



**THE CHALLENGE ACADEMY TRUST  
ANNUAL REPORT AND  
FINANCIAL STATEMENTS**

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FOR THE YEAR ENDED 31 AUGUST 2018

**THE CHALLENGE ACADEMY TRUST**  
**FINANCIAL STATEMENTS**  
**Year ended 31 August 2018**

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**THE CHALLENGE ACADEMY TRUST**  
**REFERENCE AND ADMINISTRATIVE DETAILS**

<b>Members</b>	Professor S Broomhead A Cannell (resigned 12 September 2018) J Griffiths (Chester Diocesan Board of Education Representative) D Mowat S Whatmore
<b>Trustees</b>	M Grant (CEO & Accounting Officer of TCAT, Principal of Priestley College) J Griffiths P Hinds (resigned 17 September 2018) G Johnson T Macormac M Mellor MBE J Monaghan N Pearson H Platt DL (Chair) S Titchard L Waterson S Whatmore S Yates
<b>Central Executive Team</b>	M Grant, CEO of TCAT and Principal of Priestley College V Briggs, Headteacher - Great Sankey Primary School J Carlin, Headteacher - Penketh High School A Grace, Headteacher - Penketh South Primary School T Long, Headteacher - Bridgewater High School & Director of Learning at TCAT A Moorcroft, Headteacher - Beamont Collegiate Academy & Director of School Improvement at TCAT B Scott-Herron, Headteacher - Sir Thomas Boteler Church of England High School
<b>Senior Managers</b>	D McGuire ACA – Director of Finance A Laing – Operations Lead
<b>Company Name</b>	The Challenge Academy Trust
<b>Principal and Registered Office</b>	Priestley College, Loushers Lane, Warrington, WA4 6RD
<b>Company Registration Number</b>	10689247 (England and Wales)
<b>Independent Auditor</b>	Murray Smith LLP Darland House 44 Winnington Hill Northwich Cheshire CW8 1AU
<b>Bankers</b>	Lloyds Bank plc Horsemarket Street Warrington WA1 1TP
<b>Solicitors</b>	Browne Jacobson 14 <sup>th</sup> Floor, No. 1 Spinningfields 1 Hardman Square Manchester M3 3EB

**THE CHALLENGE ACADEMY TRUST**  
**TRUSTEES REPORT**  
**Year ended 31 August 2018**

The trustees present their report together with the financial statements and auditor's report of the charitable company for the year to 31 August 2018. The annual report serves the purposes of both a trustees' report and a directors' report under company law.

The trust operates 2 primary, 4 secondary and 1 16-19 academies in Warrington. The trust currently has capacity for 525 primary students, 4,425 secondary students and approximately 2100 16 - 19 students.

## **STRUCTURE, GOVERNANCE AND MANAGEMENT**

### **Constitution**

The academy trust is a company limited by guarantee and an exempt charity. The charitable company's memorandum and articles of association are the primary governing documents of the academy trust. The trustees of The Challenge Academy Trust are also the directors of the charitable company for the purposes of company law. The charitable company is known as TCAT. The academies within the Trust operate under their own name which are: Beamont Collegiate Academy, Bridgewater High School, Great Sankey Primary School, Penketh High School, Penketh South Community Primary School, Priestley College and Sir Thomas Boteler Church of England High School.

Details of the trustees who served during the year are included in the Reference and Administrative Details on page 2.

### **Members' Liability**

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

### **Trustees' Indemnities**

The Trust through its Articles indemnified its Trustees to the fullest extent permissible by law. During the period the Trust also purchased and maintained liability insurance for its Trustees.

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

The Board of Trustees has no maximum but must have a minimum of 3 trustees. Members can appoint 6 Trustees and the Chester Diocesan Board of Education, in agreement with the Liverpool Diocesan Board of Education, may appoint two trustees as long as it does not exceed 25% of total trustees. The Chief Executive Officer is automatically appointed as a Trustee. Parent trustees may be appointed if there is no provision for Parent representation at the Local Governing Board level. Co-opted trustees may be appointed for a term not exceeding 4 years by the Trustees. Members take into consideration the skills and experience required by the Trust and seek to match those requirements when considering an appointment.

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

All new trustees go through a process of induction with the Chair, CEO and Clerk to the Governing Body. Training and access to governor resources are provided throughout the year.

### **Organisational Structure**

The members are responsible for agreeing the strategic aims and the finances of the Trust. Through a scheme of delegation, the Trust Board is responsible for four key areas – Strategy & Leadership, Education, Curriculum & Standards and Financial Management, Human Resources & Operations

**THE CHALLENGE ACADEMY TRUST**  
**TRUSTEES REPORT (continued)**  
**Year ended 31 August 2018**

and Remuneration Committee. Four committees exist to help the Trust Board with this oversight. The Local Governing Boards, through its scheme of delegation, oversee budgetary control, learning standards, exclusions, human resources etc. Through another scheme of delegation, the Central Executive Team (CET), made up of the CEO and the Principals/Headteachers of the founding academies concentrate on school improvement and human resources. Each academy has a Principal/Headteacher and a management team that the Local Governing Boards have agreed through its oversight of human resources and budgetary management.

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

All staff are subject to their appropriate national pay and conditions depending upon their role. Within this, the Trust has established a joint consultative committee with all unions represented within the Trust. The CET meet with the committee regularly. The CET take note of national awards and, based upon budgetary constraints, make recommendations to the Trust Board. All staff are subject to annual performance related appraisals which also influence final individual pay awards.

Leadership pay is based upon performance targets set by the relevant bodies. A remuneration committee has been established to oversee the pay recommendations for all members of the Central Executive Team, Director of Finance and Operations Lead. They are also represented on the CEO's Performance Review Panel and make the final decision regarding remuneration for the CEO of the Trust.

**Trade union facility time**

Under the provisions of the Trade Union (Facility Time Publication Requirements) Regulations 2017, where an academy trust has more than 49 full time equivalent employees throughout any 7 months with the reporting period, it must include information included in Schedule 2 of the Regulations.

**Relevant union officials**

Number of employees who were relevant union officials during the relevant period      Full-time equivalent employee number

16

14.1

**Percentage of time spent on facility time**

Percentage of time	Number of employees
0%	8
1% - 50%	7
51% - 99%	-
100%	1

**Percentage of pay bill spent on facility time**

Total cost of facility time	£13,632
Total pay bill	£27,725,505
Percentage of the total pay bill spent on facility time	0.05%

**Paid trade union activities**

Time spent on paid trade union activities as a percentage of total paid facility time hours	95.6%
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## **THE CHALLENGE ACADEMY TRUST**

### **TRUSTEES REPORT (continued)**

**Year ended 31 August 2018**

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

The Trust, through its operations, interacts with many local charities and organisations on a day to day basis as it works to help the young people within its academies. The Trust has a connected charity – Priestley Education & Training Trust (PETT). The CEO of the Trust is also the Chair of the Board of Trustees of PETT. The Director of Finance of the Trust is also the Treasurer. Neither of these roles are remunerated. PETT is a registered charity to help current and past students of Priestley College, the 16-19 academy. The charity raises money through activities each year and funds students with hardship issues where the bursary cannot help, awards scholarships for past students undertaking unfunded degrees, specifically in the arts, or courses to help them gain employment and sporting achievers towards equipment, contribution to international tours whilst representing their country. Priestley College does make deductions, only with express written authorisation, from some staff through the payroll system which is paid across to PETT monthly. The charity's assets and liabilities are maintained separately from the Trust. The charity's income is between £8,000 and £12,000 per annum.

#### **OBJECTIVES AND ACTIVITIES**

##### **Objects and Aims**

The Trust's object is to advance for the public benefit education in the United Kingdom, in particular foregoing by establishing, maintaining, carrying on, managing and developing Academies which shall offer a broad and balanced curriculum and which shall include:

- (i) Academies other than those designated Church of England, whether with or without a designated religious character and
- (ii) Church of England academies designated as such which shall be conducted in accordance with the principles, practices and tenets of the Church of England in relation to arranging for religious education and daily acts of worship, and in having regard to any advice and following any directives issued by the Diocesan Board of Education,

but in relation to each of the Academies to recognise and support their individual ethos, whether or not designated Church of England.

By fulfilling the object, the Trust aims to deliver improvement in student/pupil outcomes by working collectively. The Trust will also work to ensure that the curriculum offer across the Trust meets the needs of students/pupils as well as regional and national priorities. By working collaboratively both pre and Post 16, the Trust will be able to ensure minority subjects/courses will be supported and thrive. For example unlike some Sixth Form colleges Priestley is able to continue to offer French, Spanish and German at A Level. Such provision should be enhanced by the unique opportunities for collaboration and development a cross phase trust provides.

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

The Trust achieved one of its objectives in the first twelve months. In July 2017, Bridgewater High School was approved as a Teaching School with its first intake in September 2018 thereby creating the opportunity for a Teaching School Alliance involving the Trust. The Trust is focussed around improvement and the improvement agenda which will be supported by:

- Senior leaders from each organisation giving the equivalent of one day a week towards addressing the needs of the Trust
- From 1 December 2018 the Trust will have a full time Director of School Improvement
- Additional curriculum capacity is being created via the rationalisation of the Post 16 curriculum offer across the Trust, reducing duplication and improving efficiency, enabling staff to be released to support Key Stage 2, 3 and 4 improvements.

## THE CHALLENGE ACADEMY TRUST

### TRUSTEES REPORT (continued)

Year ended 31 August 2018

#### Objectives, Strategies and Activities - continued

- Financial planning expertise will be utilised to support the introduction of cross Trust planning and efficiency savings. Savings generated will help each organisation to deal with reductions in budgets where they are expected whilst also ensuring resources are prioritised to improve student outcomes.
- From September 2018 the Director of Finance will have three days per week allotted to Trust wide activities whilst continuing to oversee financial matters at Priestley College
- From September 2018 the Trust has seconded an Operations Lead for 4 days a week to oversee the development of Trust policies and to prioritise capital investment to address school condition and Health and Safety matters.
- The Trust has utilised funds provided to support its sponsor role to establish key cross Trust roles on school/college improvement and will continue to invest in this activity through 2018/19 through the application of a central levy
- The Trust will build on the experiences from the Warrington Challenge to establish cross Trust and cross phase working groups for English Baccalaureate curriculum lines
- The Trust has established a number of key working groups/hubs for Business functions such as Finance, IT and Estates
- The Trust aims to develop a new business support structure for the finance and operations areas of work for the start of the 2019 academic year
- The Trust will build on areas of expertise in IAG (Information, Advice & Guidance) to ensure an enhanced Trust wide programme of IAG will be delivered and supported.
- The organisations within the Trust will pool resources that are currently utilised to support improvement to maximise the effectiveness of external expertise that is secured to support the Trust.
- The Trust will continue to work with other schools/colleges in and beyond Warrington to share and secure expertise to support the drive for constant improvement, for example from the Six College Consortium, The Warrington Association of School and College Leaders (WASCL) and The Warrington Association of Primary Heads (WAPH).
- The Trust is currently in negotiations with Oxford University to establish a strategic partnership for the benefit of learners and staff.

Within the Primary sector the priorities for improvement will be:

- To further secure consistently high quality standards in teaching, learning and assessment across reading, writing and mathematics, with a specific focus on diminishing the differences of children from their different starting points
- To ensure an accurate and moderated assessment system is further developed that enables teachers, managers and governors to judge attainment and progress in core and foundation subjects in all year groups.
- To improve the knowledge and implementation of core skills in phonics, guided reading, spelling strategies and patterns and mental mathematics against the curriculum standards
- To embed high quality science teaching, learning and assessment, ensuring there is sufficient coverage and clear progression of standards throughout
- To further develop a growth mind-set and value based approach to children's good mental health and well-being
- Challenging the more able learner and extending the range of enrichment and wider curriculum opportunities/activities

Across the Trust the primary schools will be able to access additional support for the teaching of science and modern foreign languages and have access to increased enrichment activities for example in Art and Design, Music and Sport. The Trust's work on transition will also help to ensure disadvantaged groups are prioritised at transition points to help all organisations focus on

## THE CHALLENGE ACADEMY TRUST

### TRUSTEES REPORT (continued)

Year ended 31 August 2018

#### Objectives, Strategies and Activities - continued

diminishing the difference between groups of pupils/students. Primary schools will also benefit from stronger governance and financial controls.

#### Public Benefit

The Challenge Academy Trust is an exempt charity and is regulated by the Secretary of State for Education. The members of the Governing Body, who are trustees of the charity, are disclosed on page 2.

In setting and reviewing the Trust's strategic objectives, the Governing Body has had due regard for the Charity Commission's guidance on public benefit and particularly upon its supplementary guidance on the advancement of education. The guidance sets out the requirement that all organisations wishing to be recognised as charities must demonstrate, explicitly, that their aims are for the public benefit.

In delivering its mission, the Trust provides the following identifiable public benefits through the advancement of education:

- High-quality teaching
- Widening participation and tackling social exclusion
- Excellent progression for students to employment or higher education
- Strong student support systems
- Links with employers, industry and commerce
- Links with local community groups and sports clubs

### STRATEGIC REPORT

#### Achievements and Performance

The Trust was incorporated on 24<sup>th</sup> March 2017 and only began operations on 1 May 2017 when Priestley College converted to a 16-19 academy and Bridgewater High School and Penketh High School, both existing stand alone academies, joined the Trust. On 1<sup>st</sup> June 2017, Great Sankey Primary School and Sir Thomas Boteler Church of England High School converted to academies from local authority control and joined that Trust. On 1<sup>st</sup> July 2017, Beamont Collegiate Academy joined from an existing Multi-Academy Trust and Penketh South Community Primary School became part of the Trust on 1<sup>st</sup> April 2018.

During its first full year in operation the focus on School Improvement helped to ensure that positive improvement was made at all Key Stages across the Trust. A detailed report was presented to the Curriculum and Quality Committee and the highlights were:

At Primary level pupils across the Trust are achieving extremely well across all phases, with the large majority of pupils performing above national attainment levels and making good progress from their starting points. There is a sustained trend over time of achievement being significantly above national outcomes at Key Stage 2, KS1 and EYFS.

At Secondary level the Trust has performed well when compared to the 2017 national averages. They show that we are at least in line with national performance for all measures and significantly above national averages for English GCSE grades 4 and 5. There were significant improvements in attainment at Sir Thomas Boteler Church of England High School and Beamont Collegiate Academy. The different contexts of our academies makes it difficult to make meaningful comparisons, it is actually more meaningful to explore questions around progress: BCA and Bridgewater both maintained P8 scores in line with the national average and there were significant improvements in P\* scores at Penketh and Sir Thomas Boteler Church of England High Schools.



## **THE CHALLENGE ACADEMY TRUST**

### **TRUSTEES REPORT (continued)**

**Year ended 31 August 2018**

#### **Achievements and Performance - continued**

At Post 16, Priestley College's achievement rates are above the national rates for all Sixth Form Colleges and there were positive improvements in high grades at both AS and A Level with a significant improvement in overall pass rates at AS. Student progress also remains either good or very good at A Level, AS and on Vocational programmes. At Appleton College, the sixth form of Bridgewater High School, overall A Level pass rates remained high and though A\* to C rates fell they improved at A\* to B and at A\*. In terms of progression 85% of Appleton College students secured their first choice university.

#### **Key Performance Indicators**

The Trust has developed a scorecard which is applied to each academy. The scorecard focuses on five key areas:

- Progress
- Teaching & Learning
- Behaviour, Welfare, Safeguarding & Attendance
- Governance
- Finance

Each academy is reviewed by the Director for School Improvement and the scorecard prepared based upon the evidence provided and substantiated by the peer review. The scorecard also identifies key strengths and areas for improvement. The scorecards are shared with Trustees and Local Governing Bodies on a regular basis.

#### **Going Concern**

After making appropriate enquiries, the board of trustees has a reasonable expectation that the academy trust has adequate resources to continue in operational existence for the foreseeable future. For this reason it continues to adopt the going concern basis in preparing the financial statements. Further details can be found in the Statement of Accounting Policies.

#### **FINANCIAL REVIEW**

The Trust is primarily funded by the Education and Skills Funding Agency with the majority of income in the form of recurrent grants for the provision of education for 3 to 19 year olds. The 16-19 academy does receive a small grant for the provision of adult education. The academies within the Trust do try to maximise the use of their resources in generating other funds outside of the core hours of education. This has been the first full year for the Trust. The year has been a testing year financially as the academies have been brought together. The academies who joined with deficits did improve and the repayment of the inherited deficit funding was made on time. The closure of the Appleton College, Bridgewater High School's sixth form, also added some costs due to providing classes for small numbers of students. There was also investment at Beamont Collegiate Academy to fully equip the new building they moved into almost two years ago. The other academies all performed well providing surpluses but the overall position was an operational deficit of £281,000(2017 – Surplus £437,000) after excluding FRS17 adjustments and depreciation.

The Trust realises that some of the academies face challenges over the next couple of years and work has begun to help improve their position. Economies of scale are beginning to be felt by the Trust and continued work is taking place in order to maximise the opportunities going forward. In May and September 2018, the Trust welcomed a review undertaken by a School Resource Manager Advisor and their report was received in October 2018. The Trust is currently producing a response to the advices received, a number of which had already been implemented or were in scope for review prior to the visits.

**THE CHALLENGE ACADEMY TRUST**  
**TRUSTEES REPORT (continued)**  
**Year ended 31 August 2018**

**Capital Investment**

Due to the size of the Trust we were allocated significant sums via the School Condition Allocation. As a result some £1.3 million is currently showing in the deferred income.

The Trust commissioned a Health and Safety Audit to ensure that spending associated with this funding and the Healthy Schools Grant was directed to the areas of most need with a detailed report being tabled at the summer Board meeting. This in turn led the Board to commission a 10 year School Condition survey that will be undertaken by our consultants in January 2019. Work has already commenced on a number of projects and further works are likely to be put out for tender following the Condition report. For the new academy, Padgate Academy, that joined the Trust on 1<sup>st</sup> December 2018, a £1.8million condition grant was negotiated with the ESFA. This will be spent upon a schedule of works identified by our consultants in the due diligence process.

**Reserves Policy**

At present, the Trust's reserves policy is to generate, where possible, free unrestricted reserves and to ensure that, restricted reserves, subject to the Restricted Pension Reserve, are operated within the terms of the funding for the charitable aims i.e. the Trust will endeavour to ensure that all academies operate within budget and do save where possible for investment purposes but not at the expense of the delivery of its charitable aims.

At 31 August 2018, the Trust had Unrestricted Reserves of £824,000 (2017 - £86,000), Restricted General Reserves of £1,717,000 (2017 - £4,143,000), Restricted Pension Reserve deficit of £6,482,000 (2017 - £7,725,000) and a Fixed Asset Reserve of £85,114,000 (2017 - £85,883,000). The majority of academies operated at a cash surplus budget within the year. The impact of capital investment using reserves and non-cash provisions e.g. FRS 17 adjustments, resulted in the reduction of the restricted income reserve.

**Investment Policy**

Investment management is the management of the Trust's liquid and illiquid assets e.g. buildings, cash flows, its banking and the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.

The Trust is in its early stages and has identified the advantages of pooling surplus cash flows across the academy to generate additional interest receivable. The Trustees also recognise the need to invest in the infrastructure of the Trust in terms of buildings and IT. This review is being undertaken and it will influence the cash flows of the Trust and its investment strategy. It is considering an internal interest rate to allow those academies without surpluses to access investment funds at affordable rates whilst ensuring the surplus is returning more than would be received on deposit.

Any monies placed on deposit will be with institutions afforded protection by the Financial Services Compensation Scheme thereby reducing the Trust's risk. No fixed term deposit of greater than 12 months can be made without the Trust Board's approval.

**Principal Risks and Uncertainties**

The Trust has a robust risk management approach. The CEO maintains a risk register which is reviewed at every Audit and Risk Committee. From the risk register, an action plan is extracted to minimise the risks and updated for every meeting. The current action plan has identified the following items as High or Medium risk to the Trust:

- Local Destabilisation by Free Schools, academies and UTC

**THE CHALLENGE ACADEMY TRUST**  
**TRUSTEES REPORT (continued)**  
**Year ended 31 August 2018**

**Principal Risks and Uncertainties – continued**

- Safeguarding
- Government changes to curriculum
- Student numbers
- Budget constraints
- Failure to deliver cost savings
- Costs savings negatively impacting on delivery
- The sponsorship of Padgate Academy (formerly University Academy Warrington)

For all risks identified, an action plan is prepared which identifies the controls in place, how the risk is to be monitored and what further steps are to be taken to minimise the risk. The regular review at the committee ensures that the action plan is a live document at the heart of operations.

**PLANS FOR FUTURE PERIODS**

In August 2018, the Trust expressed an interest in the rebrokerage of a secondary school within Warrington. The Trust negotiated the rebrokerage and Padgate Academy joined the Trust on 1 December 2018, taking the number of secondary schools to five. The academy has a number of issues which will require the Trust to devote time to it for improvement purposes, both academically and financially. The Trust would like to increase the number of primary schools to around five in order to create a strong improvement group at this level and will give this focus going forward. The Trust has developed seven key objectives for the future:

- 1) To be recognised as the region's most innovative and exciting Multi-Academy Trust that provides excellent and inclusive educational opportunities for learners from early years through to adulthood
- 2) To achieve ambitious progress for all our learners whatever their gender, race, ability or background and ensure outstanding progress and attainment provide the cornerstones of their successful lifelong journeys which in turn sees all academies within the Trust maintaining or working towards outstanding status
- 3) To develop innovative and collaborative partnerships across educational, business, community and charitable providers that benefit all those within the trust and the communities we serve
- 4) To seek opportunities for growth by working with schools that share our ethos and vision whilst prioritising primary schools within the Warrington area.
- 5) To utilise resources to ensure academy estates provide a safe, healthy and inspiring learning environment for all learners
- 6) To seek to ensure that individual academies and the Trust as a whole remain financially stable whilst developing long term investment priorities
- 7) To develop a highly competent and effective workforce through the Teaching School, recruitment and focussed professional development

**POST BALANCE SHEET EVENTS**

On 1 December 2018 Padgate Academy, formerly known as University Academy Warrington, joined the Trust following a rebrokerage exercise with the ESFA. The Trust realises that the academy faces many challenges and is looking forward to being able to help take this academy forward. There is no initial cost to the Trust but the academy does have some financial issues which need addressing.

**THE CHALLENGE ACADEMY TRUST**  
**TRUSTEES REPORT (continued)**  
**Year ended 31 August 2018**

**AUDITOR**

Insofar as the trustees are aware:

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

Trustees' report, incorporating a strategic report, was approved by order of the board of trustees, as the company directors, on 12 December 2018 and signed on the board's behalf by:

A handwritten signature in black ink, appearing to read 'H Platt', with a horizontal line drawn through the middle of the signature.

**H Platt**  
Trustee

12 December 2018

**THE CHALLENGE ACADEMY TRUST**  
**GOVERNANCE STATEMENT**  
**Year ended 31 August 2018**

**Scope of Responsibility**

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

The board of trustees has delegated the day-to-day responsibility to the Chief Executive Officer, as accounting officer, for ensuring financial controls conform with the requirements of both propriety and good financial management and in accordance with the requirements and responsibilities assigned to it in the funding agreement between The Challenge Academy Trust and the Secretary of State for Education. They are also responsible for reporting to the board of trustees any material weaknesses or breakdowns in internal control.

**Governance**

The information on governance included here supplements that described in the Trustees' Report and in the Statement of Trustees' Responsibilities. The **board of trustees** has formally met 5 times during the period. Attendance during the period at meetings of the board of trustees was as follows:

<b>Trustees</b>	<b>Meetings Attended</b>	<b>Out of a possible</b>
H Platt (Chair)	5	5
M Grant (CEO, Principal and Accounting Officer)	5	5
J Griffiths	2	5
P Hinds – resigned 8 October 2018	0	5
G Johnson	3	5
T Macormac	3	5
M Mellor MBE	4	5
J Monaghan	4	5
N Pearson	5	5
S Titchard	2	5
L Waterson	4	5
S Whatmore	4	5
S Yates	3	5

The Trust has now been in operation for more than a year. There have been no changes to the board of trustees and it has found that its structure works well for all of the academies within the Trust. The board continually looks at what it is doing and considers whether any changes should be made. Recently, the internal auditors carried out a review of governance within the trust and reported that they considered corporate governance as 'strong'. There were no recommendations of any nature.

The Finance, HR & Operations is a committee of the main board of trustees. Its purpose is to:

- Consider the funding of the Trust
- Help guide the setting of the annual budget
- Monitor the budget
- Monitor and review the financial procedures
- Consider Health & Safety
- Review pay & conditions of employment
- Handle grievances and other personnel matters

**THE CHALLENGE ACADEMY TRUST**  
**GOVERNANCE STATEMENT (continued)**  
**Year ended 31 August 2018**

The committee met four times since 1 September 2017. The attendance and membership of the committee was:

	<b>Meetings Attended</b>	<b>Out of a possible</b>
<b>Trustee Members</b>		
H Platt (Chair of Trust)	4	4
M Grant (CEO, Principal and Accounting Officer)	4	4
G Johnson	1	4
T Macormac	2	4
J Monaghan	2	4
N Pearson	4	4
S Titchard (Chair of Committee)	4	4
L Waterson	4	4
S Whatmore	4	4
<b>Co-opted Members</b>		
A Pailing	2	4
G Bratley	2	4

The Audit & Risk committee is a committee of the main board of trustees. Its purpose is to:

- Appoint the external auditor
- Review the financial statements and annual report
- Review the performance of the external auditor
- To set and review the internal audit programme
- Review reports and recommendations
- Monitor any implementation of recommendations
- Review the Trust's risk management policy and risk register
- Review policies on whistleblowing, fraud etc.
- Draw to the attention of the Board any matters of concern or recommendations

The committee has met three times since 1 September 2017. The attendance and membership of the committee was:

	<b>Meetings Attended</b>	<b>Out of a possible</b>
<b>Trustee Members</b>		
H Platt (Chair of Trust)	2	3
M Grant (CEO, Principal and Accounting Officer)	3	3
L Waterson (Chair of Committee)	3	3
<b>Co-opted Members</b>		
P Dyke	1	3
A Farquharson	3	3
C Findlay	3	3
G Stuart	1	3

**THE CHALLENGE ACADEMY TRUST**  
**GOVERNANCE STATEMENT (continued)**  
**Year ended 31 August 2018**

The Quality and Standards committee is a committee of the main board of trustees. Its purpose is to:

- Review the curriculum offered by the academies
- Review the standards achieved by the academies
- Review student achievement
- Setting and reviewing any admissions policy

The committee has met 3 times since 1 September 2017. The attendance and membership of the committee was:

	<b>Meetings Attended</b>	<b>Out of a possible</b>
<b>Trustee Members</b>		
H Platt (Chair of Trust)	3	3
J Griffiths	3	3
N Pearson	1	3
S Yates (Chair of Committee)	3	3
<b>Co-opted Members</b>		
P King	1	3
A Topping	-	3
C Roper	2	3
C Williams	2	3

The Remuneration Committee was established in December 2018. Therefore, no meetings took place during the year.

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

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

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

- Retendering 3 academies catering contracts which generated capital investment of just over £300,000 in the kitchens of those academies and secured a nil cost contract with a guaranteed profit share in the first year and the potential to grow further if the service increases.
- Negotiation of Trust wide discounts or passing of common supplier information through the Trust to improve buying returns.
- The Trust has transferred employees to fill positions in other teams rather than incur redundancy costs.

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

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives. It can, therefore, only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an on-going process designed to identify and prioritise the risks to the achievement of academy trust policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of

**THE CHALLENGE ACADEMY TRUST**  
**GOVERNANCE STATEMENT (continued)**  
**Year ended 31 August 2018**

**The Purpose of the System of Internal Control - continued**

internal control has been in place in The Challenge Academy Trust for the year from 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 trustees has reviewed the key risks to which the academy trust is exposed together with the operating, financial and compliance controls that have been implemented to mitigate those risks. The board of trustees is of the view that there is a formal on-going process for identifying, evaluating and managing the academy trust's significant risks that has been in place for the period from 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 trustees.

**The Risk and Control Framework**

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

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

The board of trustees has considered the need for a specific internal audit function and has appointed Wiley & Bisset LLP as internal auditor. The internal auditor's role includes giving advice on financial matters and performing a range of checks on the academy trust's financial and operational systems. Their first reports to the Audit Committee were on safeguarding and governance. A programme of work has been agreed for the next three years with the ability for the Audit Committee to change the work to any areas of concern that may arise during the year. The result of their work was that the Trust was 'strong' in both areas in terms of internal control. They also said that the Trust exhibited many good features.

**Review of Effectiveness**

As accounting officer the Chief Executive Officer 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 external auditor
- the financial management and governance self-assessment process
- the work of the executive managers within the academy trust who have responsibility for the development and maintenance of the internal control framework



**THE CHALLENGE ACADEMY TRUST**  
**GOVERNANCE STATEMENT (continued)**  
**Year ended 31 August 2018**

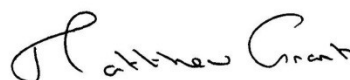
**Review of Effectiveness - continued**

The accounting officer has been advised of the implications of the result of their review. As the new accounting system was being installed during the period, there has been close monitoring of the process and improvements have been suggested along the way to ensure continuous improvement of the system in place.

Approved by order of the members of the board of trustees on 12 December 2018 and signed on its behalf by:



**H Platt**  
Trustee



**M Grant**  
Accounting Officer

**THE CHALLENGE ACADEMY TRUST**  
**STATEMENT OF REGULARITY, PROPRIETY AND COMPLIANCE**

As accounting officer of The Challenge Academy Trust I have considered my responsibility to notify the academy trust board of trustees and the Education and Skills Funding Agency (ESFA) of material irregularity, impropriety and non-compliance with ESFA terms and conditions of funding, under the funding agreement in place between the academy trust and the Secretary of State for Education. As part of my consideration I have had due regard to the requirements of the Academies Financial Handbook 2017.

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

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

A handwritten signature in black ink that reads "Matthew Grant". The signature is written in a cursive style with a large initial 'M'.

**M Grant**  
Accounting Officer  
12 December 2018

**THE CHALLENGE ACADEMY TRUST**  
**STATEMENT OF TRUSTEES' RESPONSIBILITIES**  
**Year ended 31 August 2018**

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

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

- select suitable accounting policies and then apply them consistently
- observe the methods and principles in the Charities SORP 2015 and the Academies Accounts Direction 2017 to 2018
- make judgments and accounting estimates that are reasonable and prudent
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charitable company will continue in business

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

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

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

Approved by order of the members of the board of trustees on 12 December 2018 and signed on its behalf by:



**H Platt**  
Trustee

# **INDEPENDENT AUDITORS' REPORT ON THE FINANCIAL STATEMENTS TO THE MEMBERS OF THE CHALLENGE ACADEMY TRUST**

## **Opinion**

We have audited the financial statements of The Challenge Academy Trust (the 'academy trust') for the period ended 31 August 2018, which comprise the Statement of Financial Activities incorporating the Income and Expenditure Account, Balance Sheet, Statement of Cash Flows, and Notes to the Financial Statements. The financial reporting framework that has been applied in their preparation is applicable law, United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) and the Academies Accounts Direction 2017 to 2018 issued by the Education and Skills Funding Agency (ESFA).

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

In our opinion the financial statements:

- give a true and fair view of the state of the academy trust's affairs as at 31 August 2018 and of its incoming resources and application of resources, including its income and expenditure, for the period 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 Auditors responsibilities for the audit of the financial statements section of our report. We are independent of the academy trust in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## **Conclusions relating to going concern**

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the trustees' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the trustees have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the academy trust's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

## **INDEPENDENT AUDITORS' REPORT ON THE FINANCIAL STATEMENTS TO THE MEMBERS OF THE CHALLENGE ACADEMY TRUST**

### **Other information**

The trustees are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our Report of the Independent Auditors thereon.

Our opinion on the financial statements does not cover the other information and 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, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

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

- the information given in the Trustees' Report for the financial period for which the financial statements are prepared is consistent with the financial statements; and
- the Trustees' 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 academy trust and its environment obtained in the course of the audit, we have not identified material misstatements in the Trustees' Report.

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

- adequate accounting records have not been kept or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of trustees' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the trustees were not entitled to take advantage of the small companies exemption from the requirement to prepare a Strategic Report or in preparing the Trustees' Report.

### **Responsibilities of trustees**

As explained more fully in the Statement of Trustees Responsibilities set out on page 18, the trustees (who are also the directors of the charitable company for the purposes of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

## **INDEPENDENT AUDITORS' REPORT ON THE FINANCIAL STATEMENTS TO THE MEMBERS OF THE CHALLENGE ACADEMY TRUST**

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

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

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

A handwritten signature in black ink, appearing to read 'M G Benson'.

Michael Benson (Senior Statutory Auditor)  
for and on behalf of Murray Smith LLP  
Chartered Accountants  
Statutory Auditors  
Darland House  
44 Winnington Hill  
Northwich  
Cheshire  
CW8 1AU

20 December 2018

## **Independent Reporting Accountant's Assurance Report on Regularity To The Challenge Academy Trust and the Education and Skills Funding Agency**

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

### **Respective responsibilities of The Challenge Academy Trust's accounting officer and the reporting accountant**

The accounting officer is responsible, under the requirements of The Challenge Academy Trust's funding agreement with the Secretary of State for Education 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 year 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 2016 issued by ESFA. We performed a limited assurance engagement as defined in our engagement letter. The objective of a limited assurance engagement is to perform such procedures as to obtain information and explanations in order to provide us with sufficient appropriate evidence to express a negative conclusion on regularity.

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

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

The work undertaken to draw to our conclusion includes:

- review of the Trust's expenditure for the period
- review of arrangements being put in place over financial management

**Independent Reporting Accountant's Assurance Report on Regularity  
To The Challenge Academy Trust and the Education and Skills Funding Agency**

**Conclusion**

In the course of our work, nothing has come to our attention which suggests that in all material respects the expenditure disbursed and income received during the year from 1 September 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.

A handwritten signature in black ink, appearing to read 'Murray Smith', with a horizontal line underneath.

**Murray Smith LLP**  
Chartered Accountants and Statutory Auditors  
Darland House  
44 Winnington Hill  
Northwich  
Cheshire CW8 1AU

20 December 2018



**THE CHALLENGE ACADEMY TRUST**  
**STATEMENT OF FINANCIAL ACTIVITIES**  
**for the year ended 31 August 2018**

	Note	Unrestricted Funds £000	Restricted General Funds £000	Restricted Fixed Asset Fund £000	Total 2018 £000	Total 2017 £000
<b>Income and endowments from:</b>						
Donations and capital grants	2	-	2,423	-	2,423	833
Transfer from local authority on conversion		-	28	1,748	1,776	13,341
Transfer from other academies		-	-	-	-	61,549
Transfer from 6 <sup>th</sup> Form College on conversion		-	-	-	-	14,508
Charitable activities:						
Funding for the academy trust's educational operations	3	-	32,362	-	32,362	9,816
Other trading activities	4	1,258	916	-	2,174	161
Investments	5	2	-	-	2	1
<b>Total</b>		<u>1,260</u>	<u>35,729</u>	<u>1,748</u>	<u>38,737</u>	<u>100,209</u>
<b>Expenditure on:</b>						
Raising funds	6	522	-	-	522	76
Charitable activities:						
Academy trust educational operations	7	-	37,780	2,822	40,602	10,307
Other		-	-	-	-	-
<b>Total</b>		<u>522</u>	<u>37,780</u>	<u>2,822</u>	<u>41,124</u>	<u>10,383</u>
<b>Net income/(expenditure)</b>		738	(2,051)	(1,074)	(2,387)	89,826
Transfers between funds	15	-	(305)	305	-	-
<b>Other recognised gains/(losses)</b>						
Pension deficits transferred		-	(70)	-	(70)	(7,150)
Actuarial gains/(losses) on defined benefit pension schemes	20	-	1,243	-	1,243	(289)
<b>Net movement in funds</b>		<u>738</u>	<u>(1,183)</u>	<u>(769)</u>	<u>(1,214)</u>	<u>82,387</u>
<b>Reconciliation of funds</b>						
Total funds brought forward		86	(3,582)	85,883	82,387	-
<b>Total funds carried forward</b>	15	<u><u>824</u></u>	<u><u>(4,765)</u></u>	<u><u>85,114</u></u>	<u><u>81,173</u></u>	<u><u>82,387</u></u>

**THE CHALLENGE ACADEMY TRUST****BALANCE SHEET**

As at 31 August 2018

	Note	2018 £0000	2017 £000
<b>Fixed assets</b>			
Tangible assets	11	85,114	85,883
<b>Current assets</b>			
Debtors	12	2,354	1,890
Cash at bank and in hand		4,443	5,494
		6,797	7,384
<b>Creditors: amounts falling due within one year</b>	13	(4,127)	(3,019)
<b>Net current assets</b>		2,670	4,365
<b>Total assets less current liabilities</b>		87,784	90,248
<b>Creditors: amounts falling due after more than one year</b>	14	(129)	(136)
<b>Net assets excluding pension liability</b>		87,655	90,112
Defined benefit pension scheme liability	20	(6,482)	(7,725)
<b>TOTAL NET ASSETS</b>		81,173	82,387
<b>Funds of the academy trust:</b>			
<b>Restricted funds</b>			
Fixed asset fund	15	85,114	85,883
Restricted income fund	15	1,717	4,143
Pension reserve	15	(6,482)	(7,725)
<b>Total restricted funds</b>		80,349	82,301
Unrestricted income funds	15	824	86
<b>TOTAL FUNDS</b>		81,173	82,387

The financial statements on pages 27-48 were approved by the trustees and authorised for issue on 12 December 2018 and are signed on their behalf by:



**H Platt**  
Trustee

**THE CHALLENGE ACADEMY TRUST**  
**STATEMENT OF CASH FLOWS**  
**for the year ended 31 August 2018**

	Note	2018	2017
		£000	£000
<b>Cash flows from operating activities</b>			
Net cash provided by operating activities	21	(1,710)	5,127
<b>Cash flows from investing activities</b>	23	666	378
<b>Cash flows from financing activities</b>	22	(7)	(11)
		<hr/>	<hr/>
<b>Change in cash and cash equivalents in the reporting period</b>		<b>(1,051)</b>	<b>5,494</b>
		<hr/>	<hr/>
<b>Cash and cash equivalents at 1 September 2017</b>		5,494	-
		<hr/>	<hr/>
<b>Cash and cash equivalents at 1 August 2018</b>	24	<b>4,443</b>	<b>5,494</b>
		<hr/> <hr/>	<hr/> <hr/>

**THE CHALLENGE ACADEMY TRUST**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**for the year ended 31 August 2018**

**1. Accounting policies**

**Statement of accounting policies and estimation techniques**

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements.

**Basis of preparation**

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

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

**Basis of accounting**

The financial statements are prepared in accordance with the historical cost convention as modified by the use of previous valuations as deemed cost at transition for certain non-current assets.

**Going concern**

The trustees assess whether the use of going concern is appropriate i.e. whether there are any material uncertainties related to events or conditions that may cast significant doubt on the ability of the company to continue as a going concern. The trustees make this assessment in respect of a period of at least one year from the date of authorisation for issue of the financial statements and have concluded that the academy trust has adequate resources to continue in operational existence for the foreseeable future and there are no material uncertainties about the academy trust's ability to continue as a going concern, thus they continue to adopt the going concern basis of accounting in preparing the financial statements.

**Recognition of income**

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

**Grants**

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

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

**THE CHALLENGE ACADEMY TRUST**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**for the year ended 31 August 2018**

**(continued)**

**Grants cont.**

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

**Sponsorship Income**

Sponsorship income provided to the academy trust which amounts to a donation is recognised in the Statement of Financial Activities in the period in which it is receivable (where there are no performance-related conditions), where the receipt is probable and it can be measured reliably.

**Donations**

Donations are recognised on a receivable basis (where there are no performance-related conditions) where the receipt is probable and the amount can be reliably measured.

**Other Income**

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

**Donated goods, facilities and services**

Goods donated for resale are included at fair value, being the expected proceeds from sale less the expected costs of sale. If it is practical to assess the fair value at receipt, it is recognised in stock and 'Income from other trading activities'. Upon sale, the value of the stock is charged against 'Income from other trading activities' and the proceeds are recognised as 'Income from other trading activities'. Where it is impractical to fair value the items due to the volume of low value items they are not recognised in the financial statements until they are sold. This income is recognised within 'Income from other trading activities'.

**Transfer on conversion**

Where assets are received by the trust on conversion to an academy, the transferred assets are measured at fair value and recognised in the balance sheet at the point when the risks and rewards of ownership pass to the trust. An equal amount of income is recognised as Transfer on conversion within Donations and capital grant income.

**Transfer of existing academies into the trust**

Where assets are received on the transfer of an existing academy into the trust, the transferred assets are measured at fair value and recognised in the balance sheet at the point when the risks and rewards of ownership pass to the trust, which is on signing of the transfer agreement with the transferring trust. An equal amount of income is recognised for the Transfer of an existing academy into the trust within Donations and capital grant income.

**THE CHALLENGE ACADEMY TRUST**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**for the year ended 31 August 2018**  
**(continued)**

**Donated fixed assets (excluding Transfers on conversion/into trust)**

Where the donated good is a fixed asset it is measured at fair value, unless it is impractical to measure this reliably, in which case the cost of the item to the donor should be used. The gain is recognised as income from donations and a corresponding amount is included in the appropriate fixed asset category and depreciated over the useful economic life in accordance with the academy trust's accounting policies.

**Expenditure**

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

**Expenditure on Raising Funds**

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

**Charitable Activities**

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

**Tangible fixed assets**

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

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

**THE CHALLENGE ACADEMY TRUST**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**for the year ended 31 August 2018**  
**(continued)**

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

Freehold buildings	written off over 50 years or the life of the asset, whichever is shorter
Long leasehold buildings	written off over the period of the lease, 50 years or the life of the asset, whichever is shorter
Motor vehicles	five years
Computer equipment	four years
Fixtures, fittings and equipment	five years

Tangible fixed assets transferred upon entry into the Trust from other academies, local authority schools or colleges are depreciated at the remaining useful life of those assets with the depreciation rates adopted by the Trust.

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

### **Provisions**

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

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

### **Leased Assets**

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

**THE CHALLENGE ACADEMY TRUST**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**for the year ended 31 August 2018**  
**(continued)**

**Investments**

The Trust's shareholding in the wholly owned subsidiary, Bridgewater High School Services Limited, is included in the balance sheet at the cost of the share capital owned less any impairment. There is no readily available market value and the cost of valuation exceeds the benefit derived.

**Financial Instruments**

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

Financial assets – trade and other debtors are basic financial instruments and are debt instruments measured at amortised cost as detailed in note 12. Prepayments are not financial instruments. Amounts due from the charity's wholly owned subsidiary are held at face value less any impairment.

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

Financial liabilities – trade creditors, accruals and other creditors are financial instruments, and are measured at amortised cost as detailed in notes 13 and 14. Taxation and social security are not included in the financial instruments disclosure definition. Deferred income is not deemed to be a financial liability, as the cash settlement has already taken place and there is an obligation to deliver services rather than cash or another financial instrument. Amounts due to charity's wholly owned subsidiary are held at face value less any impairment.

**Stock**

Unsold uniforms and catering stocks are valued at the lower of cost or net realisable value.

**Taxation**

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

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

**Pensions Benefits**

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

The TPS is an unfunded scheme and contributions are calculated so as to spread the cost of pensions over employees' working lives with the academy trust in such a way that the pension cost is a substantially level percentage of current and future pensionable payroll. The contributions are determined by the Government Actuary on the basis of quadrennial valuations using a prospective unit credit method. As stated in note 20, 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



**THE CHALLENGE ACADEMY TRUST**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**for the year ended 31 August 2018**  
**(continued)**

**Pensions Benefits - cont**

contribution scheme for accounting purposes and the contributions recognised in the period to which they relate.

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

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

**Fund Accounting**

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

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

Restricted general funds comprise all other restricted funds received with restrictions imposed by the funder/donor and include grants from the 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 academy trust makes estimates and assumptions concerning the future. The resulting accounting estimates and assumptions will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

The present value of the Local Government Pension Scheme defined benefit liability depends on a number of factors that are determined on an actuarial basis using a variety of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions, which are disclosed in note 20, 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.

**THE CHALLENGE ACADEMY TRUST**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**for the year ended 31 August 2018**

(continued)

**Foreign currency translation**

Transactions denominated in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the rates of exchange ruling at the end of the financial period with all resulting exchange differences being taken to income in the period in which they arise.

**2 Donations and capital grants**

	<b>Unrestricted Funds £000</b>	<b>Restricted Funds £000</b>	<b>Total 2018 £000</b>	<b>Total 2017 £000</b>
Capital grants	-	1,869	1,869	750
Other donations	-	554	554	83
<b>Total</b>	<b>-</b>	<b>2,423</b>	<b>2,423</b>	<b>833</b>

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

	<b>Unrestricted Funds £000</b>	<b>Restricted Funds £000</b>	<b>Total 2018 £000</b>	<b>Total 2017 £000</b>
<b>DfE/ESFA grants</b>				
General Annual Grant (GAG)	-	30,997	30,997	9,545
Other DfE/ESFA grants	-	622	622	46
	-	31,619	31,619	9,591
<b>Other Government grants</b>				
Local authority grants	-	743	734	225
	-	32,362	32,362	9,816

**4 Other trading activities**

	<b>Unrestricted Funds £000</b>	<b>Restricted Funds £000</b>	<b>Total 2018 £000</b>	<b>Total 2017 £000</b>
Hire of facilities	172	-	172	16
Catering income	531	-	531	98
Trips income	-	916	916	-
Other income	555	-	555	47
<b>Total</b>	<b>1,258</b>	<b>916</b>	<b>2,174</b>	<b>161</b>

**THE CHALLENGE ACADEMY TRUST**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 31 August 2018

(continued)

<b>5</b>	<b>Investment income</b>	<b>Unrestricted Funds £000</b>	<b>Restricted Funds £000</b>	<b>Total 2018 £000</b>	<b>Total 2017 £000</b>
	Short term deposits	2	-	2	1
		<u>2</u>	<u>-</u>	<u>2</u>	<u>1</u>
					=
<b>6</b>	<b>Expenditure</b>				
			<b>Non Pay Expenditure</b>		
		<b>Staff Costs £000</b>	<b>Premises £000</b>	<b>Other £000</b>	<b>Total 2018 £000</b>
	Expenditure on raising funds	253	-	269	522
	Academy's educational operations:				76
	Direct costs	25,605	3,372	6,804	35,781
	Allocated support costs	3,385	419	1,017	4,821
		<u>29,243</u>	<u>3,791</u>	<u>8,090</u>	<u>41,124</u>
					<u>10,383</u>
	Net income/(expenditure) for the period includes:				
				<b>2018</b>	<b>2017</b>
				<b>£000</b>	<b>£000</b>
	Operating lease rentals			96	33
	Depreciation			2,822	837
	(Gain)/Loss on disposal of fixed assets			-	-
	Fees payable to auditor for:				
	• audit			23	23
				<u>23</u>	<u>23</u>
<b>7</b>	<b>Charitable activities</b>				
				<b>Total 2018 £000</b>	<b>Total 2017 £000</b>
	Direct costs – educational operations			35,815	8,691
	Support costs – educational operations			4,787	1,616
				<u>40,602</u>	<u>10,307</u>
	<b>Analysis of support costs</b>	<b>Educational operations £000</b>		<b>Total 2018 £000</b>	<b>Total 2017 £000</b>
	Support staff costs	3,385		3,385	1,048
	Depreciation	278		278	228
	Technology costs	53		53	17
	Premises costs	419		419	105
	Other support costs	599		599	166
	Governance costs	53		53	52
		<u>4,787</u>		<u>4,787</u>	<u>1,616</u>
	<b>Total support costs</b>				

**THE CHALLENGE ACADEMY TRUST**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**for the year ended 31 August 2018**  
(continued)

**8 Staff**

**a. Staff costs**

Staff costs during the period were:

	<b>Total 2018 £000</b>	<b>Total 2017 £000</b>
Wages and salaries	21,774	6,294
Social security costs	2,089	599
Operating costs of defined benefit pension schemes	4,570	1,276
Apprenticeship levy	95	24
	<b>28,528</b>	<b>8,193</b>
Supply staff costs	588	117
Staff restructuring costs	127	23
	<b>29,243</b>	<b>8,333</b>
<b>Total</b>	<b>29,243</b>	<b>8,333</b>
Staff restructuring costs comprise:		
Redundancy payments	53	-
Severance payments	74	23
	<b>127</b>	<b>23</b>
	<b>127</b>	<b>23</b>

**b. Non statutory/non-contractual staff severance payments**

Included in staff restructuring costs are non-statutory/non-contractual severance payments totalling £57,000 (2017 - £15,000). Individually, the payments were: £2,000 made on 31 July 2018, £3,000 made on 20<sup>th</sup> August 2018, £23,000 made on 27<sup>th</sup> February 2018 and £29,000 made on 6<sup>th</sup> February 2018.

**c. Staff numbers**

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

	<b>2018 No.</b>	<b>2018 FTE</b>	<b>2017 No.</b>	<b>2017 FTE</b>
Teachers	468	374	451	399
Administration and support	579	294	574	301
Management	33	33	31	31
	<b>1,080</b>	<b>701</b>	<b>1,056</b>	<b>731</b>
<b>Total</b>	<b>1,080</b>	<b>701</b>	<b>1,056</b>	<b>731</b>

Currently, the Trust does not have any centralised function and there are no staff costs attached to that function.

**THE CHALLENGE ACADEMY TRUST**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**for the year ended 31 August 2018**  
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**d. Higher paid staff**

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

	<b>2018</b>	<b>2017</b>
	<b>No.</b>	<b>No.</b>
£60,001 - £70,000	7	5
£70,001 - £80,000	4	4
£80,001 - £90,000	1	2
£90,001 - £100,000	1	1
£100,001-£110,000	1	1
£110,001-£120,000	1	-
£120,001-£130,000	1	1
	<hr/>	<hr/>

**e. Key management personnel**

The key management personnel of the academy trust comprise the trustees and the central executive team as listed on page 2. The total amount of employee benefits (including employer pension contributions) received by key management personnel for their services to the academy trust was £879,337(2017 - £213,771).

**9 Related Party Transactions – Trustees’ remuneration and expenses**

One trustee has been paid remuneration or has received other benefits from an employment with the academy trust. The principal/CEO only receives remuneration in respect of services they provide undertaking the roles of principal/CEO under their contracts of employment.

The value of the trustee’s remuneration and other benefits was as follows:

M Grant (Principal/CEO and Trustee)

Remuneration	£120,001 - £125,000 (2017 - £40,001 - £45,000 – for part year)
Employer’s pension contribution paid	£20,001 - £25,000 (2017 - £5,001 - £10,000 for part year)

**10 Trustees and officers insurance**

In accordance with normal commercial practice the academy has purchased insurance to protect trustees and officers from claims arising from negligent acts, errors or omissions occurring whilst on academy business. The insurance provides cover up to £1,000,000 on any one claim and the cost for the year ended 31 August 2018 was £1,600. The cost of this insurance is included in the total insurance cost.

**THE CHALLENGE ACADEMY TRUST**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**for the year ended 31 August 2018**  
**(continued)**

**11 Tangible fixed assets**

	<b>Freehold Land and Buildings £000</b>	<b>Leasehold Land and Buildings £000</b>	<b>Furniture and Equipment £000</b>	<b>Computer Equipment £000</b>	<b>Motor Vehicles £000</b>	<b>Total £000</b>
Cost or valuation						
At 1 September 2017	12,709	69,502	3,881	623	5	86,720
Transfers from other academies	-	-	-	-	-	-
Transfers from local authority conversion	-	1,745	3	-	-	1,748
Additions	28	47	146	84	-	305
Disposals	-	-	-	-	-	-
At 31 August 2018	<u>12,737</u>	<u>71,294</u>	<u>4,030</u>	<u>707</u>	<u>5</u>	<u>88,773</u>
Accumulated depreciation						
At 1 September 2017	153	394	226	63	1	837
Charge for the year	459	1,329	908	123	3	2,822
Disposals	-	-	-	-	-	-
At 31 August 2018	<u>612</u>	<u>1,723</u>	<u>1,134</u>	<u>186</u>	<u>4</u>	<u>3,659</u>
Net book value						
At 31 August 2018	<u>12,125</u>	<u>69,571</u>	<u>2,896</u>	<u>521</u>	<u>1</u>	<u>85,114</u>
At 31 August 2017	<u>12,556</u>	<u>69,108</u>	<u>3,655</u>	<u>560</u>	<u>4</u>	<u>85,883</u>

The trust's transaction relating to land and buildings included:

- The Trust entered into the following leases, each for a term of 125 years, for the premises and land:

<b>Property</b>	<b>Commencement Date of Lease</b>	<b>Value of Property at Lease Inception £000</b>
Penketh South Community Primary School	1 April 2018	1,745

The properties within the Trust have been transferred at the valuations when they became an academy or at historic build cost if built whilst either an academy or whilst Priestley College was a sixth form College.

**THE CHALLENGE ACADEMY TRUST**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**for the year ended 31 August 2018**  
(continued)

<b>12 Debtors</b>	<b>2018</b>	<b>2017</b>
	<b>£000</b>	<b>£000</b>
Trade debtors	46	19
VAT recoverable	1,519	330
Other debtors	123	224
Prepayments and accrued income	666	1,317
	<u>2,354</u>	<u>1,890</u>
<b>13 Creditors: Amounts Falling Due Within One Year</b>	<b>2018</b>	<b>2017</b>
	<b>£000</b>	<b>£000</b>
Trade creditors	694	917
Other taxation and social security	1,057	433
ESFA creditor	199	286
Other creditors	165	670
Accruals and deferred income	2,012	713
	<u>4,127</u>	<u>3,019</u>
<b>Deferred income</b>	<b>2018</b>	<b>2017</b>
	<b>£000</b>	<b>£000</b>
Resources deferred in the period	<u>1,743</u>	<u>154</u>
<b>14 Creditors: Amounts Falling Due In Greater Than One Year</b>	<b>2018</b>	<b>2017</b>
	<b>£000</b>	<b>£000</b>
Salix loan	<u>129</u>	<u>136</u>
<b>Total</b>	<u>129</u>	<u>136</u>

**THE CHALLENGE ACADEMY TRUST**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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(continued)

15 Funds	Balance at 1 September 2017 £000	Income £000	Expenditure £000	Gains, losses and transfers £000	Balance at 31 August 2018 £000
<b>Restricted general funds</b>					
General Annual Grant (GAG)	1,107	31,380	(32,420)	(1,414)	(1,347)
Pupil Premium	-	982	(982)	-	-
Pension Reserve	(7,725)	-	(1,039)	2,282	(6,482)
Other grants and donations	-	3,339	(3,339)	-	-
Transfer on conversion	3,036	28	-	-	3,064
	<u>(3,582)</u>	<u>35,729</u>	<u>(37,780)</u>	<u>868</u>	<u>(4,765)</u>
<b>Restricted fixed asset funds</b>					
Transfer on conversion	85,525	1,748	(2,716)	-	84,557
DfE/ESFA capital grants	-	-	-	-	-
Capital expenditure from GAG	358	-	(106)	305	557
	<u>85,883</u>	<u>1,748</u>	<u>(2,822)</u>	<u>305</u>	<u>85,114</u>
<b>Total restricted funds</b>	<u>82,301</u>	<u>37,477</u>	<u>(40,602)</u>	<u>1,173</u>	<u>80,349</u>
<b>Total unrestricted funds</b>	<u>86</u>	<u>1,260</u>	<u>(522)</u>	<u>-</u>	<u>824</u>
<b>Total funds</b>	<u>82,387</u>	<u>38,737</u>	<u>(41,124)</u>	<u>1,173</u>	<u>81,173</u>

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

	Balance at 1 September 2016 £000	Income £000	Expenditure £000	Gains, losses and transfers £000	Balance at 31 August 2017 £000
<b>Restricted general funds</b>					
General Annual Grant (GAG)	-	9,394	(7,945)	(342)	1,107
Pupil Premium	-	156	(156)	-	-
Pension Reserve	-	-	(286)	(7,439)	(7,725)
Other grants and donations	-	1,083	(1,083)	-	-
Transfer on conversion	-	3,036	-	-	3,036
	<u>-</u>	<u>13,669</u>	<u>(9,470)</u>	<u>(7,781)</u>	<u>(3,582)</u>
<b>Restricted fixed asset funds</b>					
Transfer on conversion	-	86,362	(837)	-	85,525
DfE/ESFA capital grants	-	-	-	-	-
Capital expenditure from GAG	-	16	-	342	358
	<u>-</u>	<u>86,378</u>	<u>(837)</u>	<u>342</u>	<u>85,883</u>
<b>Total restricted funds</b>	<u>-</u>	<u>100,047</u>	<u>(10,307)</u>	<u>(7,439)</u>	<u>82,301</u>
<b>Total unrestricted funds</b>	<u>-</u>	<u>162</u>	<u>(76)</u>	<u>-</u>	<u>86</u>
<b>Total funds</b>	<u>-</u>	<u>100,209</u>	<u>(10,383)</u>	<u>(7,439)</u>	<u>82,387</u>



**THE CHALLENGE ACADEMY TRUST**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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(continued)

A current year 12 months and prior period 5 months combined position is as follows:

	Balance at 1 September 2016 £000	Income £000	Expenditure £000	Gains, losses and transfers £000	Balance at 31 August 2018 £000
<b>Restricted general funds</b>					
General Annual Grant (GAG)	-	40,774	(40,365)	(1,756)	(1,347)
Pupil Premium	-	1,138	(1,138)	-	-
Pension Reserve	-	-	(1,325)	(5,157)	(6,482)
Other grants and donations	-	4,422	(4,422)	-	-
Transfer on conversion	-	3,064	-	-	3,064
	-	49,398	(47,250)	(6,913)	(4,765)
<b>Restricted fixed asset funds</b>					
Transfer on conversion	-	88,110	(3,553)	-	84,557
DfE/ESFA capital grants	-	-	-	-	-
Capital expenditure from GAG	-	16	(106)	647	557
	-	88,126	(3,659)	647	85,114
<b>Total restricted funds</b>	-	137,524	(50,909)	(6,266)	80,349
<b>Total unrestricted funds</b>	-	1,422	(598)	-	824
<b>Total funds</b>	-	138,946	(51,507)	(6,266)	81,173

**Total funds analysis by academy**

Fund balances at 31 August were allocated as follows:

	<b>Total 2018 £000</b>	<b>Total 2017 £000</b>
Beamont Collegiate Academy	932	1,473
Bridgewater High School	(247)	498
Great Sankey Primary School	254	229
Penketh High School	(476)	(150)
Penketh South Community Primary School	26	-
Priestley College	2,297	2,276
Sir Thomas Boteler Church of England High School	(256)	(97)
Central Trust Reserves	11	-
Total before fixed assets and pensions reserves	2,541	4,229
Restricted Fixed Asset Fund	85,114	85,883
Pension Reserve	(6,482)	(7,725)
<b>Total funds</b>	81,173	82,387

**THE CHALLENGE ACADEMY TRUST**  
**NOTES TO THE FINANCIAL STATEMENTS**

**for the year ended 31 August 2018**

(continued)

**15 Funds - continued**

All the academies suffer from the cost of funding the LGPS with Cheshire Pensions. This year alone has seen £1,039,000 charged to the SOFA by the actuarial valuation. Penketh High School joined the Multi Academy Trust with a deficit of £390,000 which has now reduced to £150,000. The academy worked hard to reduce the deficit and make the first loan payment. It has had to undertake another review of its position and a plan is in place to make the financial recovery. It is envisaged that by 2018/19, Penketh High School will have repaid its ESFA advance funding and be operating at a surplus. Sir Thomas Boteler is undertaking a review of its operations with the help of the Trust. Since joining the Trust, it has enjoyed some cost savings but there is more work needed to return the academy to surplus against the backdrop of improvement to academic performance and falling student numbers. The results for 2018 showed good improvement and it is hoped that this will act as a help in the growth of student numbers for 2019. The Trust has also used the services of a School Management Resource Advisor through the ESFA and the conclusion was that the plan in place was as good as it could be but the key is the increase in student numbers following the current improvement in the academy's academic performance. The plan will continue to be executed in the academic year 2018/19 to continue to bring around financial stability and academy improvement. Bridgewater High School closed its sixth form at the end of the academic year. During 2017/18, it operated the sixth form with a very small number of students in order to allow them to complete their studies. This meant that the academy had to provide the correct level of resources but with an expensive timetable. The closure was brought about to reduce unnecessary costs for the academy going forward and allow it to concentrate on its core 11-16 year old students.

**16 Analysis of net assets between funds**

Fund balances at 31 August 2018 are represented by:

	Unrestricted Funds £000	Restricted General Funds £000	Restricted Fixed Asset Funds £000	Total Funds £000
Tangible fixed assets	-	-	85,114	85,114
Current assets	824	5,973	-	6,797
Current liabilities	-	(4,127)	-	(4,127)
Non-current liabilities	-	(129)	-	(129)
Pension scheme liability	-	(6,482)	-	(6,482)
<b>Total net assets</b>	<b>824</b>	<b>(4,765)</b>	<b>85,114</b>	<b>81,173</b>

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

	Unrestricted Funds £000	Restricted General Funds £000	Restricted Fixed Asset Funds £000	Total Funds £000
Tangible fixed assets	-	-	85,883	85,883
Current assets	86	7,298	-	7,384
Current liabilities	-	(3,019)	-	(3,019)
Non-current liabilities	-	(136)	-	(136)
Pension scheme liability	-	(7,725)	-	(7,725)
<b>Total net assets</b>	<b>86</b>	<b>(3,582)</b>	<b>85,883</b>	<b>82,387</b>

**THE CHALLENGE ACADEMY TRUST**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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(continued)

<b>17 Capital commitments</b>	<b>2018</b>	<b>2017</b>
	<b>£000</b>	<b>£000</b>
Contracted for, but not provided in the financial statements	Nil	1,400
	<hr/> <hr/>	<hr/> <hr/>
<b>18 Commitments under operating leases</b>		
<b>Operating leases</b>	<b>2018</b>	<b>2017</b>
	<b>£000</b>	<b>£000</b>
<b>Land and buildings</b>		
Expiring in over five years	-	-
	<hr/>	<hr/>
	-	-
	<hr/> <hr/>	<hr/> <hr/>
<b>Other</b>		
Expiring within one year	-	47
Expiring between two and five years inclusive	96	52
	<hr/>	<hr/>
	96	99
	<hr/> <hr/>	<hr/> <hr/>

**19 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.

**20 Pension and similar obligations**

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

The pension costs are assessed in accordance with the advice of independent qualified actuaries. The latest actuarial valuation of the TPS was 31 March 2012 and the CPF 31 March 2016. Contributions amounting to £502,169 were payable to the schemes at 31 August 2018(2017 - £244,440) and are included within creditors.

**Teachers' Pensions Scheme**

The Teachers' Pension Scheme ("TPS") is a statutory, contributory, defined benefit scheme governed by the Teachers' Pensions 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 CHALLENGE ACADEMY TRUST**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**for the year ended 31 August 2018**  
**(continued)**

**20 Pension and similar obligations - continued**

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

**Valuation of the Teachers' Pension Scheme**

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

- employer contribution rates set at 16.48% of pensionable pay (including a 0.08% employer administration charge (currently 14.1%))
- total scheme liabilities (pensions currently in payment and the estimated cost of future benefits) for service to the effective date of £191,500 million, and notional assets (estimated future contributions together with the notional investments held at the valuation date) of £176,600 million giving a notional past service deficit of £14,900 million
- an employer cost cap of 10.9% of pensionable pay will be applied to future valuations
- the assumed real rate of return is 3.0% in excess of prices and 2% in excess of earnings. The rate of real earnings growth is assumed to be 2.75%. The assumed nominal rate of return is 5.06%.

The TPS valuation for 2012 determined an employer rate of 16.4%, which was payable from September 2015. The next valuation of the TPS is currently underway based on April 2016 data, whereupon the employer contribution rate is expected to be reassessed and will be payable from 1 April 2019.

The employer's pension costs paid to TPS in the period amounted to £2,533,954 (2017 - £587,833).

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

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

**Cheshire Pension Fund (CPF)**

The CPF is a funded defined benefit pension scheme, with the assets held in separate trustee-administered funds. The total contribution made for the year ended 31 August 2018 was £1,397,392 (2017 - £322,009) of which employers contributions totalled £1,096,620 (2017 - £253,649) and employees contributions totalled £300,722 (2017 - £68,360). The agreed contribution rates for employers, for future years, vary for each academy depending upon its asset and liability profile within the scheme. Currently, the 16-19 academy pays a lower employer rate than the other academies who pay 22.1% per annum increasing by 0.5% each year to a maximum of 30.1%. The rate for employees range from 5.5% to 8.5% for employees depending on salary.

**THE CHALLENGE ACADEMY TRUST**  
**NOTES TO THE FINANCIAL STATEMENTS**

**for the year ended 31 August 2018**

(continued)

**20 Pension and similar obligations - continued**

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

**Principal Actuarial Assumptions**

	<b>2018</b>	<b>2017</b>
Rate of increase in salaries	2.7%	2.7%
Rate of increase for pensions in payment/inflation	2.4%	2.4%
Discount rate for scheme liabilities	2.8%	2.5%
Inflation assumption (CPI)	1.25%	1.25%
Commutation of pensions to lump sums	50%	50%

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

	<b>2018</b>	<b>2017</b>
Retiring today		
Males	22.3	22.3
Females	24.5	24.5
Retiring in 20 years		
Males	23.9	23.9
Females	26.5	26.5

**Sensitivity Analysis**

	<b>2018</b>	<b>2017</b>
<b>Change in assumption</b>	<b>£000</b>	<b>£000</b>
0.5% decrease in Real Discount Rate	3,254	3,112
0.5% increase in the Salary Increase Rate	642	676
0.5% increase in the Pension Increase Rate	2,564	2,378

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

	<b>2018</b>	<b>2017</b>
	<b>£000</b>	<b>£000</b>
Equities	10,263	9,698
Bonds	9,194	7,950
Property	1,710	1,359
Cash	214	385
<b>Total Market Value of Assets</b>	<b>21,381</b>	<b>19,392</b>

**THE CHALLENGE ACADEMY TRUST**  
**NOTES TO THE FINANCIAL STATEMENTS**

**for the year ended 31 August 2018**

(continued)

**20 Pension and similar obligations - continued**

	<b>2018</b>	<b>2017</b>
	<b>£000</b>	<b>£000</b>
Current service cost	(1,961)	(540)
Past service cost	-	-
Interest income	499	144
Interest cost	(704)	(205)
	<hr/>	<hr/>
<b>Total amount recognised in the SOFA</b>	<b>(2,166)</b>	<b>(601)</b>
	<hr/>	<hr/>

<b>Changes in the present value of defined benefit obligations were as follows:</b>	<b>2018</b>	<b>2017</b>
	<b>£000</b>	<b>£000</b>
<b>At 1 September</b>	27,117	-
Conversion of academy trusts	244	11,736
Transferred in on existing academies joining the trust	-	14,347
Current service cost	1,961	540
Interest cost	704	205
Employee Contributions	300	86
Actuarial (gain)/loss	-	-
Benefits paid	(331)	(104)
Losses or gains on curtailments	-	-
Past service cost	-	-
Change in financial assumptions	(2,132)	307
Effect of non-routine settlements	-	-
	<hr/>	<hr/>
<b>At 31 August</b>	<b>27,863</b>	<b>27,117</b>
	<hr/>	<hr/>

<b>Changes in fair value of academy's share of scheme assets</b>	<b>2018</b>	<b>2017</b>
	<b>£000</b>	<b>£000</b>
<b>At 1 September</b>	19,392	-
Conversion of academy trusts	172	9,574
Transferred in on existing academies joining the trust	-	8,868
Interest income	499	144
Actuarial gain/(loss)	222	512
Employer contributions	1127	312
Employee contributions	300	86
Benefits paid	(201)	(104)
Effect of non-routine settlements	-	-
	<hr/>	<hr/>
<b>At 31 August</b>	<b>21,381</b>	<b>19,392</b>
	<hr/>	<hr/>

**THE CHALLENGE ACADEMY TRUST**  
**NOTES TO THE FINANCIAL STATEMENTS**

**for the year ended 31 August 2018**

(continued)

<b>21</b>	<b>Reconciliation of Net Income/(Expenditure) to Net Cash Flow from Operating Activities</b>	<b>2018</b>	<b>2017</b>
		<b>£000</b>	<b>£000</b>
	Net income/(expenditure) for the reporting period (as per the statement of financial activities)	(2,387)	89,826
	Adjusted for:		
	Depreciation	2,822	837
	Fixed assets transferred on entry to the Trust	(1,748)	(86,378)
	Capital grants from DfE and other capital income	-	-
	Interest receivable	(2)	(1)
	Defined benefit pension scheme cost less contributions payable	(834)	(225)
	Defined benefit pension scheme finance cost	(205)	(61)
	(Increase)/decrease in debtors	(464)	(1,890)
	Increase/(decrease) in creditors	1,108	3,019
		<hr/>	<hr/>
	<b>Net cash provided by / (used in) Operating Activities</b>	<b>(1,710)</b>	<b>5,127</b>
		<hr/> <hr/>	<hr/> <hr/>
<b>22</b>	<b>Cash Flows from Financing Activities</b>	<b>2018</b>	<b>2017</b>
		<b>£000</b>	<b>£000</b>
	Repayment of borrowing	(7)	(11)
		<hr/> <hr/>	<hr/> <hr/>
<b>23</b>	<b>Cash flows from investing activities</b>	<b>2018</b>	<b>2017</b>
		<b>£000</b>	<b>£000</b>
	Dividends, interest and rents from investments	2	1
	Capital grants from DfE/ESFA	1,326	377
	Payments for the purchase of fixed assets	(662)	-
		<hr/>	<hr/>
		<b>666</b>	<b>378</b>
		<hr/> <hr/>	<hr/> <hr/>
<b>24</b>	<b>Analysis of cash and cash equivalents</b>	<b>2018</b>	<b>2017</b>
		<b>£000</b>	<b>£000</b>
	Cash in hand and at bank	4,443	5,494
		<hr/> <hr/>	<hr/> <hr/>
<b>25</b>	<b>Contingent Liabilities</b>		

The Trust had no contingent liabilities.

**THE CHALLENGE ACADEMY TRUST**  
**NOTES TO THE FINANCIAL STATEMENTS**

**for the year ended 31 August 2018**

(continued)

**27 Related party transactions**

Owing to the nature of the academy trust and the composition of the board of trustees being drawn from local public and private sector organisations, transactions may take place with organisations in which the trust has an interest. All transactions involving such organisations are conducted at arm's length and in accordance with the trust's financial regulations and normal procurement procedures. The following related party transaction took place in the financial period.

Warrington Borough Council – a Local Authority in which S Broomhead (a Member of the Trust) is the Chief Executive and L Waterson (a trustee of the Trust) is an employee.

During the period, apart from the Trust meeting its legal responsibilities in relation to rates payable to the Local Authority, all of the academies within the Trust received income for the provision of high needs education and also purchased services from the Local Authority under Service Level Agreements. In addition, the academy that joined the Trust was a conversion academy from the Local Authority. At the 31 August 2018 an outstanding debtor still existed in relation to the transfer of assets and liabilities amounting to £30,000 (2017 - £308,000). This is included within the prepayments and accrued income figure on the Balance Sheet.

<b>Type of transaction</b>	<b>Total incurred during period £000</b>	<b>Outstanding at 31 August £000</b>
Education Delivery	692	Nil
Purchase of Services	766	70

Priestley Education & Training Trust (PETT) – M Grant and S Yates (trustees of the Trust) are trustees in this charitable trust. The trust helps provide support to past and present students. The Trust sometimes receives monies from the Trust by way of a proportion of the ticket sales of performances by students. During the period, PETT did not receive any monies. In addition, PETT helps to supplement the bursary by supporting students not covered under the EFSA funded 16-19 discretionary bursary. In the year, the academy disbursed £8,197(2017 - £783) which was refunded by PETT after 31 August 2017. The balance is included in Other Debtors.

**28 Agency arrangements**

The Trust distributes the ESFA discretionary 16-19 bursary to students as an agent for the ESFA. Unspent funds were transferred to the Trust as each academy in receipt of the funds joined the Trust. The trust disbursed over £165,550 (2017 - £27,831) in the year and the amount overspent, £11,383 (2017 - underspent £34,017), was deducted from the balance carried forward in Other Creditors to be used next year.



**THE CHALLENGE ACADEMY TRUST**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**for the year ended 31 August 2018**  
**(continued)**

**29      Transfer of existing academies into the Trust**

There were no transfers of existing academies into the Trust in the year.

On 1 April 2018, Penketh South Community Primary School converted to academy status having been within the Local Authority. The academy entered into a lease of 125 years for the property and they transferred with a surplus of £28,000.

**30      Events after the end of the reporting period**

Padgate Academy, formerly University Academy Warrington, joined the Trust on 1 December 2018. The University Academy Warrington was part of the University of Chester Academy Trust and its transfer to the Trust was rebrokered by the ESFA.