

Company Registration Number: 08599329 (England & Wales)

THE WATFORD UTC
(A Company Limited by Guarantee)

ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2020

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THE WATFORD UTC
(A Company Limited by Guarantee)

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THE WATFORD UTC
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REFERENCE AND ADMINISTRATIVE DETAILS

Members	The Meller Educational Trust UH Holdings Limited Ralph Trustees Ltd
Trustees	Ash Patil, Chair of Trustees Chris Andrews Richard Elms Stephen Hunt Ronnie Jacob Claire Lish Mo Luthra Ian Smithson Helen Langeveld Richard Harrington (resigned 20 September 2019) Hilda Worth (resigned 10 December 2019)
Company registered number	08599329
Company name	The Watford UTC
Principal and registered office	18 Colonial Way Watford Hertfordshire WD24 4PT
Company secretary	Alex Hall
Senior management team	Paul Quinn, Acting Principal Lorraine Davenport, Director Lisa Williams, Senior Assistant Director Andree Quidder, Assistant Director
Independent auditors	Cooper Parry Group Limited Chartered Accountant Park View One Central Boulevard Blythe Valley Park Solihull West Midlands B90 8BG
Bankers	Lloyds Bank 67 High Street Watford Herts WD17 2DU

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REFERENCE AND ADMINISTRATIVE DETAILS (CONTINUED)
FOR THE YEAR ENDED 31 AUGUST 2020

Solicitors

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

THE WATFORD UTC
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TRUSTEES' REPORT
FOR THE YEAR ENDED 31 AUGUST 2020

The Trustees (who are also referred to as Governors throughout this report) present their annual report together with the financial statements and auditor's report of the charitable company for the period from 1 September 2019 to 31 August 2020. The annual report serves the purposes of both a Trustees' report and a Directors' report, including a strategic report, under company law.

The Watford UTC ("the Academy Trust", "Watford UTC" or "the UTC") operates as an Academy Trust for pupils aged 14 to 19 serving a catchment area in Watford and surrounding areas in North London and West Hertfordshire, with a pupil capacity of 600 and 164 pupils currently enrolled based on the Summer Term 2020 Census.

STRUCTURE, GOVERNANCE AND MANAGEMENT

Constitution

The Watford UTC is a company limited by guarantee and an exempt charity. The charitable company's memorandum and articles of association and the UTC 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, the Meller Educational Trust, Twin Technology, 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 and Trustees from claims arising from negligent acts, errors or omissions occurring whilst on Academy Trust business. The scheme provides cover up to £10,000,000.

Method of Recruitment and Appointment or Election of Trustees

The articles of association provide for the appointment or election of 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 (Twin Technology and 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;

Two Governors appointed by The Meller Educational Trust;

Principal (ex officio).

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TRUSTEES' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 AUGUST 2020

Discretionary categories

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

Where appointed, up to three Co-opted Governors, who are not employees of the UTC, appointed by the Governors who have not themselves been co-opted.

Policies and Procedures Adopted for the Induction and Training of Trustees

Statutory training for 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 and Resources).

The Standards 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 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 Standards Committee meets three times per annum. The Full Board of Governors and Resources Committee meet four times per annum. The Standards Committee reviews standards of learning and teaching. The Resources 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.

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FOR THE YEAR ENDED 31 AUGUST 2020

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 Director, one Senior Assistant Director and one Assistant Director. The Senior Leadership Team controls the UTC at an executive level implementing the policies laid down by the 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 Director, Senior Assistant Director and Assistant Director.

The Acting Principal line manages STEM, Curriculum & Data.

The Director – TTEM - line manages BTEC programmes across the UTC.

The Senior Assistant Director line manages Post 16, SENDCO, Pastoral Support, Business and Photography.

The Assistant Director line manages Teaching & Learning, English, MFL and Media.

Arrangements for Setting Pay and Remuneration of Key Management Personnel

The Meller Educational Trust set the 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.

Related Parties and Other Connected Charities and Organisations

The Meller Educational Trust (MET)

The Meller Educational Trust is currently a member of the UTC as defined in the articles of association. A Service Level Agreement (SLA) between the two parties is in place. This SLA is set at 3% of the UTC GAG. The first payment was made in the financial year 2015/16. This gives the UTC access to financial, specialist teaching, legal compliance, governance and industry connection expertise. Being part of a wider Trust gives Watford UTC access to larger organisation level discount that would not be possible as a stand-alone institution. Examples include "Brilliant Club"; facilities management, catering, cleaning, and student employment opportunities.

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.

OBJECTIVES AND ACTIVITIES

Objects and Aims

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

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

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TRUSTEES' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 AUGUST 2020

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

Vision, mission and values

Our Vision

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

Our Mission

To inspire and nurture the human spirit of each of our students, enabling them to surpass their potential.

To create a Watford UTC campus which is an inspiring environment in active partnership with the University of Hertfordshire, our employer partners and the wider community.

Our Values

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

Objectives, Strategies and Activities

The UTC's Continued Improvement Plan (CIP) for 2019-20 included the following:

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

During the Covid-19 lockdown, we continued with remote education for Year 10 and Year 12 students. This was achieved by staff developing their skills in using Microsoft Teams, distribution of textbooks for core subjects to students to use at home and allocation of laptops for those that did not have their own access to IT at home.

Public Benefit

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

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

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

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TRUSTEES' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 AUGUST 2020

STRATEGIC REPORT

ACHIEVEMENTS AND PERFORMANCE

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

The particular achievements and performance of the Academy Trust during the year ended 31 August 2020 were as follows:

KS4

Headline Figures

Measure	2020
English and Maths Standard Pass or better	56%
English Standard Pass (i.e. grade 4) or better	68%
Maths Standard Pass or better	62%
Students with equivalent of at least 5 "good" GCSE grades including English and Maths	50%
Students with Pass or better in Science	60%
Students with Pass or better in Core & Additional Science	56%

Specialisms

Over 70% of students gained a qualification in one of our specialisms of Computing/IT and Travel & Tourism. 13% of these grades were Distinction or better and 49% were Merit or better. The results substantially exceeded BTEC national performance.

Post 16

Number of students at the end of 16-18 studies: 34

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): 14

Average point score per A level entry expressed as a grade: B/C

Average point score per A level entry: 35.83

Vocational Specialisms Results

Number of students at the end of 16-18 study with a Vocational Specialism entry (for average grade measure): 32

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

Average point score per Vocational entry: 33.85

Due to Government guidance following the Covid-19 lockdown, these results were based on Centre Assessed Grades across the GCSE and A Level qualifications. Much of the Vocational results were based on completed assessed work and examinations already undertaken on those courses.

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 carried forward. At 31 August 2020, the balance of the unrestricted and restricted income reserves was a deficit of £390,864 (2019: deficit of £556,838).

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FOR THE YEAR ENDED 31 AUGUST 2020

As the majority of the Academy Trust's funding is based on pupil numbers, pupil numbers is also a key performance indicator. As noted earlier in this report, pupil numbers at the Summer 2020 census were 164 which is a decrease of 10 from the Summer 2019 census.

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 63.2% (2019: 54.4%), while the percentage of staff costs to total costs (excluding depreciation and LGPS FRS102 pension cost charges) was 67.7% (2019: 69.9%).

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.

During the previous academic year, the Governing Body concluded that it would wish to open entry to the UTC to a wider age range starting at age 11 (Key Stage 3). Following extensive discussions with the Local Education Authority, the Baker Dearing Trust and the Regional Schools Commissioner, amongst others, a formal consultation exercise was launched on 17 September 2018 on a proposal to establish an 11-14 'Academy@WatfordUTC' on the current UTC site as from September 2021. It is anticipated that formal approval for this development will be received from the Secretary of State during 2021.

The Governing Body has also resolved that the UTC should seek to join a Multi Academy Trust (MAT). The Governors are in advanced discussions regarding the transfer of The Watford UTC to a preferred MAT partner and the Governors anticipate that this will take effect during academic year 2020-21. The funding advances expected from the ESFA are anticipated to provide sufficient cash up until this point. The Governors will also continue to scrupulously examine new areas for cost savings for the UTC.

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

The current deficit position and the reliance on ongoing support from the ESFA highlights a material uncertainty in respect of the going concern of The Watford UTC. However, based on the above developments, and with the anticipated ongoing financial support of the ESFA, the Board of Trustees have concluded that the adoption of the going concern basis of preparation in these financial statements remains appropriate.

Finally, the Governors would like to reiterate their absolute commitment to be prudent and pro-active as we go through the process of KS3 extension to the UTC from September 2021, also the due diligence and hopefully a seamless transition and integration into a suitable MAT during academic year 2020-21.

FUNDRAISING

The Academy Trust has not undertaken any material fundraising activities during the year ended 31 August 2020.

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 2020 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.

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TRUSTEES' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 AUGUST 2020

For the year ended 31 August 2020, the Academy Trust's total income (excluding capital grants) was £2,003,422 (2019: £2,547,081) while the total expenditure (excluding depreciation and LGPS FRS102 pension cost charges) was £1,837,448 (2019: £1,923,418), resulting in a net surplus for the year of £165,974 (2019: £623,663).

The net book value of fixed assets at 31 August 2020 were £8,257,436 (2019: £8,493,859). The fixed assets held by the Academy Trust are used exclusively for providing education and associated support services to the pupils of the Academy Trust.

Included within the Academy's balance sheet at year end is a defined benefit pension scheme liability of £127,000 (2019: £197,000), 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 2020 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 2019/20 academic year expenditure. The reason for this is to provide sufficient working capital to cover delays between spending and receipts of grants and to provide a cushion to deal with unexpected emergencies such as urgent maintenance, long term staff absences etc.

The Academy Trust's current level of reserves at 31 August 2020 is £7,765,428 (2019: £7,760,197), of which £125,286 (2019: £113,978) is free unrestricted reserves (that is, total funds less the amount held in total restricted funds). There is a deficit of restricted income funds at the year end of £516,150 (2019: £670,816). To address this deficit the Governors are taken the actions as detailed in the going concern section of this report.

The value of the restricted fixed asset fund at 31 August 2020 is £8,283,292 (2019: £8,514,035), 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 and funds. 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 2020 of £127,000 (2019: £197,000), which represents the deficit in the LGPS at the balance sheet date. The Trustees have noted however that the Government has provided a guarantee that in the event of an Academy closure, any outstanding LGPS liabilities would be met by the Department for Education.

Investment Policy

The 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.

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TRUSTEES' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 AUGUST 2020

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.
- Impact of Covid-19.

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

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

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

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

Overall, Covid-19 did not have a negative financial impact on Watford UTC during this period. There was a reduction in budgeted income from lettings due to lockdown closure. However, catering costs were reduced, cleaning continued as this was already budgeted and funded and allowed the cleaning team to ensure the whole site was subject to a "deep clean" during lockdown. Additionally, energy costs were reduced during lockdown. Any additional costs for educational materials, laptops, sanitiser and additional Health and Safety needs on re-opening have been smaller than the costs savings above.

PLANS FOR FUTURE PERIODS

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

The Academy Trust's plans for future periods are:

The UTC plans to extend entry to KS3 so that full student capacity can be achieved. This is fully supported and endorsed by the Board of Governors and Sponsors. This is a key objective for the UTC and is designed to ensure the financial viability and continued success of the UTC.

The Governors are in advanced discussions regarding the transfer of The Watford UTC to a preferred MAT partner and the Governors anticipate that this will take effect during academic year 2020-21.

The Governing Body and Senior Leadership team will work to ensure the UTC continues to prioritise its objectives and that it is able to attract more students at KS4 and KS5.

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TRUSTEES' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 AUGUST 2020

FUNDS HELD AS CUSTODIAN TRUSTEE ON BEHALF OF OTHERS

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

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

AUDITOR

In so far as the Trustees are aware:

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

The Trustees' Report, incorporating a strategic report, was approved by order of the Board of Trustees, as the company directors, on 23 April 2021 and signed on its behalf by:



Ash Patil
Chair of Trustees

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GOVERNANCE STATEMENT

Scope of responsibility

As Trustees, we acknowledge we have overall responsibility for ensuring that The Watford UTC has an effective and appropriate system of control, financial and otherwise. However, such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can provide only reasonable and not absolute assurance against material misstatement or loss.

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

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

Governance

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

Attendance during the year at meetings of the board of Trustees was as follows:

Trustee	Meetings attended	Out of a possible
Ash Patil, Chair of Trustees	4	4
Chris Andrews	1	4
Richard Elms	1	4
Stephen Hunt	2	4
Ronnie Jacob	4	4
Claire Lish	2	4
Mo Luthra	4	4
Ian Smithson	3	4
Helen Langeveld	2	4
Alex Hall (Clerk)	3	4
Hilda Worth	0	1

The Board of Trustees reviewed the Trust's governance structure during the year to evaluate its impact and effectiveness. The Board of Trustees has a wide range of skills that contribute to the successful governance of the Trust and are satisfied that the current structure in place is appropriate and effective for the Trust.

Although the Board of Trustees has met less than 6 times during the current year, the Trustees are satisfied they have maintained effective financial oversight of the Trust through the separate meetings of the Resources Committee and through the various ongoing discussions with the ESFA during the course of the year.

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GOVERNANCE STATEMENT (CONTINUED)

Governance (continued)

The Resources Committee is a sub-Committee of the main Board of Trustees. Its purpose in relation to finance 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 during the year at meetings was as follows:

Trustee	Meetings attended	Out of a possible
Ash Patil	3	4
Stephen Hunt	0	4
Mo Luthra	3	4
Ronnie Jacob	4	4

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

All scheduled meetings took place during Covid-19 lockdown via Zoom to enable remote meetings.

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

The UTC is committed to raising student attainment. The UTC has in place rigorous tracking of student progress and achievement, with underachievement identified early and focused interventions and individualised care packages put in place as appropriate. The UTC sets itself high targets. The Improvement Plan has set out very clear targets for student achievement with a clear focus on working towards achieving outstanding outcomes. The UTC also tracks attendance and behaviour of all students. The UTC applies a range of strategies to try to ensure that attendance is in line with the national average for the majority of students.

The UTC has an effective targeted continued professional development programme. This programme is delivered centrally by appropriately skilled trained staff. This programme 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.

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GOVERNANCE STATEMENT (CONTINUED)

Review of value for money (continued)

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.

Overall, Covid-19 did not have a negative financial impact on Watford UTC during this period. There was a reduction in budgeted income from lettings due to lockdown closure. However, catering costs were reduced, cleaning continued as this was already budgeted and funded and allowed the cleaning team to ensure the whole site was subject to a "deep clean" during lockdown. Additionally, energy costs were reduced during lockdown. Any additional costs for educational materials, laptops, sanitiser and additional Health and Safety needs on re-opening have been smaller than the costs savings above.

The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives. It can, therefore, only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an on-going process designed to identify and prioritise the risks to the achievement of Academy Trust policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in The Watford UTC for the year 1 September 2019 to 31 August 2020 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 1 September 2019 to 31 August 2020 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 Trustees;
- regular reviews by the Resource Committee of reports which indicate financial performance against the forecasts and of major purchase plans, capital works and expenditure programmes;
- setting targets to measure financial and other performance;
- clearly defined purchasing (asset purchase or capital investment) guidelines;
- delegation of authority and segregation of duties;
- identification and management of risks.

The Board of Trustees has considered the need for a specific internal audit function and has appointed SBS (School Business Services) to perform a program of additional internal reviews and checks.

The reviewer's role includes giving advice on financial matters and performing a range of checks on the Academy Trust's financial systems.

On an annual basis, the reviewer reports to the Board of Trustees through the Resources Committee on the operation of the systems of control and on the discharge of the Trustees' financial responsibilities. The reviewer

THE WATFORD UTC
(A Company Limited by Guarantee)

GOVERNANCE STATEMENT (CONTINUED)

The risk and control framework (continued)

has completed their program of work as planned and while no significant internal control weaknesses were identified from the work completed, the Trustees and management have developed an action plan to continue to strengthen and improve internal controls over the next 12 months.

Review of effectiveness

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

- the work of the reviewer;
- the work of the external auditor;
- the work of the Senior Leadership Team within the UTC who have responsibility for the development and maintenance of the internal control framework.

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

Approved by order of the members of the Board of Trustees on 23 April 2021 and signed on their behalf by:



Ash Patil
Chair of Trustees



Paul Quinn
Accounting Officer

THE WATFORD UTC
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STATEMENT ON REGULARITY, PROPRIETY AND COMPLIANCE

As Accounting Officer of The Watford UTC I have considered my responsibility to notify the Academy Trust board of Trustees and the Education & Skills Funding Agency (ESFA) of material irregularity, impropriety and non-compliance with terms and conditions of all funding received by the Academy Trust, under the funding agreement in place between the Academy Trust and the Secretary of State for Education. As part of my consideration I have had due regard to the requirements of the Academies Financial Handbook 2019.

I confirm that I and the Academy Trust Board of Trustees are able to identify any material irregular or improper use of all funds by the Academy Trust, or material non-compliance with the terms and conditions of funding under the Academy Trust's funding agreement and the Academies Financial Handbook 2019.

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



Paul Quinn
Accounting Officer

Date: 23 April 2021

THE WATFORD UTC
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STATEMENT OF TRUSTEES' RESPONSIBILITIES
FOR THE YEAR ENDED 31 AUGUST 2020

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 then apply them consistently;
- observe the methods and principles of the Charities SORP 2019 and the Academies Accounts Direction 2019 to 2020;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charitable company will continue in business.

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

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

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

Approved by order of the members of the Board of Trustees on 23 April 2021 and signed on its behalf by:



Ash Patil
Chair of Trustees

THE WATFORD UTC
(A Company Limited by Guarantee)

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

Opinion

We have audited the financial statements of The Watford UTC (the 'Academy Trust') for the year ended 31 August 2020 which comprise the Statement of Financial Activities, the Balance Sheet, the Statement of Cash Flows and the related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law, United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland', the Charities SORP 2019 and the Academies Accounts Direction 2019 to 2020 issued by the Education and Skills Funding Agency.

In our opinion the financial statements:

- give a true and fair view of the state of the Academy Trust's affairs as at 31 August 2020 and of its incoming resources and application of resources, including its income and expenditure for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006, the Charities SORP 2019 and the Academies Accounts Direction 2019 to 2020 issued by the Education and Skills Funding Agency.

Basis for opinion

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

Material uncertainty related to going concern

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

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

Other information

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

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

We have nothing to report in this regard.

Opinion on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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

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

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

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

Responsibilities of trustees

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

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

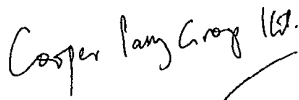
Auditors' responsibilities for the audit of the financial statements

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

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

Use of our report

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



Glen Bott FCA (Senior Statutory Auditor)
for and on behalf of
Cooper Parry Group Limited
Chartered Accountant
Statutory Auditor
Park View

One Central Boulevard
Blythe Valley Park
Solihull
West Midlands
B90 8BG

Date: 29 April 2021

THE WATFORD UTC
(A Company Limited by Guarantee)

**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 29 October 2019 and further to the requirements of the Education and Skills Funding Agency (ESFA) as included in the Academies Accounts Direction 2019 to 2020, we have carried out an engagement to obtain limited assurance about whether the expenditure disbursed and income received by The Watford UTC during the year 1 September 2019 to 31 August 2020 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 ESFA in accordance with the terms of our engagement letter. Our work has been undertaken so that we might state to The Watford UTC and ESFA those matters we are required to state in a report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than The Watford UTC and ESFA, for our work, for this report, or for the conclusion we have formed.

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

The accounting officer is responsible, under the requirements of The Watford UTC's funding agreement with the Secretary of State for Education dated 6 August 2014 and the Academies Financial Handbook, extant from 1 September 2019, 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 2019 to 2020. We report to you whether anything has come to our attention in carrying out our work which suggests that in all material respects, expenditure disbursed and income received during the year 1 September 2019 to 31 August 2020 have not been applied to purposes intended by Parliament or that the financial transactions do not conform to the authorities which govern them.

THE WATFORD UTC
(A Company Limited by Guarantee)

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

Approach

We conducted our engagement in accordance with the Academies Accounts Direction 2019 to 2020 issued by ESFA. We performed a limited assurance engagement as defined in our engagement letter.

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

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

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

The work undertaken to draw our conclusions included:

Reviewing the internal control policies and procedures implemented by the Academy Trust and evaluating their design and effectiveness to understand how the Academy Trust has complied with the framework of authorities;

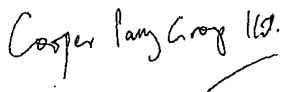
Reviewing the minutes of meetings of the Trustees, relevant sub-committees and other evidence made available to us, relevant to our consideration of regularity;

Enquiries of the Accounting Officer, including reviewing the work undertaken by the Accounting Officer in relation to their Statement on Regularity, Propriety and Compliance; and

Detailed testing of the income and expenditure of the Academy Trust based on our assessment of the risk of material irregularity, impropriety and non-compliance. This work was integrated with our audit of the financial statements where appropriate and included analytical review and detailed substantive testing of transactions.

Conclusion

In the course of our work, nothing has come to our attention which suggest in all material respects the expenditure disbursed and income received during the year 1 September 2019 to 31 August 2020 has not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.



Reporting Accountant
Cooper Parry Group Limited
Chartered Accountant
Statutory Auditor

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

Date: 29 April 2021

THE WATFORD UTC
(A Company Limited by Guarantee)

**STATEMENT OF FINANCIAL ACTIVITIES (INCORPORATING INCOME AND EXPENDITURE ACCOUNT)
FOR THE YEAR ENDED 31 AUGUST 2020**

		Unrestricted funds 2020 £	Restricted funds 2020 £	Restricted fixed asset funds 2020 £	Total funds 2020 £	Total funds 2019 £
	Note					
Income from:						
Donations and capital grants	3	(150)	-	7,364	7,214	89,445
Charitable activities		1,559	1,967,451	-	1,969,010	2,480,305
Other trading activities		34,454	-	-	34,454	66,466
Investments	6	108	-	-	108	99
Total income		35,971	1,967,451	7,364	2,010,786	2,636,315
Expenditure on:						
Charitable activities		24,663	1,860,785	238,107	2,123,556	2,508,927
Total expenditure		24,663	1,860,785	238,107	2,123,555	2,508,927
Net movement in funds before other recognised gains/(losses)		11,308	106,666	(230,743)	(112,769)	127,388
Other recognised gains/(losses):						
Actuarial gains/(losses) on defined benefit pension schemes	22	-	118,000	-	118,000	(91,000)
Net movement in funds		11,308	224,666	(230,743)	5,231	36,388
Reconciliation of funds:						
Total funds brought forward		113,978	(867,816)	8,514,035	7,760,197	7,723,809
Net movement in funds		11,308	224,666	(230,743)	5,231	36,388
Total funds carried forward		125,286	(643,150)	8,283,292	7,765,428	7,760,197

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

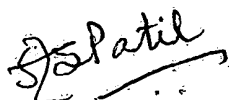
The notes on pages 26 to 48 form part of these financial statements.

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

BALANCE SHEET
AS AT 31 AUGUST 2020

	Note	2020 £	2019 £
Fixed assets			
Tangible assets	13	8,257,436	8,493,859
		<u>8,257,436</u>	<u>8,493,859</u>
Current assets			
Debtors	14	338,959	438,368
Cash at bank and in hand		186,718	115,904
		<u>525,677</u>	<u>554,272</u>
Creditors: amounts falling due within one year	15	(890,685)	(1,090,934)
Net current liabilities		<u>(365,008)</u>	<u>(536,662)</u>
Total assets less current liabilities		<u>7,892,428</u>	<u>7,957,197</u>
Net assets excluding pension liability		<u>7,892,428</u>	<u>7,957,197</u>
Defined benefit pension scheme liability	22	(127,000)	(197,000)
Total net assets		<u><u>7,765,428</u></u>	<u><u>7,760,197</u></u>
Funds of the Academy Trust			
Restricted funds:			
Fixed asset funds	16	8,283,292	8,514,035
Restricted income funds	16	(516,150)	(670,816)
Pension reserve	16	(127,000)	(197,000)
Total restricted funds	16	<u>7,640,142</u>	<u>7,646,219</u>
Unrestricted income funds	16	<u>125,286</u>	<u>113,978</u>
Total funds		<u><u>7,765,428</u></u>	<u><u>7,760,197</u></u>

The financial statements on pages 23 to 48 were approved by the Trustees, and authorised for issue on 23 April 2021 and are signed on their behalf, by:



Ash Patil
Chair of Trustees

The notes on pages 26 to 48 form part of these financial statements.

THE WATFORD UTC
(A Company Limited by Guarantee)

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 AUGUST 2020

	Note	2020 £	2019 £
Cash flows from operating activities:			
Net cash provided by operating activities	18	65,026	73,850
Cash flows from investing activities	19	5,788	37,864
Change in cash and cash equivalents in the year		70,814	111,714
Cash and cash equivalents at the beginning of the year		115,904	4,190
Cash and cash equivalents at the end of the year	20, 21	186,718	115,904

The notes on pages 26 to 48 form part of these financial statements

THE WATFORD UTC
(A Company Limited by Guarantee)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2020

1. Accounting policies

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

1.1 Basis of preparation of financial statements

The financial statements of the Academy Trust, which is a public benefit entity under FRS 102, have been prepared under the historic cost convention in accordance with the Financial Reporting Standard Applicable in the UK and Republic of Ireland (FRS 102), the Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) (Charities SORP (FRS 102)), the Academies Accounts Direction 2019 to 2020 issued by ESFA, the Charities Act 2011 and the Companies Act 2006.

THE WATFORD UTC
(A Company Limited by Guarantee)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2020

1. Accounting policies (continued)

1.2 Going concern

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

As at 31 August 2020 the Watford UTC had a cumulative deficit, excluding pension and fixed asset funds, of £390,864. This includes a liability of £463,457 to the ESFA for recoverable deficit funding.

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 Watford UTC has an agreement with the ESFA regarding the staged repayment of the deficit funding. As part of the recovery plan agreed with the ESFA, the Trustees have agreed that Watford UTC should transfer to a Multi Academy Trust (MAT) as soon as possible. The Trustees are in advanced discussions regarding the transfer of The Watford UTC to a preferred MAT partner. The Watford UTC submits cashflow forecasts to the ESFA on a monthly basis which ensures that sufficient cash is retained to meet the obligations of The Watford UTC. Additional cash support was received from the ESFA during the financial year to ensure that a positive cash position can be maintained. The current forecast indicates that The Watford UTC will maintain sufficient cash levels to meet its obligations for the next financial year 2020-21.

The Board of Trustees have previously concluded that it would wish to open entry to the UTC to a wider age range starting at age 11 (Key Stage 3). Following extensive discussions with the Local Education Authority, the Baker Dearing Trust and the Regional Schools Commissioner, amongst others, a formal consultation exercise was launched on 17 September 2018 on a proposal to establish an 11-14 'Academy@WatfordUTC' on the current UTC site as from September 2021. It is anticipated that formal approval for this development will be received from the Secretary of State during 2021. The Board of Trustees has also previously resolved that The Watford UTC should seek to join a MAT. Discussions with a MAT are ongoing and the Trustees anticipate that this will take effect during the current academic year 2020-21. The funding advances and additional funding expected from the ESFA are anticipated to provide sufficient cash up until this point. The Governors will also continue to scrupulously examine new areas for cost savings for the UTC.

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

The current deficit position and the reliance on ongoing support from the ESFA highlights a material uncertainty in respect of the going concern of The Watford UTC. However, based on the above developments, and with the anticipated ongoing financial support of the ESFA, the Board of Trustees have concluded that the adoption of the going concern basis of preparation in these financial statements remains appropriate.

THE WATFORD UTC
(A Company Limited by Guarantee)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2020

1. Accounting policies (continued)

1.3 Income

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

- **Grants**

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

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

- **Other income**

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

1.4 Expenditure

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

- **Charitable activities**

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

All resources expended are inclusive of irrecoverable VAT.

THE WATFORD UTC
(A Company Limited by Guarantee)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2020

1. Accounting policies (continued)

1.5 Tangible fixed assets

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

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

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

Depreciation is provided on the following bases:

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

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

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

1.6 Liabilities

Liabilities are recognised when there is an obligation at the Balance Sheet date as a result of a past event, it is probable that a transfer of economic benefit will be required in settlement, and the amount of the settlement can be estimated reliably. Liabilities are recognised at the amount that the Academy Trust anticipates it will pay to settle the debt or the amount it has received as advanced payments for the goods or services it must provide.

1.7 Operating leases

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

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

THE WATFORD UTC
(A Company Limited by Guarantee)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2020

1. Accounting policies (continued)

1.8 Financial instruments

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

Financial assets - trade and other debtors are basic financial instruments and are debt instruments measured at amortised cost as detailed in note 14. Prepayments are not financial instruments. Cash at bank is classified as a basic financial instrument and is measured at face value.

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

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

1.9 Taxation

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

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

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1. Accounting policies (continued)

1.10 Pensions

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

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

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

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

1.11 Agency arrangements

The Academy Trust acts as agent in distributing bursary funds from the ESFA. Payments received from the ESFA and subsequent disbursements to students are excluded from the statement of financial activities as the Trust does not have control over the charitable application of the funds. The funds received and any balances held are recognised in note 25.

1.12 Fund accounting

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

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

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

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2. Critical accounting estimates and areas of judgment

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

Critical accounting estimates and assumptions:

The present value of the Local Government Pension Scheme defined benefit liability depends on a number of factors that are determined on an actuarial basis using a variety of assumptions. The assumptions used in determining the net cost or income for pensions include the discount rate. Any changes in these assumptions, which are disclosed in note 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 August 2020. Any differences between the figures derived from the roll forward approach and a full actuarial valuation would impact on the carrying amount of the pension liability.

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

Critical areas of judgment:

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

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

3. Income from donations and capital grants

	Unrestricted funds 2020 £	Restricted fixed asset funds 2020 £	Total funds 2020 £	Total funds 2019 £
Donations	(150)	-	(150)	211
Capital Grants	-	7,364	7,364	89,234
	<u>(150)</u>	<u>7,364</u>	<u>7,214</u>	<u>89,445</u>
Total 2019	<u>211</u>	<u>89,234</u>	<u>89,445</u>	

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4. Funding for the UTC's educational operations

	Unrestricted funds 2020 £	Restricted funds 2020 £	Total funds 2020 £	Total funds 2019 £
DfE/ESFA grants				
General Annual Grant	-	844,646	844,646	953,233
Start up grant	-	42,923	42,923	57,000
Pupil premium	-	28,795	28,795	29,101
Other DfE/EFSA grants	-	1,015,442	1,015,442	1,370,728
		<u>1,931,806</u>	<u>1,931,806</u>	<u>2,410,062</u>
Other Government grants				
Local Authority grants	-	35,645	35,645	62,193
		<u>35,645</u>	<u>35,645</u>	<u>62,193</u>
Other income				
Other income	1,559	-	1,559	8,050
	<u>1,559</u>	<u>1,967,451</u>	<u>1,969,010</u>	<u>2,480,305</u>
Total 2019	<u>8,050</u>	<u>2,472,255</u>	<u>2,480,305</u>	

5. Income from other trading activities

	Unrestricted funds 2020 £	Total funds 2020 £	Total funds 2019 £
Hire of facilities/lettings income	28,735	28,735	49,143
Trip, catering and other income	5,719	5,719	17,323
	<u>34,454</u>	<u>34,454</u>	<u>66,466</u>
Total 2019	<u>66,466</u>	<u>66,466</u>	

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**NOTES TO THE FINANCIAL STATEMENTS
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6. Investment income

	Unrestricted funds 2020 £	Total funds 2020 £	Total funds 2019 £
Bank interest	108	108	99
	<u>108</u>	<u>108</u>	<u>99</u>
Total 2019	<u>99</u>	<u>99</u>	

7. Expenditure

	Staff Costs 2020 £	Premises 2020 £	Other 2020 £	Total 2020 £	Total 2019 £
Expenditure on Educational operations:					
Direct costs	1,083,825	-	76,352	1,160,177	1,170,563
Allocated support costs	160,017	540,389	262,973	963,379	1,338,364
	<u>1,243,842</u>	<u>540,389</u>	<u>339,325</u>	<u>2,123,556</u>	<u>2,508,927</u>
Total 2019	<u>1,370,781</u>	<u>518,910</u>	<u>619,236</u>	<u>2,508,927</u>	

8. Analysis of expenditure by activities

	Activities undertaken directly 2020 £	Support costs 2020 £	Total funds 2020 £	Total funds 2019 £
Expenditure on Educational operations	1,160,177	963,379	2,123,556	2,508,927
	<u>1,160,177</u>	<u>963,379</u>	<u>2,123,556</u>	<u>2,508,927</u>
Total 2019	<u>1,170,563</u>	<u>1,338,364</u>	<u>2,508,927</u>	

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2020**

8. Analysis of expenditure by activities (continued)

Analysis of support costs

	Expenditure on Educational operations 2020 £	Total funds 2020 £	Total funds 2019 £
Pension finance costs	4,000	4,000	3,000
Staff costs	160,017	160,017	256,988
Depreciation	238,107	238,107	555,509
Repairs and maintenance	165,280	165,280	176,215
Rent and rates	317,177	317,177	289,980
Light and heat	57,932	57,932	72,050
Catering	23,172	23,172	30,405
Professional costs	29,365	29,365	39,298
Other support costs	(31,671)	(31,671)	(85,081)
	<u>963,379</u>	<u>963,379</u>	<u>1,338,364</u>
Total 2019	<u>1,338,364</u>	<u>1,338,364</u>	

Included in other support costs is an amount of £139,817 (2019: £198,534) which relates to creditors that were recognised in previous years which have been written-off in the year ended 31 August 2020.

9. Net income/(expenditure)

Net income/(expenditure) for the year includes:

	2020 £	2019 £
Operating lease rentals	233,546	218,120
Depreciation of tangible fixed assets	238,107	555,508
Fees paid to auditors for:		
- audit	8,400	8,000
- other services	4,500	3,750

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10. Staff

a. Staff costs

Staff costs during the year were as follows:

	2020 £	2019 £
Wages and salaries	889,414	1,039,329
Social security costs	91,116	108,954
Pension costs	236,311	183,638
	<u>1,216,841</u>	<u>1,331,921</u>
Agency staff costs	27,001	38,860
	<u>1,243,842</u>	<u>1,370,781</u>

b. Staff numbers

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

	2020 No.	2019 No.
Teachers	14	20
Administration and support	6	8
Management	5	5
	<u>25</u>	<u>33</u>

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NOTES TO THE FINANCIAL STATEMENTS
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10. Staff (continued)

c. Higher paid staff

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

	2020 No.	2019 No.
In the band £60,001 - £70,000	1	1
In the band £80,001 - £90,000	1	1
In the band £90,001 - £100,000	-	1
	<u> </u>	<u> </u>

All of the above employees participated in the Teachers' Pension Scheme and employer contributions for the year amounted to £35,896 (2019: £39,728).

d. 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 employee benefits (including employer pension contributions and employer national insurance contributions) received by key management personnel for their services to the Academy Trust was £392,636 (2019 £441,440).

11. Trustees' remuneration and expenses

During the year, no Trustees received any remuneration or other benefits (2019 - £NIL).

During the year ended 31 August 2020, no Trustee expenses have been incurred (2019 - £NIL).

12. Trustees' and Officers' insurance

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

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13. Tangible fixed assets

	Freehold property £	Long-term leasehold property £	Furniture and equipment £	Computer equipment £	Total £
Cost or valuation					
At 1 September 2019	7,264,998	2,191,218	1,579,045	42,599	11,077,860
Additions	-	-	-	1,684	1,684
At 31 August 2020	<u>7,264,998</u>	<u>2,191,218</u>	<u>1,579,045</u>	<u>44,283</u>	<u>11,079,544</u>
Depreciation					
At 1 September 2019	304,923	695,573	1,574,628	8,877	2,584,001
Charge for the year	156,710	73,041	(654)	9,010	238,107
At 31 August 2020	<u>461,633</u>	<u>768,614</u>	<u>1,573,974</u>	<u>17,887</u>	<u>2,822,108</u>
Net book value					
At 31 August 2020	<u>6,803,365</u>	<u>1,422,604</u>	<u>5,071</u>	<u>26,396</u>	<u>8,257,436</u>
At 31 August 2019	<u>6,960,075</u>	<u>1,495,645</u>	<u>4,417</u>	<u>33,722</u>	<u>8,493,859</u>

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

14. Debtors

	2020 £	2019 £
Trade debtors	-	12,947
Other debtors	311,592	394,070
Prepayments and accrued income	23,431	22,522
Tax recoverable	3,936	8,829
	<u>338,959</u>	<u>438,368</u>

Included within other debtors is an amount of £311,592 (2019: £324,243) that relates to the lease incentive cost funding commitment from the ESFA under the site lease agreement. This will amortise over the remaining term of the lease, which was 24 years at the balance sheet date.

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15. Creditors: Amounts falling due within one year

	2020 £	2019 £
Trade creditors	12,113	33,061
ESFA GAG rebatement	-	30,080
Other taxation and social security	21,960	-
ESFA loan	463,457	667,970
Other creditors	334,188	324,677
Accruals and deferred income	58,967	35,146
	<u>890,685</u>	<u>1,090,934</u>

Included within other creditors is an amount of £311,592 (2019: £324,243) that relates to the lease incentive cost under the site lease agreement. This will amortise over the remaining term of the lease, which was 24 years at the balance sheet date.

The ESFA loan represents the balance of recoverable deficit funding provided by the ESFA to 31 August 2020. There is no interest payable by the Academy Trust on this loan funding.

Included within accruals and deferred income is deferred income of £19,398 (2019: £35,146) which relates to lease rental funding from the ESFA received in advance at the year end.

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**NOTES TO THE FINANCIAL STATEMENTS
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16. Statement of funds

	Balance at 1 September 2019 £	Income £	Expenditure £	Gains/ (Losses) £	Balance at 31 August 2020 £
Unrestricted funds					
General funds	113,978	35,971	(24,663)	-	125,286
Restricted general funds					
General Annual Grant (GAG)	(670,816)	844,646	(689,980)	-	(516,150)
Start Up Grant	-	42,923	(42,923)	-	-
Pupil Premium	-	28,795	(28,795)	-	-
Other DfE/ESFA grants	-	1,015,442	(1,015,442)	-	-
Local Authority grants	-	35,645	(35,645)	-	-
Pension reserve	(197,000)	-	(48,000)	118,000	(127,000)
	<u>(867,816)</u>	<u>1,967,451</u>	<u>(1,860,785)</u>	<u>118,000</u>	<u>(643,150)</u>
Restricted fixed asset funds					
Fixed assets	8,514,035	7,364	(238,107)	-	8,283,292
Total Restricted funds	<u>7,646,219</u>	<u>1,974,815</u>	<u>(2,098,892)</u>	<u>118,000</u>	<u>7,640,142</u>
Total funds	<u><u>7,760,197</u></u>	<u><u>2,010,786</u></u>	<u><u>(2,123,555)</u></u>	<u><u>118,000</u></u>	<u><u>7,765,428</u></u>

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

Restricted fixed asset fund

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

Restricted funds

The General Annual Grant funding must be used for the normal running costs of the Academy Trust in line with its funding Agreement. Under the funding agreement with the Secretary of State, the Academy Trust was not subject to a limit on the amount of GAG that it could carry forward at 31 August 2020.

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

The pension reserve represents the Local Government Pension Scheme deficit.

The Academy Trust is carrying a net deficit of £516,150 on restricted general funds (excluding the pension reserve fund). The Academy Trust has submitted a recovery plan to the ESFA to restructure the educational activities undertaken by the Academy Trust and improve performance in the long term.

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

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

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

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17. Analysis of net assets between funds

Analysis of net assets between funds - current period

	Unrestricted funds 2020 £	Restricted funds 2020 £	Restricted fixed asset funds 2020 £	Total funds 2020 £
Tangible fixed assets	-	-	8,257,436	8,257,436
Current assets	125,286	374,535	25,856	525,677
Creditors due within one year	-	(890,685)	-	(890,685)
Provisions for liabilities and charges	-	(127,000)	-	(127,000)
Total	125,286	(643,150)	8,283,292	7,765,428

Analysis of net assets between funds - prior period

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

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**NOTES TO THE FINANCIAL STATEMENTS
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18. Reconciliation of net (expenditure)/income to net cash flow from operating activities

	2020 £	2019 £
Net (expenditure)/income for the period (as per Statement of Financial Activities)	(112,769)	127,388
Adjustments for:		
Depreciation	238,107	555,509
Capital grants from DfE and other capital income	(7,364)	(89,234)
Interest receivable	(108)	(99)
Defined benefit pension scheme cost less contributions payable	44,000	27,000
Defined benefit pension scheme finance cost	4,000	3,000
Decrease/(increase) in debtors	411,002	(51,712)
Decrease in creditors	(511,842)	(498,002)
Net cash provided by operating activities	65,026	73,850

19. Cash flows from investing activities

	2020 £	2019 £
Dividends, interest and rents from investments	108	99
Purchase of tangible fixed assets	(1,684)	(51,469)
Capital grants from DfE Group	7,364	89,234
Net cash provided by investing activities	5,788	37,864

20. Analysis of cash and cash equivalents

	2020 £	2019 £
Cash in hand	186,718	115,904
Total cash and cash equivalents	186,718	115,904

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21. Analysis of changes in net debt

	At 1 September 2019 £	Cash flows £	At 31 August 2020 £
Cash at bank and in hand	115,904	70,814	186,718
	<u>115,904</u>	<u>70,814</u>	<u>186,718</u>

22. Pension commitments

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 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 full-time 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 the 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.

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NOTES TO THE FINANCIAL STATEMENTS
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22. Pension commitments (continued)

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 2019. 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 employer's pension costs paid to TPS in the year amounted to £168,311 (2019 - £130,638)

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

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

Local Government Pension Scheme

The LGPS is a funded defined benefit pension scheme, with the assets held in separate trustee-administered funds. The total contribution made for the year ended 31 August 2020 was £33,000 (2019 - £36,000), of which employer's contributions totalled £24,000 (2019 - £26,000) and employees' contributions totalled £ 9,000 (2019 - £10,000). The agreed contribution rates for future years are 19.0 per cent for employers and 5.5 to 12.5 per cent for employees.

As described in note the LGPS obligation relates to the employees of the Academy Trust, who were the employees transferred as part of the conversion from the maintained school and new employees who were eligible to, and did, join the Scheme in the year. The obligation in respect of employees who transferred on conversion represents their cumulative service at both the predecessor school and the Academy Trust at the balance sheet date.

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

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22. Pension commitments (continued)

Principal actuarial assumptions

	2020 %	2019 %
Rate of increase in salaries	2.6	2.4
Rate of increase for pensions in payment/inflation	2.2	2.3
Discount rate for scheme liabilities	1.7	1.9
Inflation assumption (CPI)	2.2	2.3

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

	2020 Years	2019 Years
Retiring today		
Males	21.9	21.5
Females	24.1	23.7
Retiring in 20 years		
Males	22.8	22.3
Females	25.5	25.0

Sensitivity analysis

	2020 £000	2019 £000
Discount rate -0.5%	55	81
Pension rate +0.5%	54	80

Share of scheme assets

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

	2020 £'000	2019 £'000
Equities	122,000	92
Bonds	81,000	73
Property	21,000	15
Cash and other liquid assets	7,000	8
Total market value of assets	231,000	188

The actual return on scheme assets was £10,000 (2019 - £13,000).

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22. Pension commitments (continued)

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

	2020 £	2019 £
Current service cost	(68,000)	(53,000)
Interest income	4,000	4,000
Interest cost	(8,000)	(7,000)
Total amount recognised in the Statement of Financial Activities	(72,000)	(56,000)

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

	2020 £	2019 £
At 1 September	385,000	215,000
Current service cost	68,000	53,000
Interest cost	8,000	7,000
Employee contributions	9,000	10,000
Actuarial Gain/Loss	(112,000)	100,000
At 31 August	358,000	385,000

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

	2020 £	2019 £
At 1 September	188,000	139,000
Interest income	4,000	4,000
Actuarial gains	6,000	9,000
Employer contributions	24,000	26,000
Employee contributions	9,000	10,000
At 31 August	231,000	188,000

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23. Operating lease commitments

At 31 August 2020 the Academy Trust had commitments to make future minimum lease payments under non-cancellable operating leases as follows:

	2020 £	2019 £
Not later than 1 year	237,373	226,208
Later than 1 year and not later than 5 years	949,492	904,832
Later than 5 years	4,450,744	4,467,608
	<u>5,637,609</u>	<u>5,598,648</u>

24. Members' liability

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

25. Agency arrangements

The Academy Trust distributes 16-19 bursary funds to students as an agent for the ESFA. In the year ended 31 August 2020 the Trust received £8,475 (2019: £9,841) and distributed £8,475 (2019: £9,841). There are no amounts carried forward at the year end that are repayable to the ESFA (2019: £Nil).

26. 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. All transactions involving such organisations are conducted in accordance with the requirements of the Academies Financial Handbook, including notifying the ESFA of all transactions made on or after 1 April 2019 and obtaining their approval where required, and with the Academy Trust's financial regulations and normal procurement procedures relating to connected and related party transactions.

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

The Meller Educational Trust ("MET") one of the Academy Trust's sponsors. During the year ended 31 August 2020, the Academy Trust incurred charges for management services provided by MET of £nil (2019: £35,422). At the year end, an amount of £Nil (2019: £2,952) was payable to MET. In entering into these transactions, the Academy Trust has complied with the requirements of the Academies Financial Handbook 2019, including the "at cost" requirements.