. The programme is cost efficient and enables staff to share good practice and work together. This programme has raised motivation and morale and thus has been crucial in aiding retention and thereby reducing the need to recruit. The programme has had a positive impact on the quality of lessons and departmental resources. Staff have attended these twilight sessions and therefore have still been able to deliver the 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 Watford UTC**

## **Governance Statement (continued)**

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

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of 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 ended 31 August 2022 and up to the date of approval of the annual report and financial statements.

### **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 ended 31 August 2022 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 Resources 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;
- identification and management of risks.

The Board of Trustees has decided:

- to employ Baker Dearing Trust as internal auditor

The internal auditor's role includes giving advice on financial and other matters and performing a range of checks on the academy trust's financial and other systems.

On an annual basis, the auditor reports to the Board of Trustees, through the audit committee on the operation of the systems of control and on the discharge of the Board of Trustees's financial responsibilities and annually prepares an annual summary report to the committee outlining the areas reviewed, key findings, recommendations and conclusions to help the committee consider actions and assess year on year progress.

### **Review of effectiveness**

As Accounting Officer, Paul Quinn 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 internal auditor ;
- the work of the external auditor;
- the financial management and governance self-assessment process or the school resource management self-assessment tool;
- the work of the Senior Leadership Team within the UTC who have responsibility for the development and maintenance of the internal control framework.

## **The Watford UTC**

### **Governance Statement (continued)**

The Accounting Officer has been advised of the implications of the result of their review of the system of internal control by the Finance and General Purposes Committee and a plan to address weaknesses and ensure continuous improvement of the system is in place.

Approved by order of the members of the Board of Trustees on 5 December 2022 and signed on its behalf by:

.....

Paul Quinn  
Accounting officer

.....

Ashok Patil (Chair of Trustees)  
Trustee

## **The Watford UTC**

### **Statement of 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 and 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 Academy Trust Handbook 2021.

I confirm that I and the academy trust Board of Trustees are able to identify any material irregular or improper use of funds by the academy trust, or material non-compliance with the terms and conditions of funding under the academy trust's funding agreement and the Academy Trust Handbook 2021.

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

5 December 2022

## **The Watford UTC**

### **Statement of Trustees' Responsibilities**

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 and 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 apply them consistently;
- observe the methods and principles in the Charities SORP 2019 and the Academies Accounts Direction 2021 to 2022;
- 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; and
- 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 on 5 December 2022 and signed on its behalf by:

.....  
Ashok Patil (Chair of Trustees)  
Trustee

## **The Watford UTC**

### **Independent Auditor's 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') for the year ended 31 August 2022, which comprise the Statement of Financial Activities, Balance Sheet, Statement of Cash Flows and Notes to the Financial Statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

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 2022 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; and
- have been prepared in accordance with the Charities SORP 2019 and Academies Accounts Direction 2021 to 2022.

#### **Basis for opinion**

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

#### **Material uncertainty related to going concern**

We draw attention to the disclosures made within the accounting policies in the financial statements concerning the UTC's ability to continue as a going concern. These explain the key assumptions made by the Governors that enable the UTC to remain funded and solvent until such time as it ceases its educational activities. Our opinion is not modified in this respect.

#### **Other information (covers the Reference and Administrative Details, the Trustees' Report and Strategic Report and the Governance Statement)**

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

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

We have nothing to report in this regard.

## **The Watford UTC**

### **Independent Auditor's Report on the Financial Statements to the Members of The Watford UTC (continued)**

#### **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 Strategic Report and Trustees' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and Trustees' 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 company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report and Trustees' Report.

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

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

#### **Responsibilities of Trustees**

As explained more fully in the Statement of Trustees' Responsibilities [set out on page 18], the Trustees are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Trustees are responsible for assessing the Academy'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 or to cease operations, or have no realistic alternative but to do so.

#### **Auditor Responsibilities for the audit of the financial statements**

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

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

## **The Watford UTC**

### **Independent Auditor's Report on the Financial Statements to the Members of The Watford UTC (continued)**

We obtained an understanding of the legal and regulatory frameworks that are applicable to the Academy Trust and determined that the most significant frameworks which are directly relevant to specific assertions in the financial statements are those that relate to the reporting frameworks.

We understood how the Academy Trust is complying with those frameworks by making enquiries of management and those responsible for legal and compliance procedures. We corroborated our enquiries through review of board minutes and discussions with those charged with governance.

We assessed the susceptibility of the Academy Trust's financial statements to material misstatement, including how fraud might occur, by discussion with management from various parts of the business to understand where they considered there was a susceptibility to fraud. We considered the procedures and controls that the Academy Trust has established to prevent and detect fraud, and how these are monitored by management, and also any enhanced risk factors such as performance targets.

Based on our understanding, we designed our audit procedures to identify any non-compliance with laws and regulations identified in the paragraphs above.

We also performed audit work over the risk of management override of controls, including testing of journal entries and other adjustments for appropriateness, evaluating the business rationale of significant transactions outside the normal course of business and reviewing accounting estimates for bias.

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

#### **Use of our report**

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

.....  
Richard Buckby FCA (Senior Statutory Auditor)  
For and on behalf of Fortus Audit LLP, Statutory Auditor

Hamilton Office Park  
31 High View Close  
Leicester  
LE4 9LJ

15 December 2022

## **The Watford UTC**

### **Independent Reporting Accountant's Assurance Report on Regularity to The Watford UTC and the Education and Skills Funding Agency**

In accordance with the terms of our engagement letter dated 1 September 2022 and further to the requirements of the Education and Skills Funding Agency (ESFA) as included in the Academies Accounts Direction 2021 to 2022, we have carried out an engagement to obtain limited assurance about whether the expenditure disbursed and income received by The Watford UTC during the period 1 September 2021 to 31 August 2022 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 may state to The Watford UTC and the ESFA those matters we are required to state in a report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than The Watford UTC and the ESFA, for our work, for this report, or for the conclusion we have formed.

#### **Respective responsibilities of the Governing Body's accounting officer and the reporting accountant**

The Accounting Officer is responsible, under the requirements of the Board of Trustees's funding agreement with the Secretary of State for Education dated and the Academies Financial Handbook extant from 1 September 2021, 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 2021 to 2022. 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 from 1 September 2021 to 31 August 2022 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 Framework and Guide for External Auditors and Reporting Accountant of Academy Trusts 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 to our conclusion includes:

- On a sample basis testing transactions and balances
- Making enquiries of the academy regarding systems and controls in place that are relevant to our regularity conclusion
- On a sample basis reviewing records for evidence of those systems and controls in operation

#### **Conclusion**

In the course of our work, nothing has come to our attention which suggests that in all material respects the expenditure disbursed and income received during the year from 1 September 2021 to 31 August 2022 has not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.



## **The Watford UTC**

### **Independent Reporting Accountant's Assurance Report on Regularity to The Watford UTC and the Education and Skills Funding Agency (continued)**

.....  
Richard Buckby FCA  
For and on behalf of Fortus Audit LLP, Chartered Accountants

Hamilton Office Park  
31 High View Close  
Leicester  
LE4 9LJ

15 December 2022

## The Watford UTC

### Statement of Financial Activities for the Year Ended 31 August 2022 (including Income and Expenditure Account)

	Note	Unrestricted Funds £	Restricted General Funds £	Restricted Fixed Asset Funds £	2021/22 Total £
<b>Income and endowments from:</b>					
Donations and capital grants	2	-	-	6,450	6,450
Other trading activities	4	45,949	-	-	45,949
Investments	5	14	-	-	14
<i>Charitable activities:</i>					
Funding for the Academy trust's educational operations	3	-	1,626,310	-	1,626,310
Total		45,963	1,626,310	6,450	1,678,723
<b>Expenditure on:</b>					
<i>Charitable activities:</i>					
Academy trust educational operations	7	14,006	1,761,722	243,904	2,019,632
Net income/(expenditure)		31,957	(135,412)	(237,454)	(340,909)
<b>Other recognised gains and losses</b>					
Actuarial gains on defined benefit pension schemes	21	-	266,000	-	266,000
Net movement in funds/(deficit)		31,957	130,588	(237,454)	(74,909)
<b>Reconciliation of funds</b>					
Total funds/(deficit) brought forward at 1 September 2021		126,390	(464,600)	8,050,856	7,712,646
Total funds/(deficit) carried forward at 31 August 2022		158,347	(334,012)	7,813,402	7,637,737

## The Watford UTC

### Statement of Financial Activities for the Year Ended 31 August 2021 (including Income and Expenditure Account)

	Note	Unrestricted Funds £	Restricted General Funds £	Restricted Fixed Asset Funds £	2020/21 Total £
<b>Income and endowments from:</b>					
Donations and capital grants	2	-	-	11,375	11,375
Other trading activities	4	31,559	-	-	31,559
Investments	5	24	-	-	24
<i>Charitable activities:</i>					
Funding for the Academy trust's educational operations	3	-	2,120,290	-	2,120,290
Total		31,583	2,120,290	11,375	2,163,248
<b>Expenditure on:</b>					
<i>Charitable activities:</i>					
Academy trust educational operations	7	30,479	1,874,740	243,811	2,149,030
Net income/(expenditure)		1,104	245,550	(232,436)	14,218
<b>Other recognised gains and losses</b>					
Actuarial gains on defined benefit pension schemes	21	-	(67,000)	-	(67,000)
Net movement in funds/(deficit)		1,104	178,550	(232,436)	(52,782)
<b>Reconciliation of funds</b>					
Total funds/(deficit) brought forward at 1 September 2020		125,286	(643,150)	8,283,292	7,765,428
Total funds/(deficit) carried forward at 31 August 2021		126,390	(464,600)	8,050,856	7,712,646

**The Watford UTC**  
**(Registration number: 08599329)**  
**Balance Sheet as at 31 August 2022**

	Note	2022 £	2021 £
<b>Fixed assets</b>			
Tangible assets	10	7,792,761	8,026,101
<b>Current assets</b>			
Debtors	11	347,245	367,135
Cash at bank and in hand		<u>100,330</u>	<u>98,669</u>
		447,575	465,804
Creditors: Amounts falling due within one year	12	<u>(597,599)</u>	<u>(552,259)</u>
Net current liabilities		<u>(150,024)</u>	<u>(86,455)</u>
Total assets less current liabilities		<u>7,642,737</u>	<u>7,939,646</u>
Net assets excluding pension liability		7,642,737	7,939,646
Pension scheme liability	21	<u>(5,000)</u>	<u>(227,000)</u>
Net assets including pension liability		<u><u>7,637,737</u></u>	<u><u>7,712,646</u></u>
<b>Funds of the Academy:</b>			
<b>Restricted funds</b>			
Restricted general fund		(329,013)	(237,600)
Restricted fixed asset fund		7,813,403	8,050,856
Restricted pension fund		<u>(5,000)</u>	<u>(227,000)</u>
		7,479,390	7,586,256
<b>Unrestricted funds</b>			
Unrestricted general fund		<u>158,347</u>	<u>126,390</u>
Total funds		<u><u>7,637,737</u></u>	<u><u>7,712,646</u></u>

The financial statements on pages 24 to 46 were approved by the Trustees, and authorised for issue on 5 December 2022 and signed on their behalf by:

.....  
Ashok Patil (Chair of Trustees)  
Trustee

## The Watford UTC

### Statement of Cash Flows for the year ended 31 August 2022

	Note	2022 £	2021 £
<b>Cash flows from operating activities</b>			
Net cash provided by/(used in) operating activities	16	5,760	(86,972)
Cash flows from investing activities	17	<u>(4,099)</u>	<u>(1,077)</u>
Change in cash and cash equivalents in the year		1,661	(88,049)
Cash and cash equivalents at 1 September		<u>98,669</u>	<u>186,718</u>
Cash and cash equivalents at 31 August	18	<u><u>100,330</u></u>	<u><u>98,669</u></u>

# **The Watford UTC**

## **Notes to the Financial Statements for the Year Ended 31 August 2022**

### **1 Accounting policies**

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

#### **Basis of preparation**

The financial statements of the academy trust, which is a public benefit entity under FRS 102, have been prepared under the historical cost convention in accordance with the Financial Reporting Standard Applicable in the UK and Republic of Ireland (FRS 102), the Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) (Charities SORP (FRS 102)), the Academies Accounts Direction 2021 to 2022 issued by ESFA, the Charities Act 2011 and the Companies Act 2006.

#### **Going concern**

The Governing Body, together with the DfE, have agreed by mutual consent to close the Watford UTC at the end of the 2022-23 academic year. The ESFA have agreed the required and appropriate funding to enable the UTC to continue with teaching and learning of students to enable them to complete relevant qualifications during the academic year 2022-2023.

Based upon the assurances around the financial support provided by the ESFA in November 2022, the Governors believe that this will enable a solvent winding up of the charitable company within 12 months of the date of approval of these accounts or, should the winding up process not be completed within 12 months of the date of approval of the financial statements, that the ESFA's financial support will enable the UTC to remain solvent through to at least December 2023.

#### **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 period is deducted from income and recognised as a liability.

Capital grants are recognised in full when there is an unconditional entitlement to the grant. Unspent amounts of capital grants are reflected in the balance sheet in the restricted fixed asset fund. Capital grants are spent on capital projects in line with the terms and conditions of the grant. Capital grants are recognised when there is entitlement and are not deferred over the life of the asset on which they are expended.

# The Watford UTC

## Notes to the Financial Statements for the Year Ended 31 August 2022 (continued)

### 1 Accounting policies (continued)

#### *Other income*

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

#### **Expenditure**

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

All resources expended are inclusive of irrecoverable VAT.

#### *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.

#### **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/reducing balance] basis over its expected useful life, per the table below. Where an asset comprises of two or more components which have substantially different useful lives, each component is depreciated separately over its useful economic life.

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.

<b>Asset class</b>	<b>Depreciation method and rate</b>
Freehold building	2% per annum
Leasehold building	Length of lease
Fixtures, fittings and equipment	20% per annum

## **The Watford UTC**

### **Notes to the Financial Statements for the Year Ended 31 August 2022 (continued)**

#### **1 Accounting policies (continued)**

IT equipment 20% - 33% per annum

#### **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.

#### **Provisions**

Provisions are recognised when the academy trust has an obligation at the reporting date as a result of a past event which it is probable will result in the transfer of economic benefits and the obligation can be estimated reliably.

Provisions are measured at the best estimate of the amounts required to settle the obligation. Where the effect of the time value of money is material, the provision is based on the present value of those amounts, discounted at the pre-tax discount rate that reflects the risks specific to the liability. The unwinding of the discount is recognised within interest payable and similar charges.

#### **Leased assets**

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

#### **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 Chapter 3 Part 11 of the Corporation Tax Act 2010 or Section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied exclusively to charitable purposes.



## **The Watford UTC**

### **Notes to the Financial Statements for the Year Ended 31 August 2022 (continued)**

#### **1 Accounting policies (continued)**

##### **Pension benefits**

Retirement benefits to employees of the academy trust are provided by the Teachers' Pension Scheme ('TPS') and the Local Government Pension Scheme ('LGPS'). These are defined benefit schemes. The TPS is an unfunded scheme and contributions are calculated 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 based on 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 net income/(expenditure) are the current service costs and the costs of scheme introductions, benefit changes, settlements and curtailments. They are included as part of staff costs as incurred. Net interest on the net defined benefit liability/asset is also recognised in the Statement of Financial Activities and comprises the interest cost on the defined benefit obligation and interest income on the scheme assets, calculated by multiplying the fair value of the scheme assets at the beginning of the period by the rate used to discount the benefit obligations. The difference between the interest income on the scheme assets and the actual return on the scheme assets is recognised in other recognised gains and losses.

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

##### **Fund accounting**

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

##### **Critical accounting estimates and areas of judgement**

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

# The Watford UTC

## Notes to the Financial Statements for the Year Ended 31 August 2022 (continued)

### 1 Accounting policies (continued)

#### *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 (income) for pensions include the discount rate. Any changes in these assumptions, which are disclosed in note 22, 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 2019 has been used by the actuary in valuing the pensions liability at 31/08/2022. 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.

#### **Agency accounting**

The academy trust acts as an agent in distributing 16-19 bursary funds from ESFA. Payments received from 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 paid and any balances held are disclosed in note 24.

### 2 Donations and capital grants

	<b>Restricted fixed asset funds £</b>	<b>2021/22 Total £</b>	<b>2020/21 Total £</b>
Capital grants	<u>6,450</u>	<u>6,450</u>	<u>11,375</u>

The income from donations and capital grants was £6,450 (2021: £11,375) which was allocated between the funds as follows; £Nil unrestricted funds (2021: £Nil), £Nil restricted funds (2021: £Nil), £6,450 restricted fixed asset funds (2021: £11,375) and £Nil endowment funds (2021: £Nil).

## The Watford UTC

### Notes to the Financial Statements for the Year Ended 31 August 2022 (continued)

#### 3 Funding for the Academy Trust's educational operations

	Restricted funds £	2021/22 Total £	2020/21 Total £
<b>DfE/ESFA revenue grants</b>			
General Annual Grant	637,950	637,950	1,173,831
Pupil Premium	23,734	23,734	20,614
Rates relief	59,235	59,235	64,000
Lease relief	248,064	248,064	245,123
Deficit funding	599,673	599,673	536,406
Teacher Pension/ Pay grant	-	-	63,696
Other DfE Group grants	52,918	52,918	450
	<u>1,621,574</u>	<u>1,621,574</u>	<u>2,104,120</u>
<b>Other government grants</b>			
Local authority income	4,736	4,736	9,450
<b>Covid-19 additional funding (DfE/ESFA)</b>			
Catch-up Premium	-	-	5,280
Mass testing	-	-	1,440
	<u>-</u>	<u>-</u>	<u>6,720</u>
<b>Total grants</b>	<u>1,626,310</u>	<u>1,626,310</u>	<u>2,120,290</u>

The funding for educational operations was £1,626,310 (2021: £2,120,290) which was allocated between the funds as follows; £Nil unrestricted funds (2021: £Nil), £1,626,310 restricted funds (2021: £2,120,290), £Nil restricted fixed asset funds (2021: £Nil) and £Nil endowment funds (2021: £Nil).

Following the reclassification in the Academies Accounts Direction 2020/21 of some grants received from the Department for Education and ESFA, the academy trust's funding for Universal Infant Free School Meals and Pupil Premium is no longer reported under the Other DfE Group grants heading, but as separate lines under the Other DfE/ESFA grants heading. The prior year numbers have been reclassified.

#### 4 Other trading activities

	Unrestricted funds £	2021/22 Total £	2020/21 Total £
Hire of facilities	42,489	42,489	28,612
Other sales	3,460	3,460	2,947
	<u>45,949</u>	<u>45,949</u>	<u>31,559</u>

## The Watford UTC

### Notes to the Financial Statements for the Year Ended 31 August 2022 (continued)

#### 4 Other trading activities (continued)

The income from other trading activities was £45,949 (2021: £31,559) which was allocated between the funds as follows; £45,949 unrestricted funds (2021: £31,559), £Nil restricted funds (2021: £Nil), £Nil restricted fixed asset funds (2021: £Nil) and £Nil endowment funds (2021: £Nil).

#### 5 Investment income

	Unrestricted funds £	2021/22 Total £	2020/21 Total £
Bank Interest	14	14	24

The income from other trading activities was £14 (2021: £24) which was allocated between the funds as follows; £14 unrestricted funds (2021: £24), £Nil restricted funds (2021: £Nil), £Nil restricted fixed asset funds (2021: £Nil) and £Nil endowment funds (2021: £Nil).

#### 6 Expenditure

	Non Pay Expenditure			2021/22 Total £	2020/21 Total £
	Staff costs £	Premises £	Other costs £		
<b>Academy's educational operations</b>					
Direct costs	777,494	-	60,229	837,723	951,888
Allocated support costs	180,262	824,219	177,428	1,181,909	1,197,142
	<u>957,756</u>	<u>824,219</u>	<u>237,657</u>	<u>2,019,632</u>	<u>2,149,030</u>

#### Net income/(expenditure) for the year includes:

	2021/22 £	2020/21 £
Operating lease rentals	246,537	238,902
Depreciation	243,903	243,811
Fees payable to auditor - audit	10,050	10,500
- other audit services	<u>950</u>	<u>2,800</u>

## The Watford UTC

### Notes to the Financial Statements for the Year Ended 31 August 2022 (continued)

#### 7 Charitable activities

		2021/22 £	2020/21 £
Direct costs - educational operations		837,723	951,888
Support costs - educational operations		<u>1,181,909</u>	<u>1,197,142</u>
		<u>2,019,632</u>	<u>2,149,030</u>
	<b>Educational operations £</b>	<b>2021/22 Total £</b>	<b>2020/21 Total £</b>
<b>Analysis of support costs</b>			
Support staff costs	180,262	180,262	183,430
Depreciation	243,904	243,904	243,811
Technology costs	46,759	46,759	73,708
Premises costs	580,315	580,315	567,734
Other support costs	118,414	118,414	110,644
Governance costs	<u>12,255</u>	<u>12,255</u>	<u>17,815</u>
Total support costs	<u>1,181,909</u>	<u>1,181,909</u>	<u>1,197,142</u>

#### 8 Staff

##### Staff costs

	2021/22 £	2020/21 £
<b>Staff costs during the year were:</b>		
Wages and salaries	453,322	520,594
Social security costs	197,828	196,424
Operating costs of defined benefit pension schemes	<u>224,338</u>	<u>246,421</u>
	875,488	963,439
Supply staff costs	73,268	77,053
Staff restructuring costs	<u>9,000</u>	<u>-</u>
	<u>957,756</u>	<u>1,040,492</u>

## The Watford UTC

### Notes to the Financial Statements for the Year Ended 31 August 2022 (continued)

#### 8 Staff (continued)

##### Staff numbers

The average number of persons employed by the academy trust during the year was as follows:

	2021/22 No	2020/21 No
Teachers	10	12
Administration and support	6	6
Management	3	3
	<u>19</u>	<u>21</u>

##### Higher paid staff

The number of employees whose emoluments exceeded £60,000 was:

	2022 No	2021 No
£90,001 - £100,000	1	-
£100,001 - £110,000	<u>-</u>	<u>1</u>

The above employees participated in the Teachers' Pension Scheme and employer contributions for the year amounted to £22,210 (2021: £23,726).

##### Key management personnel

The key management personnel of the academy trust comprise the trustees and the senior management team as listed on page 1. The total amount of key management personnel benefits (including employer pension contributions and employer national insurance contributions) received by key management personnel for their services to the academy trust was £275,533 (2021: £283,474).

#### 9 Trustees' and officers' insurance

The academy trust has opted into the Department for Education's risk protection arrangement (RPA), an alternative to insurance where UK government funds cover losses that arise. This scheme protects 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.

## The Watford UTC

### Notes to the Financial Statements for the Year Ended 31 August 2022 (continued)

#### 10 Tangible fixed assets

	Freehold land and buildings £	Leasehold land and buildings £	Furniture and equipment £	Computer equipment £	Total £
<b>Cost</b>					
At 1 September 2021	7,264,998	2,191,218	1,580,305	55,499	11,092,020
Additions	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,563</u>	<u>10,563</u>
At 31 August 2022	<u>7,264,998</u>	<u>2,191,218</u>	<u>1,580,305</u>	<u>66,062</u>	<u>11,102,583</u>
<b>Depreciation</b>					
At 1 September 2021	618,343	841,655	1,576,000	29,921	3,065,919
Charge for the year	<u>156,710</u>	<u>73,041</u>	<u>2,026</u>	<u>12,126</u>	<u>243,903</u>
At 31 August 2022	<u>775,053</u>	<u>914,696</u>	<u>1,578,026</u>	<u>42,047</u>	<u>3,309,822</u>
<b>Net book value</b>					
At 31 August 2022	<u>6,489,945</u>	<u>1,276,522</u>	<u>2,279</u>	<u>24,015</u>	<u>7,792,761</u>
At 31 August 2021	<u>6,646,655</u>	<u>1,349,563</u>	<u>4,305</u>	<u>25,578</u>	<u>8,026,101</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 2 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.

## The Watford UTC

### Notes to the Financial Statements for the Year Ended 31 August 2022 (continued)

#### 11 Debtors

	2022 £	2021 £
Trade debtors	40	(40)
VAT recoverable	34,760	10,031
Other debtors	285,626	298,609
Prepayments	22,005	23,190
Accrued grant and other income	4,814	35,345
	<u>347,245</u>	<u>367,135</u>

Included within other debtors in 2022 is an amount of £285,626 (2021: £298,609) 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 22 years at the balance sheet date.

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

	2022 £	2021 £
Trade creditors	34,938	53,858
Other taxation and social security	16,883	16,538
ESFA creditor: abatement of GAG	174,934	133,051
Other creditors	301,667	315,730
Accruals	11,000	13,300
Deferred income	58,177	19,782
	<u>597,599</u>	<u>552,259</u>

Included within other creditors is an amount of £285,626 (2021: £298,609) that relates to the lease incentive cost under the site lease agreement. This will amortise over the remaining term of the lease, which was 22 years at the balance sheet date.

The ESFA creditor represents the balance of recoverable deficit funding provided by the ESFA to 31 August 2022 and any Pupil Number Adjustment repayments that are due at the year end. There is no interest payable by the Academy Trust on this creditor balance.

	2022 £	2021 £
<b>Deferred income</b>		
Deferred income at 1 September 2021	19,782	19,398
Resources deferred in the period	58,177	19,782
Amounts released from previous periods	<u>(19,782)</u>	<u>(19,398)</u>
Deferred income at 31 August 2022	<u>58,177</u>	<u>19,782</u>



## The Watford UTC

### Notes to the Financial Statements for the Year Ended 31 August 2022 (continued)

#### 12 Creditors: amounts falling due within one year (continued)

Included within deferred income is an amount of £20,545 (2021: £19,782) which relates to lease rental funding from the ESFA received in advance of the year end and an amount of £37,632 in relation to rates relied which relate to 2022-23.

#### 13 Funds

	Balance at 1 September 2021 £	Incoming resources £	Resources expended £	Gains, losses and transfers £	Balance at 31 August 2022 £
<b>Restricted general funds</b>					
General Annual Grant (GAG)	(237,600)	637,950	(729,363)	-	(329,013)
Deficit funding	-	599,673	(599,673)	-	-
Pupil Premium	-	23,734	(23,734)	-	-
Other DfE/ESFA grants	-	360,217	(360,217)	-	-
Local Authority grants	-	4,736	(4,736)	-	-
	(237,600)	1,626,310	(1,717,723)	-	(329,013)
<b>Restricted fixed asset funds</b>					
Fixed assets	8,050,856	6,450	(243,903)	-	7,813,403
<b>Restricted pension funds</b>					
Pension reserve	(227,000)	-	(44,000)	266,000	(5,000)
Total restricted funds	7,586,256	1,632,760	(2,005,626)	266,000	7,479,390
<b>Unrestricted funds</b>					
Unrestricted general funds	126,390	45,963	(14,006)	-	158,347
Total funds	7,712,646	1,678,723	(2,019,632)	266,000	7,637,737

## The Watford UTC

### Notes to the Financial Statements for the Year Ended 31 August 2022 (continued)

#### 13 Funds (continued)

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

	Balance at 1 September 2020 £	Incoming resources £	Resources expended £	Gains, losses and transfers £	Balance at 31 August 2021 £
<b>Restricted general funds</b>					
General Annual Grant (GAG)	(516,150)	1,173,831	(895,281)	-	(237,600)
Deficit funding	-	536,406	(536,406)	-	-
Pupil Premium	-	20,614	(20,614)	-	-
Other DfE/ESFA grants	-	373,269	(373,269)	-	-
Local Authority grants	-	9,450	(9,450)	-	-
COVID related funding	-	6,720	(6,720)	-	-
	(516,150)	2,120,290	(1,841,740)	-	(237,600)
<b>Restricted fixed asset funds</b>					
Fixed assets	8,283,292	11,375	(243,811)	-	8,050,856
<b>Restricted pension funds</b>					
Pension reserve	(127,000)	-	(33,000)	(67,000)	(227,000)
Total restricted funds	7,640,142	2,131,665	(2,118,551)	(67,000)	7,586,256
<b>Unrestricted funds</b>					
Unrestricted general funds	125,286	31,583	(30,479)	-	126,390
Total funds	7,765,428	2,163,248	(2,149,030)	(67,000)	7,712,646

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

#### 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 the year end.
- Other DfE/ESFA grants which include 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.
- The pension reserve represents the Local Government Pension Scheme deficit.

#### Restricted Fixed Asset Fund

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

## The Watford UTC

### Notes to the Financial Statements for the Year Ended 31 August 2022 (continued)

#### 14 Analysis of net assets between funds

Fund balances at 31 August 2022 are represented by:

	Unrestricted funds £	Restricted general funds £	Restricted fixed asset funds £	Total funds £
Tangible fixed assets	-	-	7,792,761	7,792,761
Current assets	158,347	268,586	20,642	447,575
Current liabilities	-	(597,599)	-	(597,599)
Pension scheme liability	-	(5,000)	-	(5,000)
Total net assets	<u>158,347</u>	<u>(334,013)</u>	<u>7,813,403</u>	<u>7,637,737</u>

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

	Unrestricted funds £	Restricted general funds £	Restricted fixed asset funds £	Total funds £
Tangible fixed assets	-	-	8,026,101	8,026,101
Current assets	161,733	279,316	24,755	465,804
Current liabilities	(35,343)	(516,916)	-	(552,259)
Pension scheme liability	-	(227,000)	-	(227,000)
Total net assets	<u>126,390</u>	<u>(464,600)</u>	<u>8,050,856</u>	<u>7,712,646</u>

#### 15 Long-term commitments, including operating leases

##### *Operating leases*

At 31 August 2022 the total of the academy trust's future minimum lease payments under non-cancellable operating leases was:

	2022 £	2021 £
Amounts due within one year	246,537	237,373
Amounts due between one and five years	986,148	949,492
Amounts due after five years	<u>4,191,129</u>	<u>4,213,371</u>
	<u>5,423,814</u>	<u>5,400,236</u>

## The Watford UTC

### Notes to the Financial Statements for the Year Ended 31 August 2022 (continued)

#### 16 Reconciliation of net (expenditure)/income to net cash inflow/(outflow) from operating activities

	2021/22 £	2020/21 £
Net (expenditure)/income	(340,909)	14,218
Depreciation	243,903	243,811
Capital grants from DfE and other capital income	(6,450)	(11,375)
Interest receivable	(14)	(24)
Defined benefit pension scheme cost less contributions payable	40,000	30,000
Defined benefit pension scheme finance cost	4,000	3,000
Decrease/(increase) in debtors	19,890	(28,176)
Increase/(decrease) in creditors	45,340	(338,426)
Net cash provided by/(used in) Operating Activities	<u>5,760</u>	<u>(86,972)</u>

#### 17 Cash flows from investing activities

	2021/22 £	2020/21 £
Dividends, interest and rents from investments	14	24
Purchase of tangible fixed assets	(10,563)	(12,476)
Capital funding received from sponsors and others	6,450	11,375
Net cash used in investing activities	<u>(4,099)</u>	<u>(1,077)</u>

#### 18 Analysis of cash and cash equivalents

	2022 £	2021 £
Cash in hand and at bank	<u>100,330</u>	<u>98,669</u>
Total cash and cash equivalents	<u>100,330</u>	<u>98,669</u>

#### 19 Analysis of changes in net debt

	At 1 September 2021 £	At 31 August 2022 £
Cash	98,669	98,669
Loans falling due within one year	<u>(552,260)</u>	<u>(552,260)</u>
Total	<u>(453,591)</u>	<u>(453,591)</u>

## **The Watford UTC**

### **Notes to the Financial Statements for the Year Ended 31 August 2022 (continued)**

#### **20 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.

#### **21 Pension and similar obligations**

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

The latest actuarial valuation of the TPS related to the period ended 31 March 2016 and of the LGPS to the period ended 31 March 2019.

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

##### **Teachers' Pension Scheme**

The Teachers' Pension Scheme (TPS) is a statutory, contributory, defined benefit scheme, governed by the Teachers' Pension Scheme Regulations 2014. Membership is automatic for teachers in academies. All teachers have the option to opt-out of the TPS following enrolment.

The TPS is an unfunded scheme to which both member and employer makes contributions, as a percentage of salary - these contributions are credited to the Exchequer. Retirement and other pension benefits are paid by public funds provided by Parliament.

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

The Government Actuary, using normal actuarial principles, conducts a formal actuarial review of the TPS in accordance with the Public Service Pensions (Valuations and Employer Cost Cap) Directions 2014 published by HM Treasury every 4 years. The aim of the review is to specify the level of future contributions. Actuarial scheme valuations are dependent on assumptions about the value of future costs, design of benefits and many other factors. The latest actuarial valuation of the TPS was carried out as at 31 March 2016. The valuation report was published by the Department for Education on 5 March 2019.

The key elements of the valuation and subsequent consultation are:

- employer contribution rates set at 23.68% of pensionable pay (including a 0.08% administration levy)
- total scheme liabilities (pensions currently in payment and the estimated cost of future benefits) for service to the effective date of £218,100 million, and notional assets (estimated future contributions together with the notional investments held at the valuation date) of £196,100 million giving a notional past service deficit of £22,000 million
- the SCAPE rate, set by HMT, is used to determine the notional investment return. The current SCAPE rate is 2.4% above the rate of CPI. Assumed real rate of return is 2.4% in excess of prices and 2% in excess of earnings. The rate of real earnings growth is assumed to be 2.2%. The assumed nominal rate of return including earnings growth is 4.45%.

The next valuation result is due to be implemented from 1 April 2023.

## The Watford UTC

### Notes to the Financial Statements for the Year Ended 31 August 2022 (continued)

#### 21 Pension and similar obligations (continued)

The employer's pension costs paid to TPS in the period amounted to £162,372 (2021: £192,421).  
A copy of the valuation report and supporting documentation is on the Teachers' Pensions website.

Under the definitions set out in FRS 102, the TPS is 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 scheme, with the assets held in separate trustee-administered funds. The total contribution made for the year ended 31 August 2022 was £29,000 (2021 - £32,000), of which employer's contributions totalled £22,000 (2021 - £24,000) and employees' contributions totalled £7,000 (2021 - £8,000). The agreed contribution rates for future years are 19 per cent for employers and 5.5 - 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 an academy trust 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

	2022 %	2021 %
Rate of increase in salaries	3.50	3.30
Rate of increase for pensions in payment/inflation	3.10	2.90
Discount rate for scheme liabilities	4.30	1.70
Inflation assumptions (CPI)	<u>3.10</u>	<u>2.90</u>

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

	2022	2021
<b>Retiring today</b>		
Males retiring today	21.90	22.10
Females retiring today	24.40	24.50
<b>Retiring in 20 years</b>		
Males retiring in 20 years	22.90	23.20
Females retiring in 20 years	<u>26.00</u>	<u>26.20</u>

The academy trust's share of the assets in the scheme were:

	2022 £	2021 £
Equities	150,000	156,000
Government bonds	69,000	85,000
Property	45,000	32,000
Cash and other liquid assets	<u>36,000</u>	<u>21,000</u>
Total market value of assets	<u>300,000</u>	<u>294,000</u>

## The Watford UTC

### Notes to the Financial Statements for the Year Ended 31 August 2022 (continued)

#### 21 Pension and similar obligations (continued)

The actual return on scheme assets was (£19,000) (2021 - £33,000).

#### Amounts recognised in the statement of financial activities

	2021/22 £	2020/21 £
Current service cost	(62,000)	(54,000)
Interest income	5,000	4,000
Interest cost	<u>(9,000)</u>	<u>(7,000)</u>
Total amount recognized in the SOFA	<u><u>(66,000)</u></u>	<u><u>(57,000)</u></u>

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

	2021/22 £	2020/21 £
At start of period	521,000	358,000
Current service cost	62,000	54,000
Interest cost	9,000	7,000
Employee contributions	7,000	8,000
Actuarial (gain)/loss	(291,000)	96,000
Benefits paid	<u>(3,000)</u>	<u>(2,000)</u>
At 31 August	<u><u>305,000</u></u>	<u><u>521,000</u></u>

#### Changes in the fair value of academy's share of scheme assets:

	2021/22 £	2020/21 £
At start of period	293,000	231,000
Interest income	5,000	4,000
Actuarial gain/(loss)	(24,000)	29,000
Employer contributions	22,000	24,000
Employee contributions	7,000	8,000
Benefits paid	<u>(3,000)</u>	<u>(2,000)</u>
At 31 August	<u><u>300,000</u></u>	<u><u>294,000</u></u>

#### 22 Related party transactions

Owing to the nature of the academy trust 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 the trustees have an interest.

There were no related party transactions in the year .

## **The Watford UTC**

### **Notes to the Financial Statements for the Year Ended 31 August 2022 (continued)**

#### **23 Agency arrangements**

The academy trust distributes 16-19 bursary funds to students as an agent for ESFA. In the accounting period ending 31 August 2022 the academy trust received £4,237 and disbursed £4,237 from the fund. An amount of £Nil is included in other creditors relating to undistributed funds that is repayable to ESFA.

Comparatives for the accounting period ending 31 August 2021 are £6,356 received, £6,356 disbursed and £Nil included in other creditors.