

# REGISTRAR OF COMPANIES

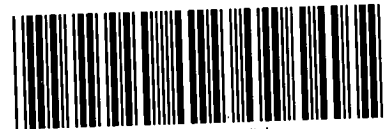
## The Watford UTC

### Annual Report and Financial Statements

31 August 2018

Company Limited by Guarantee  
Registration Number  
08599329 (England and Wales)

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## Reference and administrative information

<b>Members</b>	The Meller Educational Trust UH Holdings Limited Ralph Trustees Ltd
<b>Governors</b>	Ash Patil, Chair Sir Leigh Lewis, Vice Chair Emma Loveland, Principal Chris Andrews Kate Bearman Richard Elms Stephen Hunt Ronnie Jacob Celeste Jones Claire Lish Mo Luthra Malcolm Peattie Ian Smithson
<b>Company Secretary</b>	Alex Hall
<b>Senior Leadership Team</b>	
Principal	Emma Loveland
Associate Principal	Paul Quinn
Director	Lorraine Davenport
Senior Assistant Director	Lisa Williams
Assistant Director	Andree Quidder
<b>Registered address</b>	18 Colonial Way Watford WD24 4PT
<b>Company registration number</b>	08599329
<b>Auditor</b>	Buzzacott LLP 130 Wood Street London EC2V 6DL
<b>Bankers</b>	Lloyds Bank 67 High Street Watford Herts WD17 2DU

## Reference and administrative information

<b>Solicitors</b>	Veale Wasbrough Vizards Barnards Inn 86 Fetter Lane London United Kingdom EC4A 1AD
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## **Governors' report Year to 31 August 2018**

The Governors of The Watford UTC ('the UTC') present their annual report together with the financial statements and the auditor's reports of the charitable company for the year 1 September 2017 to 31 August 2018. The annual report serves the purposes of both a Governors' report and a directors' report under company law.

The financial statements have been prepared in accordance with the accounting policies set out on pages 32 to 36 of the attached financial statements and comply with the UTC's memorandum and articles of association, applicable laws and Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland (FRS 102).

### **ACADEMIC ACHIEVEMENT AND FUTURE DEVELOPMENTS**

Following its first Ofsted inspection in March 2017, which rated the UTC as 'good' both overall and in each of the five categories inspected, the UTC has continued to provide a high quality of education to its students. During the year to 31 August 2018:

- All students who left Watford UTC went on to employment, further or higher education or apprenticeships.
- Our Progress 8 measure was much improved compared to 2017 and indicated students made expected progress since joining us in Year 10.
- All results in our Vocational Specialisms were well above National performance figures.

At the same time, despite intensive marketing, the UTC has continued to operate with a total student population considerably below its intended capacity, due in large measure to the inherent difficulty of attracting students at age 14 in an area where almost all of the UTC's neighbouring schools operate an age 11-18 entry. Following extensive deliberation, and after considerable discussion with the Local Education Authority, the Department for Education, the Baker Dearing Trust and other key partners, the Governors unanimously resolved to initiate the process of seeking the Secretary of State's agreement to establish an age 11-14 Academy as part of the overall Watford UTC located on the UTC's existing campus.

That process is currently underway and, following a period of formal consultation, the Governors anticipate making formal application to the Secretary of State early in 2019 for agreement to the new 11-14 Academy being established as from September 2020.

The Governing Body also considered during 2017-18, in parallel to the developments set out above, the desirability of the UTC formally applying to become part of a Multi Academy Trust (MAT). Whilst extremely grateful for all of the assistance provided to the UTC by the Meller Educational Trust since its inception, the Governing Body decided to explore possible alternative choices. The Governing Body anticipates that this process will result in the UTC becoming part of a Multi Academy Trust during 2018-19.

## **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, Toshiba Information Systems, Ralph Trustees Limited and Hilton UK Hotels 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 cease to be a member.

### **Principal activities**

The principal activities of the UTC are in the field of education, managing a UTC. The first cohort of students joined the UTC in September 2014.

### **Governors' indemnities**

In accordance with normal commercial practice the UTC has purchased insurance to protect Governors and officers from claims arising from negligent acts, errors or omissions occurring whilst on UTC business. The insurance provides cover up to £10,000,000 on any one claim and the cost for the year ended 31 August 2018 was included within the overall insurance cost.

## STRUCTURE, GOVERNANCE AND MANAGEMENT (continued)

### Governors

The Governors are directors of the charitable company for the purposes of the Companies Act 2006. The following Governors were in office at 31 August 2018 and served throughout the year except where shown.

Governor	Appointed/Resigned	Method of Appointment
Emma Loveland		Principal
Ashok Patil (Chair)		Twin Technology Limited
Ian Smithson		Co-opted
Malcolm Peattie		Co-opted
Mo Luthra		Co-opted
Claire Lish		Parent governor
Chris Andrews		Ralph Trustees Limited
Celeste Jones		UH Holdings Limited
Richard Elms		The Meller Educational Trust
Kate Bearman		The Meller Educational Trust
Sir Leigh Lewis		Co-opted
Stephen Hunt	Appointed 01/09/2017	UH Holdings Limited
Robert Zajko	Resigned 09/03/2018	Hilton UK Hotels Limited

### Method of recruitment and appointment or election of Governors

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 (Toshiba Information Systems, Hilton UK Hotels Limited, 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).

### 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.

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

### **Policies and procedures adopted for the induction and training of Governors**

Statutory training for Governors is in place. The latest DfE Governor handbook was circulated to Governors when released in autumn 2014 and all updates have been shared with governors. Further induction and training policies were formalised during the 2017/18 academic year.

All new Governors visit the UTC and have a 1:1 meeting with the Principal and Associate Principal that focuses on understanding our data. They also meet with the Chair of 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; and
- ◆ 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.



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

### **Organisational structure (continued)**

The 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.

The Principal has full executive control and is responsible for the day-to-day running of the UTC, and is assisted by a Senior Leadership Team consisting of an Associate Principal, one Director, one Senior Assistant Director and one Assistant Director. The Senior Leadership Team controls the UTC at an executive level implementing the policies laid down by the 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. The Principal and Associate Principal meet fortnightly to ensure strategic direction of the UTC.

### **Accountability**

The Principal line manages the Associate Principal, Director, Senior Assistant Director and Assistant Director.

The Associate Principal line manages STEM, Curriculum & Data.

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

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

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

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

**Deployment of teachers during the year to 31 August 2018**

Teacher	Timetabled Teaching Sessions – max 34
Principal	8
Associate Principal	11
Senior Assistant Director	16
Director – TTEM	16
Assistant Director	17
Maths (0.6)	14
Computing	20
Science	17
English	22
Media	23
Physics/Science (Trainee)	16
Further Maths (0.2)	6
Maths 2 (0.4)	8
French (0.6)	14
Spanish	13
Photography (0.6)	14
Business	20
IT 1	21
IT 2	20
Electronics/Science/Technician (Trainee)	13

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

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

**Connected organisations, including related party relationships**

***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.

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

### **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.

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 AND ACTIVITIES** (continued)

The UTC's Continued Improvement Plan (CIP) for 2017-18 included the following:

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

**Public Benefit**

The Governors have complied with their duty to have due regard to the guidance on public benefit published by the Charity Commission in exercising their powers or duties.

The activities undertaken to further the 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).

## **STRATEGIC REPORT**

### **Achievements and performance**

#### ***Review of activities***

There were 177 students on roll for Academic Year 2017-18.

#### ***Key Performance Indicators***

#### **KS4**

DfE Provisional Progress 8 Score: - 0.47 - floor targets met.

#### **Headline Figures**

<b><u>Measure</u></b>	<b><u>2018</u></b>	<b><u>National</u></b>
English and Maths Standard Pass or Better	45%	63.3%
English Standard Pass (i.e. grade 4) or Better	65%	74.8%
Maths Standard Pass or Better	59%	68.6%
Students with Pass or better in Science	50%	63.8%

#### **Specialisms**

Over 90% of students gained a qualification in one of our specialisms of Computing/IT and Travel & Tourism. 14% of these grades were Distinction or better and 35% were Merit or better. The results substantially exceeded BTEC national performance.

#### **Post 16**

Number of students at the end of 16-18 studies: 50

#### **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): 27

Average point score per A level entry expressed as a grade: D

Average point score per A level entry: 20.69

#### **Applied general cohort and results**

Number of students at the end of 16-18 study with an applied general exam entry (for average grade measure): 49

Average point score per applied general entry expressed as a vocational grade: Distinction

#### **English and maths progress measure**

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

Average progress made in English: 0.81

Number of students at the end of 16-18 study in scope for maths progress measure: 10

Average progress made in maths: 0.44

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

**STRATEGIC REPORT** (continued)

**Achievements and performance** (continued)

**Review of activities** (continued)

**Key Performance Indicators** (continued)

**Absence Figures**

Absence	KS4	Post 16	Persistent Absence (<90% Attendance)
2017-18	10.3%	7.9%	26.8%
2016-17	8.9%	6.3%	23.0%
2015-16	8.75%	5.7%	27.3%
National (2015/16)	5.2% (11-16) 5.9% (KS4)	8.7%	13.1%

## **STRATEGIC REPORT (continued)**

### **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.

As noted above, during this 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@Watford UTC' on the current UTC site as from September 2020.

It is anticipated that formal approval for this development will be sought from the Secretary of State in early 2019.

As also noted above, the Governing Body has also resolved that the UTC should seek to join a Multi Academy Trust (MAT). The Governors anticipate that this will take effect on or before 1 September 2019. 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.

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

Finally, the Governors would like to reiterate their absolute commitment to be prudent and pro-active as we go through the process of KS3 extension to the UTC from September 2020, also the due diligence and hopefully a seamless transition and integration into a suitable MAT from September 2019.

### **Financial review**

#### ***Financial report for the period***

The UTC's total income for the year ended 31 August 2018 amounted to £2.096m (2017: £1.948m).

The UTC held total fund balances of £7.723m at 31 August 2018 (2017: £8.392m) which is represented by the net book value of tangible fixed assets of £8.998m (2017: £9.543m), a surplus on unrestricted reserves of £71,671 (2017: £12,082) and a deficit on restricted general funds of £1.346m (2017: deficit of £1.162m) which included the pension liability of £76,000 (2017: £90,000).

**STRATEGIC REPORT** (continued)

**Financial review** (continued)

Total expenditure for the period was £2.805m (2017: £3.115m), of which £2.797m related to educational operations (2017: £3.060m).

The results for the period are shown on page 29.

**Reserves policy**

The UTC's reserves policy is to carry forward a prudent level of resources designed to meet the long-term cyclical needs of renewal and any other unforeseen contingencies. At 31 August 2018, the UTC was carrying a deficit on its restricted general fund of £1.27m. The intention is to reduce the deficit on the general fund by joining a MAT and benefiting from the financial savings that will bring as well as expanding the age range to include KS3 therefore increasing its GAG in line with increased student numbers.

**Investment policy**

The Governors' investment powers are governed by the articles of association, which permit the UTC's funds, not immediately required, to be invested in furtherance of its objects after obtaining expert financial advice. The UTC did not engage in any investment of surplus funds during the year under review.

**PRINCIPAL RISKS AND UNCERTAINTIES**

During this period the key risks were as follows:

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

The UTC had planned for a higher level of student numbers in the first, second and third academic 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.



**PRINCIPAL RISKS AND UNCERTAINTIES** (continued)

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

**PLANS FOR FUTURE PERIODS**

As noted above, the UTC plans to extend entry to KS3 so that full student capacity can be achieved. This is fully supported and endorsed by the Board of 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 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.

**PROVISION OF INFORMATION TO AUDITOR**

In so far as the Governors are aware:

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

Governors' report, incorporating a strategic report, approved by order of the members of the Board of Governors and signed on its behalf by:



A. Patil  
Chair of Governors

Date: 24 December 2018

## Governance statement Year to 31 August 2018

### Scope of responsibility

As Governors, 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 minimise and manage rather than eliminate the risk of failure to achieve business objectives, and can provide only reasonable and not absolute assurance against material misstatement or loss.

The Board of Governors have delegated the executive authority and the day-to-day responsibility of running the UTC to the Principal, as Accounting Officer, for ensuring financial controls conform with the requirements of both propriety and prudent financial management and in accordance with the requirements and responsibilities assigned to it in the funding agreement between the Academy and the Secretary of State for Education. The Principal is also responsible for reporting to the Board of Governors any material weaknesses or breakdowns in internal control as soon as these occur or become potentially likely.

### Governance

The information on governance included here supplements that described in the Governors' report and in the statement of Governors' responsibilities. The full Board of Governors has formally met four times during the year. Attendance during the year at meetings of the Board of Governors was as follows:

Governor	Meetings attended	Out of a possible
Emma Loveland	4	4
Ashok Patil	4	4
Ian Smithson	2	4
Malcolm Peattie	3	4
Mo Luthra	3	4
Claire Lish	3	4
Chris Andrews	2	4
Celeste Jones	2	4
Richard Elms	3	4
Kate Beaman	4	4
Sir Leigh Lewis	4	4
Stephen Hunt	4	4
Robert Zajko	-	3

## Governance statement Year to 31 August 2018

### Governance (continued)

The Resources Committee is a sub-committee of the main Board of Governors. 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.

During the year, the Resources Committee has met regularly as a sub-committee of the main Governing Body. Attendance at meetings in the year was as follows:

Governor	Meetings attended	Out of a possible
Ash Patil	4	4
Emma Loveland	4	4
Malcolm Peattie	4	4
Mo Luthra	4	4
Sir Leigh Lewis	4	4
Kate Beaman	2	4

The Standards Committee is a sub-committee of the main Board of Governors.

Governor	Meetings attended	Out of a possible
Ash Patil	3	3
Emma Loveland	3	3
Ian Smithson	2	3
Stephen Hunt	2	3
Richard Elms	1	3

### Governance reviews

The Governors provided a range of appropriate expertise and skills to ensure that the Governing Body could provide a strategic lead in 2017/18.

Key issues discussed during the year included: the Principal's termly report; regular reports on the progress of the UTC building; management accounts; the financial strategy; the corporate risk register; a review of the Scheme of Delegation; Termly Governance updates, both school and external governance related, were reported from the Clerk to the Governing Body.

The Governing Body considered the UTC Improvement Plan, the Attendance Focus Programme and safeguarding issues, in addition to regular reporting from the Principal and Associate Principal on both curriculum and non-curriculum issues.

## Governance statement Year to 31 August 2018

### Governance reviews (continued)

The Governors also reviewed the composition of the governing body.

As the UTC develops, the Governors continue to search for the correct skills balance. In addition the structure of meetings is systematically reviewed and the committee structure has been streamlined. This has led to more efficient use of time and clearer remit thus enabling decision making to be more effectively implemented.

### Review of value for money

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

The Accounting Officer considers how the UTC's use of its resources has provided good value for money during the academic year, and reports to the Board of Governors where value for money can be improved, including the use on benchmarking data where available. The Accounting Officer for the UTC has delivered and strived to ensure 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, and providing support to other schools and academies.

## **Governance statement Year to 31 August 2018**

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

- ♦ The links that the UTC has with business and charities has enabled groups of students to benefit from a wide range of learning activities and morale raising events. To that end, students have benefited from high quality work experience opportunities at The Grove, Cisco and Fortnum & Mason as well as managing high-end events at The Great Barn and running a travel agency in collaboration with Baway Travel. These opportunities have enabled students to display and develop skills.

The work of the UTC has been guided at all times by the principles of best value, namely:

- ♦ The allocation of resources to best promote the aims and values of the UTC.
- ♦ The targeting of resources to best improve standards and the quality of provision.
- ♦ The use of resources to support the various educational needs of all students.

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

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives. It can, therefore, only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an on-going process designed to identify and prioritise the risks to the achievement of the UTC 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 UTC for the period 1 September 2017 to 31 August 2018 and up to the date of approval of the annual report and financial statements.

### **Capacity to handle risk**

The Board of Governors 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 Governors is of the view that there is a formal on-going process for identifying, evaluating and managing the UTC's significant risks that has been in place for the period 1 September 2017 to 31 August 2018 and up to the date of approval of the annual report and financial statements. This process is regularly reviewed by the Board of Governors.

### **The risk and control framework**

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

- ♦ Comprehensive budgeting and monitoring systems with an annual budget and periodic financial reports which are reviewed and agreed by the Board of Governors.
- ♦ Regular reviews by the Resources Committee of reports which indicate financial performance against the forecasts and of major purchases plans and expenditure programmes.
- ♦ Delegation of authority and segregation of duties.

## Governance statement Year to 31 August 2018

### The risk and control framework (continued)

The Board of Governors has considered the need for a specific internal audit function and appointed SBS (Schools Business Services) to review the UTC. The Governors also appointed Buzzacott, the external auditor, to perform additional checks.

During the year ended 31 August 2018, there has been continued improvement in the financial management systems from the previous year.

The Governors acknowledge that there are issues that need addressing with some of the systems of financial control pertaining to:

- ♦ creditor and VAT reconciliations;
- ♦ authorisation and retention of documents; and
- ♦ internal assurance reviews.

Given the UTC's restricted cash flow and limited cash reserves, there was one occasion in the year of an overnight, overdrawn position on the bank account. This was covered by an overnight loan from the Meller Educational Trust to ensure that the bank account itself did not become overdrawn. This was due to timing delays on the clearance of receipts and payment. The UTC does not have, or use, any overdraft arrangements. As a result, management have introduced tighter cash monitoring procedures to avoid future occurrences.

### Review of effectiveness

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

- ♦ the work of the internal reviewer
- ♦ the work of the external auditor;
- ♦ the financial management and governance self-assessment process; and
- ♦ 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 their review of the system of internal control by the Resources Committee and a plan to address weaknesses and ensure continuous improvement of the system is in place.

Approved by order of the Board of Governors and signed on their behalf by:



A. Patil  
(Chair of Governors)



E. Loveland  
(Accounting Officer)

Date: 24 December 2018

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

As Accounting Officer of The Watford UTC, I have considered my responsibility to notify the Board of Governors and the Education & Skills Funding Agency (ESFA) of material irregularity, impropriety and non-compliance with ESFA terms and conditions of funding received by the UTC, under the funding agreement in place between the UTC and the Secretary of State. As part of my consideration I have had due regard to the requirements of the Academies Financial Handbook 2017.

I confirm that I and the Board of Governors are able to identify any material irregular or improper use of all funds by UTC, or material non-compliance with the terms and conditions of funding under the UTC's funding agreement and the Academies Financial Handbook 2017.

Other than the issues highlighted within the Governance Statement in relation to financial management and governance arrangements at the UTC, which were not to the level required by the Academies Financial Handbook during the year, I confirm that no instances of material irregularity, impropriety or funding non-compliance have been discovered to date. If any instances are identified after the date of this statement, these will be notified to the Governing Board and the ESFA.



E. Loveland  
Accounting Officer

Date: 24 December 2018

## Statement of Governors' responsibilities 31 August 2018

The Governors (who act as trustees of the UTC and are also the directors of the UTC for the purposes of company law) are responsible for preparing the Governors' report and the financial statements in accordance with the Annual Accounts Direction issued by the Education and Skills Funding Agency, United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) and applicable law and regulations.


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

- ◆ select suitable accounting policies and then apply them consistently;
- ◆ observe the methods and principles in the Charities' SORP 2015 and the Academies Accounts Direction 2017 to 2018;
- ◆ make judgments and estimates that are reasonable and prudent;
- ◆ state whether applicable United Kingdom Accounting Standards (FRS 102) have been followed, subject to any material departures disclosed and explained in the financial statements; and
- ◆ prepare the financial statements on the going concern basis unless it is inappropriate to presume that the UTC will continue in operation.

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

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

The Governors are responsible for the maintenance and integrity of the corporate and financial information included on the UTC's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions. Approved by order of the Board of Governors and signed on its behalf by:

  
A. Patil  
Chair of Governors

Date: 24 December 2018



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

**Opinion**

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

In our opinion, the financial statements:

- ♦ give a true and fair view of the state of the charitable company's affairs as at 31 August 2018 and of its income and expenditure for the year then ended;
- ♦ have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- ♦ have been prepared in accordance with the requirements of the Companies Act 2006; and
- ♦ have been prepared in accordance with the Charities SORP 2015 and Academies Accounts Direction 2017 to 2018.

**Basis for opinion**

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

**Material uncertainty related to going concern**

The financial statements for the year ended 31 August 2018 have been prepared by the Governors on a going concern basis. In light of the net current liabilities of £1.198m which existed at 31 August 2018, we have considered the adequacy of the disclosures made by the Governors pertaining to the application of the going concern assumption in the preparation of these financial statements and their assessment of the associated uncertainties.

**Conclusions relating to going concern (continued)**

Details of the circumstances relating to the Governors' assessment of the going concern position is disclosed on page 13 of the Governors' report, and as part of the principal accounting policies on page 33. We bring these disclosures to the attention of the members in light of the balance sheet position as at 31 August 2018. Our opinion is not modified in respect of this matter.

**Other information**

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

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

We have nothing to report in this regard.

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

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

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

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

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

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

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

**Responsibilities of Governors**

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

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

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

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

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

**Auditor's responsibilities for the audit of the financial statements (continued)**

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

**Use of our report**

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



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

Date: 24 December 2018

**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 14 November 2014 and further to the requirements of the Education and Skills Funding Agency (ESFA) as included in the Academies Accounts Direction 2017 to 2018, we have carried out an engagement to obtain limited assurance about whether the expenditure disbursed and income received by The Watford UTC during the period from 1 September 2017 to 31 August 2018 have been applied to the purposes identified by Parliament and the financial transactions conform to the authorities which govern them.

This report is made solely to The Watford UTC and the ESFA in accordance with the terms of our engagement letter. Our work has been undertaken so that we might state to The Watford UTC and the ESFA those matters we are required to state in a report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than The Watford UTC and the ESFA, for our work, for this report, or for the conclusion we have formed.

**Respective responsibilities of The 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 2017, 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 2017 to 2018. We report to you whether anything has come to our attention in carrying out our work which suggests that in all material respects, expenditure disbursed and income received during the period from 1 September 2017 to 31 August 2018 have not been applied to purposes intended by Parliament or that the financial transactions do not conform to the authorities which govern them.

**Approach**

We conducted our engagement in accordance with the Academies Accounts Direction 2017 to 2018 issued by the ESFA. We performed a limited assurance engagement as defined in our engagement letter.

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

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

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

**Approach (continued)**

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

The work undertaken to draw to our conclusion includes:

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

**Conclusion**

Other than the issues highlighted within the Governance Statement in relation to financial management and governance arrangements at the UTC which were not the level required by the Academies Financial Handbook during the year, in the course of our work, nothing else has come to our attention which suggests that in all material respects the expenditure disbursed and income received during the period from 1 September 2017 to 31 August 2018 has not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.



Buzzacott LLP  
Chartered Accountants  
130 Wood Street  
London  
EC2V 6DL

Date: 24 December 2018

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


			Restricted funds		Year ended 31 August 2018 Total funds £	Year ended 31 August 2017 Total funds £
	Notes	Un- restricted funds £	General £	Fixed assets fund £		
<b>Income from:</b>						
Donations and capital grants	1	—	—	76,497	<b>76,497</b>	—
Charitable activities						
· Funding for the UTC's educational operations	4	—	1,951,656	—	<b>1,951,656</b>	1,873,670
Other trading activities	2	67,716	—	—	<b>67,716</b>	74,056
Investments	3	—	—	—	—	57
<b>Total income</b>		<b>67,716</b>	<b>1,951,656</b>	<b>76,497</b>	<b>2,095,869</b>	<b>1,947,783</b>
<b>Expenditure on:</b>						
Raising funds	5	8,127	—	—	<b>8,127</b>	54,513
Charitable activities						
· UTC's educational operations	6	—	2,175,300	621,354	<b>2,796,654</b>	3,060,874
<b>Total expenditure</b>		<b>8,127</b>	<b>2,175,300</b>	<b>621,354</b>	<b>2,804,781</b>	<b>3,115,387</b>
<b>Net income/(expenditure)</b>		<b>59,589</b>	<b>(223,644)</b>	<b>(544,857)</b>	<b>(708,912)</b>	<b>(1,167,604)</b>
<b>Other recognised gains/(losses)</b>						
Actuarial gains on defined benefit pension schemes	19	—	40,000	—	<b>40,000</b>	25,000
<b>Net movement in funds</b>		<b>59,589</b>	<b>(183,644)</b>	<b>(544,857)</b>	<b>(668,912)</b>	<b>(1,142,604)</b>
<b>Reconciliation of funds</b>						
Total fund balances brought forward at 1 September 2017		12,082	(1,162,117)	9,542,756	<b>8,392,721</b>	9,535,325
<b>Total fund balances carried forward at 31 August 2018</b>		<b>71,671</b>	<b>(1,345,761)</b>	<b>8,997,899</b>	<b>7,723,809</b>	<b>8,392,721</b>

All the UTC's activities are derived from continuing operations.

# Balance sheet 31 August 2018

	Notes	2018 £	2018 £	2017 £	2017 £
<b>Fixed assets</b>					
Tangible fixed assets	11		8,997,899		9,542,756
<b>Current assets</b>					
Debtors	12	386,656		453,574	
Cash at bank and in hand		4,190		6,917	
		<u>390,846</u>		<u>460,491</u>	
<b>Liabilities</b>					
Creditors: amounts falling due within one year	13	(1,588,936)		(1,520,526)	
<b>Net current liabilities</b>			<u>(1,198,090)</u>		<u>(1,060,035)</u>
<b>Net assets excluding pension liability</b>			7,799,809		8,482,721
Pension scheme liability	19		<u>(76,000)</u>		<u>(90,000)</u>
<b>Total net assets</b>			<u>7,723,809</u>		<u>8,392,721</u>
<b>Restricted funds</b>					
Fixed assets fund	14		8,997,899		9,542,756
Restricted income fund	14		<u>(1,269,761)</u>		<u>(1,072,117)</u>
Pension reserve	14		<u>(76,000)</u>		<u>(90,000)</u>
<b>Total restricted funds</b>			<u>7,652,138</u>		<u>8,380,639</u>
<b>Unrestricted income funds</b>					
General funds	14		<u>71,671</u>		<u>12,082</u>
<b>Total funds</b>			<u>7,723,809</u>		<u>8,392,721</u>

The financial statements were approved by the Governors and are signed on their behalf by:

  
A. PATIL

Chair of Governors

The Watford UTC  
Company Limited by Guarantee  
Registration Number: 08599329 (England and Wales)

Date: 24 December 2018



**Statement of cash flows Year to 31 August 2018**

		2018 £	2017 £
<b>Net cash flow from operating activities</b>			
Net cash (used in) provided by operating activities	A	(79,224)	4,189
<b>Cash flows from investing activities</b>	B	76,497	57
<b>Change in cash and cash equivalents in the year</b>		<u>(2,727)</u>	<u>4,246</u>
<b>Reconciliation of net cash flow to movement in net funds:</b>			
Cash and cash equivalents at 1 September 2017		6,917	2,671
Cash and cash equivalents at 31 August 2018	C	<u>4,190</u>	<u>6,917</u>

**A Reconciliation of net (expenditure) income to net cash flow from operating activities**

	2018 £	2017 £
<b>Net (expenditure) income for the year (as per the statement of financial activities)</b>	(708,912)	(1,167,604)
<b>Adjusted for:</b>		
Depreciation charges (note 11)	544,857	544,857
Capital grants from DfE and other capital income	(76,497)	—
Interest receivable (note 3)	—	(57)
Defined benefit pension scheme cost less contributions payable (note 19)	23,000	39,000
Defined benefit pension scheme finance cost (note 19)	3,000	2,000
Decrease in debtors	66,918	10,617
Increase in creditors	68,410	575,376
<b>Net cash (used in) provided by operating activities</b>	<u>(79,224)</u>	<u>4,189</u>

**B Cash flows from investing activities**

	2018 £	2017 £
Interest receivable	—	57
Capital grants from DfE/ESFA	76,497	—
<b>Net cash provided by investing activities</b>	<u>76,497</u>	<u>57</u>

**C Analysis of cash and cash equivalents**

	2018 £	2017 £
Cash at bank and in hand	4,190	6,917
<b>Total cash and cash equivalents</b>	<u>4,190</u>	<u>6,917</u>

**Statement of accounting policies**

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

**Basis of preparation**

The financial statements of the UTC have been prepared under the historical cost convention in accordance with the Financial Reporting Standard Applicable in the UK and Republic of Ireland (FRS 102), the Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) (Charities SORP (FRS 102)), the Academies Accounts Direction 2017 to 2018 issued by ESFA, the Charities Act 2011 and the Companies Act 2006.

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

The financial statements are presented in UK Sterling, the UTC's functional currency.

**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.

As noted in the Governors' report, during this 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@Watford UTC' on the current UTC site as from September 2020. It is anticipated that formal approval for this development will be sought from the Secretary of State in early 2019.

The Governing Body has also resolved that the UTC should seek to join a Multi Academy Trust (MAT). The Governors anticipate that this will take effect on or before 1 September 2019. 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.

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

**Income**

All income is recognised when the UTC has entitlement to the funds, the receipt is probable and the amount can be measured reliably.

**Grants**

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

The General Annual Grant is recognised in full in the statement of financial activities in the year for which it is receivable and any abatement in respect of the period is deducted from income and recognised as a liability.

**Other income**

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

**Expenditure**

Expenditure is recognised once there is a legal or constructive obligation to transfer economic benefit to a third party, it is probable that a transfer of economic benefits will be required in settlement and the amount of the obligation can be measured reliably. 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.

**Expenditure on raising funds**

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

**Charitable activities**

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

All expenditure is stated net of recoverable VAT.

**Tangible fixed assets**

Assets are capitalised as tangible fixed assets and are carried at cost, net of depreciation and any provision for impairment.

**Tangible fixed assets (continued)**

Where tangible fixed assets have been acquired with the aid of specific grants, either from the government or from the private sector, they are included in the balance sheet at cost and depreciated over their expected useful economic life. The related grants are credited to a restricted fixed asset fund in the statement of financial activities and carried forward in the balance sheet. Depreciation on such assets is charged to the restricted fixed asset fund in the statement of financial activities so as to reduce the fund over the useful economic life of the related asset on a basis consistent with the UTC's depreciation policy.

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

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

Depreciation is charged from the month of acquisition.

Assets in the course of construction are included at cost. Depreciation on these assets is not charged until they are brought into use.

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

**Liabilities**

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

**Leased assets**

Rentals payable under operating leases are charged against income on a straight-line basis over the lease term. Benefits received and receivable as an incentive to enter into an operating lease are also spread on a straight-line basis over the lease period.

**Financial instruments**

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

**Financial instruments (continued)**

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

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

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

**Taxation**

The UTC is considered to pass the tests set out in Paragraph 1 Schedule 6 of the Finance Act 2010 and therefore it meets the definition of a charitable company for UK corporation tax purposes. Accordingly, the UTC is potentially exempt from taxation in respect of income or capital gains received within categories covered by Chapter 3 Part 11 of the Corporation Tax Act 2010 or Section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied exclusively to charitable purposes.

**Pensions benefits**

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

The TPS is an unfunded scheme and contributions are calculated so as to spread the cost of pensions over employees' working lives with the UTC in such a way that the pension cost is a substantially level percentage of current and future pensionable payroll. The contributions are determined by the Government Actuary on the basis of quadrennial valuations using a prospective unit credit method. As stated in note 19, the TPS is a multi-employer scheme and there is insufficient information available to use defined benefit accounting. The TPS is therefore treated as a defined contribution scheme for accounting purposes and the contributions recognised in the period to which they relate.

The LGPS is a funded scheme and the assets are held separately from those of the UTC in separate trustee administered funds. Pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis using the projected unit credit method and discounted at a rate equivalent to the current rate of return on a high quality corporate bond of equivalent term and currency to the liabilities. The actuarial valuations are obtained at least triennially and are updated at each balance sheet date. The amounts charged to operating surplus are the current service costs and the costs of scheme introductions, benefit changes, settlements and curtailments.

**Pensions benefits (continued)**

They are included as part of staff costs as incurred. Net interest on the net defined benefit liability is also recognised in the statement of financial activities and comprises the interest cost on the defined benefit obligation and interest income on the scheme assets, calculated by multiplying the fair value of the scheme assets at the beginning of the period by the rate used to discount the benefit obligations. The difference between the interest income on the scheme assets and the actual return on the scheme assets is recognised in other recognised gains and losses.

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

**Fund accounting**

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

Restricted fixed asset funds are resources which are to be applied to specific capital purposes imposed by the Education and Skills Funding Agency, Department for Education or other funders where the asset acquired or created is held for a specific purpose.

Restricted general funds comprise all other grants received from the Education and Skills Funding Agency.

**Critical accounting estimates and areas of judgement**

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

***Critical accounting estimates and assumptions***

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

The present value of the Local Government Pension Scheme defined benefit liability depends on a number of factors that are determined on an actuarial basis using a variety of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions, which are disclosed in note 18, will impact the carrying amount of the pension liability. Furthermore a roll forward approach which projects results from the latest full actuarial valuation performed at 31 March 2016 has been used by the actuary in valuing the pensions liability at 31 August 2018. Any differences between the figures derived from the roll forward approach and a full actuarial valuation would impact on the carrying amount of the pension liability.

Notes to the Financial Statements Year to 31 August 2018

**1 Donations and capital grants**

	Unrestricted funds £	Restricted funds £	Restricted fixed assets funds £	2018 Total funds £	2017 Total funds £
Capital grants	—	—	76,497	76,497	—
	—	—	76,497	76,497	—

**2 Other trading activities**

	Unrestricted funds £	Restricted funds £	2018 Total funds £	2017 Total funds £
Hire of facilities/lettings income	52,614	—	52,614	61,973
Trip, catering and other income	15,102	—	15,102	12,083
	67,716	—	67,716	74,056

**3 Investment income**

	Unrestricted funds £	Restricted funds £	2018 Total funds £	2017 Total funds £
Interest receivable	—	—	—	57
	—	—	—	57

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

	Unrestricted funds £	Restricted funds £	2018 Total funds £	2017 Total funds £
<b>DfE / ESFA grants</b>				
General Annual Grant (GAG)	—	1,162,054	1,162,054	1,154,105
Start Up Grants	—	124,549	124,549	226,039
Pupil Premium	—	18,310	18,310	13,611
Other DfE/ESFA grants	—	642,255	642,255	479,915
	—	1,947,168	1,947,168	1,873,670
<b>Other Government grants</b>				
Local authority grants	—	4,488	4,488	—
	—	4,488	4,488	—
2018 total funds	—	1,951,656	1,951,656	1,873,670

# Notes to the Financial Statements Year to 31 August 2018

## 5 Expenditure

	Staff costs £	Non pay expenditure		2018 Total funds £	2017 Total funds £
		Premises £	Other costs £		
Expenditure on raising funds					
· Direct costs	—	—	8,127	8,127	54,513
· Support costs	—	—	—	—	—
UTC educational operations					
· Direct costs	1,222,676	544,857	113,981	1,881,514	1,787,448
· Support costs (note 6)	223,061	600,011	92,048	915,140	1,273,426
	<u>1,445,737</u>	<u>1,144,868</u>	<u>214,176</u>	<u>2,804,781</u>	<u>3,115,387</u>
<b>Net expenditure for the year includes:</b>					
Operating lease rentals				225,230	240,593
Depreciation				544,857	544,857
Fees payable to auditor					
· Audit				8,750	8,500
· Other audit services				1,550	1,000
· Other services				5,225	6,020

## 6 Charitable activities – UTC's educational operations

	2018 Total funds £	2017 Total funds £
Direct costs	1,881,514	1,787,448
Support costs (see below)	915,140	1,273,426
	<u>2,796,654</u>	<u>3,115,387</u>

Analysis of support costs	2018 Total funds £	2017 Total funds £
Support staff costs	223,061	302,250
Technology costs	31,521	43,956
Premises costs	600,011	607,507
Other support costs	42,422	301,813
Governance costs	18,125	17,900
<b>Total support costs</b>	<u>915,140</u>	<u>1,273,426</u>



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

### 7 Comparative information

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

	Restricted funds		Year ended 31 August 2017
	Un-restricted funds	General	Fixed assets fund
	£	£	£
<b>Income from:</b>			
Charitable activities			
· Funding for the UTC's educational operations	—	1,873,670	—
Other trading activities	74,056	—	—
Investments	57	—	—
<b>Total income</b>	<b>74,113</b>	<b>1,873,670</b>	<b>—</b>
<b>Expenditure on:</b>			
Raising funds	54,513	—	—
Charitable activities			
· UTC's educational operations	—	2,516,017	544,857
<b>Total expenditure</b>	<b>54,513</b>	<b>2,516,017</b>	<b>544,857</b>
<b>Net income/(expenditure)</b>	<b>19,600</b>	<b>(642,347)</b>	<b>(544,857)</b>
<b>Transfers between funds</b>	<b>(31,623)</b>	<b>31,623</b>	<b>—</b>
<b>Other recognised gains/(losses)</b>			
Actuarial gains on defined benefit pension schemes	—	25,000	—
<b>Net movement in funds</b>	<b>(12,023)</b>	<b>(585,724)</b>	<b>(544,857)</b>
<b>Reconciliation of funds</b>			
Total fund balances brought forward at 1 September 2016	24,105	(576,393)	10,087,613
<b>Total fund balances carried forward at 31 August 2017</b>	<b>12,082</b>	<b>(1,162,117)</b>	<b>9,542,756</b>

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

### 8 Staff

#### (a) Staff costs

Staff costs during the period were:

	2018 Total funds £	2017 Total funds £
Wages and salaries	1,091,621	1,028,544
Social security costs	114,407	106,992
Pension costs	167,472	198,663
	<b>1,373,500</b>	<b>1,334,199</b>
Supply staff costs	72,237	84,688
	<b>1,445,737</b>	<b>1,418,887</b>

#### (b) Staff numbers

The average number of persons (including the senior management team) employed by the charitable company during the year ended 31 August 2018 was as follows:

Charitable activities	2018 Number	2017 Number
Teachers	18	17
Administration and support	8	9
Management	5	5
	<b>31</b>	<b>31</b>

#### (c) Higher paid staff

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

Charitable activities	2018 Number	2017 Number
£60,001 - £70,000	1	1
£80,001 - £90,000	1	1
£90,001 - £100,000	1	—
£100,001 - £110,000	—	1

All of the above employees participated in the Teachers' Pension Scheme and employer contributions for the year amounted to £29,312 (2017: £40,490).

**8 Staff (continued)**

**(d) Key management personnel**

The key management personnel of the UTC comprise the Governors and the senior leadership team as listed on page 1. The total amount of employee benefits (including employer pension contributions) received by key management personnel for their services to the UTC was £455,892 (2017: £403,000).

**9 Governors' remuneration and expenses**

The Principal is also a Governor. She receives remuneration in respect of services provided undertaking the role as Principal under contracts of employment and not in respect of services as Governor. Other Governors did not receive any payments from the UTC in respect of their role as Governors. Two Governors are appointed by The Meller Educational Trust and are remunerated by the Trust as employees of the Trust and not the UTC. The value of staff Governors' remuneration and other benefits was as follows:

	2018 £'000	2017 £'000
Emma Loveland (Principal and Governor)		
Remuneration	90-95	100 - 105
Employer's pension contributions	10-15	15 - 20

Expenses incurred by Emma Loveland for her role as Principal of £20,826 (2017: £13,274) were reimbursed during the year.

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

Related party transactions involving Governors are set out in note 20.

**10 Governors' and Officers' Insurance**

In accordance with normal commercial practice the UTC has purchased insurance to protect Governors and officers from claims arising from negligent acts, errors or omissions occurring whilst on UTC business. The insurance provides cover up to £10,000,000 on any one claim and the cost for the year ended 31 August 2018 was included within the overall insurance cost.

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

### 11 Tangible fixed assets

	Freehold land and buildings £	Leasehold improve- ments £	Furniture and equipment £	Total funds £
<b>Cost</b>				
At 1 September 2017	7,264,998	2,191,218	1,570,175	11,026,391
At 31 August 2018	7,264,998	2,191,218	1,570,175	11,026,391
<b>Depreciation</b>				
At 1 September 2017	182,954	358,041	942,640	1,483,635
Charge in year	60,984	168,766	315,107	544,857
At 31 August 2018	243,938	526,807	1,257,747	2,028,492
<b>Net book value</b>				
At 31 August 2018	7,021,060	1,664,411	312,428	8,997,899
At 31 August 2017	7,082,044	1,833,177	627,535	9,542,756

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 is under a 30 year lease. 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 the ESFA will meet the annual rental payments.

### 12 Debtors

	2018 £	2017 £
Trade debtors	7,559	17,174
VAT recoverable	6,530	52,811
ESFA lease funding commitment	339,243	353,634
Other debtors	9,063	7,117
Prepayments and accrued income	24,261	22,838
	<b>386,656</b>	<b>453,574</b>

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

	2018 £	2017 £
Bank overdraft	—	10,049
Trade creditors	261,332	315,960
Taxation and social security	25,016	27,078
ESFA creditor: abatement of GAG	165,407	165,407
ESFA loan	442,970	330,000
ESFA creditor: working capital to fund VAT	132,292	132,292
Other creditors	426,393	437,624
Accruals and deferred income	135,526	102,116
	<b>1,588,936</b>	<b>1,520,526</b>
Included within 'other creditors' are:		
Lease incentives	339,243	353,634
<b>Deferred income (included above)</b>		
Deferred income at 1 September 2017	34,333	62,339
Released during the year	(34,333)	(62,339)
Resources deferred in the year	34,333	34,333
Deferred income at 31 August 2018	<b>34,333</b>	<b>34,333</b>

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

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

Deferred income relates to Rates and Rent Funding received in advance.

The lease incentive creditor will amortise over the remaining term of the lease, which was 27 years at the balance sheet date.

The bank overdraft at 31 August 2018 was unsecured.

### 14 Funds

	Balance at 1 September 2017 £	Income £	Expenditure £	Gains, losses and transfers £	Balance at 31 August 2018 £
<b>Restricted general funds</b>					
General Annual Grant (GAG)	(1,072,117)	1,162,054	(1,364,186)	—	(1,274,249)
Start Up Grant	—	124,549	(124,549)	—	—
Pupil Premium	—	18,310	(18,310)	—	—
Other grants	—	642,255	(642,255)	—	—
Pension reserve	(90,000)	—	(26,000)	40,000	(76,000)
	<u>(1,162,117)</u>	<u>1,947,168</u>	<u>(2,175,300)</u>	<u>40,000</u>	<u>(1,350,249)</u>
<b>Other restricted funds</b>					
Local authority grants	—	4,488	—	—	4,488
Other restricted funds	—	—	—	—	—
	<u>—</u>	<u>4,488</u>	<u>—</u>	<u>—</u>	<u>4,488</u>
<b>Total restricted funds</b>	<u>(1,162,117)</u>	<u>1,951,656</u>	<u>(2,175,300)</u>	<u>40,000</u>	<u>(1,345,761)</u>
<b>Restricted fixed asset funds</b>					
DfE/ESFA capital grants	9,542,756	76,497	(621,354)	—	8,997,899
	<u>9,542,756</u>	<u>76,497</u>	<u>(621,354)</u>	<u>—</u>	<u>8,997,899</u>
<b>Unrestricted funds</b>					
General funds	12,082	67,716	(8,127)	—	71,671
<b>Total unrestricted funds</b>	<u>12,082</u>	<u>67,716</u>	<u>(8,127)</u>	<u>—</u>	<u>71,671</u>
<b>Total funds</b>	<u>8,392,721</u>	<u>2,095,869</u>	<u>(2,804,781)</u>	<u>40,000</u>	<u>7,723,809</u>

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

#### **Fixed asset fund**

This represents the fixed assets of the UTC.

#### **ESFA revenue grant fund**

##### *General Annual Grant (GAG)*

Under the funding agreement with the Secretary of State, the UTC was not subject to a limit on the amount of GAG that it could carry forward at 31 August 2018.

**14 Funds (continued)****ESFA revenue grant fund (continued)****General Annual Grant (GAG) (continued)**

The UTC is carrying a net deficit of £1,240,640 on restricted general funds (excluding the pension reserve deficit of £76,000). The UTC has submitted a business plan to the ESFA to restructure the educational activities undertaken by the UTC and improve financial performance in the long term.

**Comparative information**

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

	Balance at 1 September 2016 £	Income £	Expenditure £	Gains, losses and transfers £	Balance at 31 August 2017 £
<b>Restricted general funds</b>					
General Annual Grant (GAG)	(502,393)	1,154,105	(1,755,452)	31,623	(1,072,117)
Start Up Grant	—	226,039	(226,039)	—	—
Pupil Premium	—	13,611	(13,611)	—	—
Other grants	—	479,915	(479,915)	—	—
Pension reserve	(74,000)	—	(41,000)	25,000	(90,000)
	<u>(576,393)</u>	<u>1,873,670</u>	<u>(2,516,017)</u>	<u>56,623</u>	<u>(1,162,117)</u>
<b>Total restricted funds</b>	<u>(576,393)</u>	<u>1,873,670</u>	<u>(2,516,017)</u>	<u>56,623</u>	<u>(1,162,117)</u>
<b>Restricted fixed asset funds</b>					
DfE/ESFA capital grants	10,087,613	—	(544,857)	—	9,542,756
	<u>10,087,613</u>	<u>—</u>	<u>(544,857)</u>	<u>—</u>	<u>9,542,756</u>
<b>Unrestricted funds</b>					
General funds	24,105	74,113	(54,513)	(31,623)	12,082
<b>Total unrestricted funds</b>	<u>24,105</u>	<u>74,113</u>	<u>(54,513)</u>	<u>(31,623)</u>	<u>12,082</u>
<b>Total funds</b>	<u>9,535,325</u>	<u>1,947,783</u>	<u>(3,115,387)</u>	<u>25,000</u>	<u>8,392,721</u>

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

### 14 Funds (continued)

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

	Balance at 1 September 2016 £	Income £	Expenditure £	Gains, losses and transfers £	Balance at 31 August 2018 £
<b>Restricted general funds</b>					
General Annual Grant (GAG)	(502,393)	2,316,159	(3,119,638)	31,623	(1,274,249)
Start Up Grant	—	350,588	(350,588)	—	—
Pupil Premium	—	31,921	(31,921)	—	—
Other grants	—	1,122,170	(1,122,170)	—	—
Pension reserve	(74,000)	—	(67,000)	65,000	(76,000)
	<u>(576,393)</u>	<u>3,820,838</u>	<u>(4,691,317)</u>	<u>96,623</u>	<u>(1,345,761)</u>
<b>Other restricted funds</b>					
Local authority grants	—	4,488	—	—	4,488
Other restricted funds	—	—	—	—	—
	<u>—</u>	<u>4,488</u>	<u>—</u>	<u>—</u>	<u>4,488</u>
<b>Total restricted funds</b>	<u>(576,393)</u>	<u>3,825,326</u>	<u>(4,691,317)</u>	<u>96,623</u>	<u>(1,345,761)</u>
<b>Restricted fixed asset funds</b>					
DfE/ESFA capital grants	10,087,613	76,497	(1,166,211)	—	8,997,899
	<u>10,087,613</u>	<u>76,497</u>	<u>(1,166,211)</u>	<u>—</u>	<u>8,997,899</u>
<b>Unrestricted funds</b>					
General funds	24,105	141,829	(62,640)	(31,623)	71,671
<b>Total unrestricted funds</b>	<u>24,105</u>	<u>141,829</u>	<u>(62,640)</u>	<u>(31,523)</u>	<u>71,671</u>
<b>Total funds</b>	<u>9,535,325</u>	<u>4,043,652</u>	<u>(5,920,168)</u>	<u>65,000</u>	<u>7,723,809</u>

### 15 Analysis of net assets between funds

	Unrestricted funds £	Restricted general funds £	Restricted fixed asset fund £	Total 2018 £
<b>Fund balances at 31 August 2018 are represented by:</b>				
Tangible fixed assets	—	—	8,997,899	8,997,899
Current assets	71,671	319,175	—	390,846
Current liabilities	—	(1,588,936)	—	(1,588,936)
Pension scheme liability	—	(76,000)	—	(76,000)
<b>Total net assets</b>	<u>71,671</u>	<u>(1,345,761)</u>	<u>8,997,899</u>	<u>7,723,809</u>

### 16 Capital commitments

	2018 £	2017 £
Contracted for, but not provided in the financial statements	—	—

## 17 Commitments under operating leases

### *Operating leases*

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

	2018 £	2017 £
Amounts due within one year	218,120	218,120
Amounts due between two and five years inclusive	635,580	635,580
Amounts due after five years	4,377,530	4,595,650
	<b>5,321,230</b>	<b>5,449,350</b>

## 18 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.

## 19 Pension and similar obligations

The UTC 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 2012 and of the LGPS 31 March 2016.

Contributions of £12,402 were payable to the schemes at 31 August 2018 (2017: £21,808).

### *Teachers' Pension Scheme*

#### *Introduction*

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 and, from 1 January 2007, automatic for teachers in part-time employment following appointment or a change of contract, although they are able to opt out.

The TPS is an unfunded scheme and members contribute on a 'pay as you go' basis – these contributions along with those made by employers are credited to the Exchequer. Retirement and other pension benefits are paid by public funds provided by Parliament.



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

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

- ♦ employer contribution rates set at 16.48% of pensionable pay (including a 0.08% employer administration charge);
- ♦ total scheme liabilities (pensions currently in payment and the estimated cost of future benefits) for service to the effective date of £191,500 million, and notional assets (estimated future contributions together with the notional investments held at the valuation date) of £176,600 million giving a notional past service deficit of £14,900 million;
- ♦ an employer cost cap of 10.9% of pensionable pay will be applied to future valuations;
- ♦ the assumed real rate of return is 3.0% in excess of prices and 2% in excess of earnings. The rate of real earnings growth is assumed to be 2.75%. The assumed nominal rate of return is 5.06%.

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

The employer's pension costs paid to TPS in the year amounted to £128,603 (2017: £135,633).

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

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

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

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

The LGPS is a funded defined benefit scheme, with the assets held in separate trustee administered funds. The total contribution made for the year ended 31 August 2018 was £22,000 of which employer's contributions totalled £16,000 and employees' contributions totalled £6,000. The estimated contribution rate for 2019 is approximately £16,000.

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.

<b>Principal Actuarial Assumptions</b>	<b>At 31 August 2018</b>	<b>At 31 August 2017</b>
Rate of increase in salaries	2.4%	2.5%
Rate of increase for pensions in payment / inflation	2.3%	2.4%
Discount rate for scheme liabilities	2.8%	2.5%
Inflation assumption (CPI)	2.3%	2.5%

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

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

<b>Sensitivity analysis: approximate monetary amount</b>	<b>At 31 August 2018 £'000</b>	<b>At 31 August 2017 £'000</b>
Discount rate -0.5%	45	41
Salary rate - +0.5%	—	—
Pension rate +0.5%	45	41

Notes to the Financial Statements Year to 31 August 2018

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

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

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

	Fair value at 31 August 2018 £'000	Fair value at 31 August 2017 £'000
Equities	74	72
Bonds	49	28
Property	11	8
Cash and other liquid assets	5	2
<b>Total market value of assets</b>	<b>139</b>	<b>110</b>
<b>Present value of scheme liabilities</b>		
Funded	(215)	(200)
<b>Deficit in the scheme</b>	<b>(76)</b>	<b>(90)</b>

The actual return on scheme assets was £7,000 (2017: £6,000).

	2018 £'000	2017 £'000
<b>Amounts recognised in statement of financial activities</b>		
Current service cost	(23)	(39)
Interest income	3	2
Interest cost	(6)	(4)
<b>Total amount recognised in the SOFA</b>	<b>(26)</b>	<b>(41)</b>

<b>Changes in the present value of defined benefit obligations were as follows:</b>	2018 £'000	2017 £'000
At 1 September 2017	200	145
Current service cost	39	63
Interest cost	6	4
Employee contributions	6	9
Actuarial (gain)/loss	(36)	(21)
<b>At 31 August 2018</b>	<b>215</b>	<b>200</b>

<b>Changes in the fair value of the UTC's share of scheme assets:</b>	2018 £'000	2017 £'000
At 1 September 2017	110	71
Interest income	3	2
Actuarial gain	4	4
Employer contributions	16	24
Employee contributions	6	9
<b>At 31 August 2018</b>	<b>139</b>	<b>110</b>

**20. Related party transactions**

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

The following related party transactions took place:

- a) During the year The Watford UTC received recharged salary payments of £2,600 (2017: £4,803) from The Meller Educational Trust ("MET").
- b) During the year The Watford UTC made payments to MET totalling £85,592 (2017: £81,729) in respect of management charges.
- c) At 31 August 2018 MET owed £nil to The Watford UTC (2017: £nil).
- d) The UTC made payments of £8,800 to "Bland to Brand", an entity in which a Governor, Mo Luthra, has an interest (2017: £9,150).