



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

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FOR THE PERIOD ENDED 31 AUGUST 2019

**THE CHALLENGE ACADEMY TRUST**  
**FINANCIAL STATEMENTS**  
**Year ended 31 August 2019**

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

<b>Members</b>	<p>Professor S Broomhead  A Cannell (resigned 12 September 2018)  J Griffiths (Chester Diocesan Board of Education Representative)  N Mellor MBE (appointed 17 December 2018)  D Mowat  S Whatmore (resigned 3 September 2019)</p>
<b>Trustees</b>	<p>M Grant (CEO &amp; Accounting Officer of TCAT, Principal of Priestley College)  J Griffiths  P Hinds (resigned 17 September 2018)  G Johnson (resigned 11 October 2019)  T Macormac (resigned 11 December 2019)  M Mellor MBE (resigned 17 December 2018)  L Muir (appointed 17 December 2018)  J Monaghan  N Pearson  H Platt DL (Chair)  S Richardson (appointed 18 September 2019)  S Titchard  L Waterson  S Whatmore  S Yates</p>
<b>Central Executive Team</b>	<p>M Grant, CEO of TCAT and Principal of Priestley College  M Barclay, Headteacher – Padgate Academy  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 &amp; Director of Learning at TCAT  A Moorcroft, Headteacher - Beamont Collegiate Academy &amp; Director of School Improvement at TCAT  B Scott-Herron, Headteacher - Sir Thomas Boteler Church of England High School</p>
<b>Senior Managers</b>	<p>D McGuire ACA – Director of Finance  A Laing – Director of Operations</p>
<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>	<p>Murray Smith LLP  Darland House, 44 Winnington Hill  Northwich, CW8 1AU</p>
<b>Bankers</b>	<p>Lloyds Bank plc  Horsemarket Street  Warrington  WA1 1TP</p>
<b>Solicitors</b>	<p>Browne Jacobson  14<sup>th</sup> Floor, No. 1 Spinningfields  1 Hardman Square  Manchester, M3 3EB</p>

**THE CHALLENGE ACADEMY TRUST**  
**TRUSTEES REPORT**  
**Year ended 31 August 2019**

The trustees present their annual report together with the financial statements and auditor's report of the charitable company for the year to 31 August 2019. The annual report serves the purposes of both a trustees' report and a directors' report under company law.

The academy trust operates 2 primary, including nursery provision, 5 secondary and 1 16-19 academies in Warrington. The trust currently has capacity for 525 primary students, 5,175 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, Padgate Academy, 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 2019**

and Remuneration Committee. Four committees exist to help the Trust Board with this oversight. The Local Governing Boards, through the 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 their 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 Director of Operations. 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 within 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
--	--------------------------------------

14

12.8

**Percentage of time spent on facility time**

Percentage of time	Number of employees
0%EB	-
1% - 50%	14
51% - 99%	-
100%	-

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

Total cost of facility time	£24,797
Total pay bill	£30,066,079
Percentage of the total pay bill spent on facility time	0.08%

**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 2019**

#### **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.

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

TCAT's core purpose is to be a local trust serving the young people and local community in the Warrington area. TCAT is a trust with a strong moral purpose that aims to be inclusive to all young people regardless of the background, achievement, faith, sexuality or disadvantage.

Our vision is to provide exciting and inclusive opportunities for every single learner entrusted in our care. We want all learners to receive an outstanding modern education delivered by motivated, passionate and well trained staff. This vision is delivered through strong and focused collaboration and innovative partnerships. TCAT aims to provide an environment in which every young person is nurtured, challenged and inspired to achieve the very best for themselves and their communities.

**THE CHALLENGE ACADEMY TRUST**  
**TRUSTEES REPORT (continued)**  
**Year ended 31 August 2019**

**Vision, Objectives, Strategies and Activities - continued**

**Strategic Objectives**

- 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.
- 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.
- To develop innovative and collaborative partnerships across educational, business, community and charitable providers that benefit all of those within the Trust and communities we serve.
- To seek opportunities for growth by working with schools that share our ethos and vision whilst prioritising primary schools within the Warrington area.
- To utilise resources to ensure academies provide a healthy and inspiring learning environment for all learners with the safeguarding and well-being of staff and students at the heart.
- To ensure that individual academies and the Trust as a whole remain financially stable whilst developing long term investment priorities.
- To develop a highly competent and effective workforce through the Teaching School, recruitment and focussed professional development.

**Significant Developments in 2018/2019**

- On 1 December 2018 Padgate Academy formally joined TCAT having been re-brokered from the University of Chester Academy Trust (UCAT). This followed an intense period of negotiations with the RSC and ESFA. We were able to ensure that the historical deficit was wiped out and that £1.83 million was provided to ensure urgent health and safety and school condition issues could be addressed. Padgate still returned a deficit in the eight months left in the 2018/19 financial year and will post a deficit in 2019/20, however the steps we have taken to improve both the financial stability and outcomes for learners are already bearing fruit.
- Plans to expand the Trust, especially in the primary sector were boosted when Broomfields Junior School and Meadowside Primary School applied to join TCAT. The October meeting of the Headteacher Board approved their application and the formal conversion date was set as 1 December.
- The Trust completed its first application to open a Free School over the summer months. This was as a result of Warrington being identified as one of the Local Authorities where a Special Free School to meet the needs of pupils on the autistic spectrum is required. We will hear in January 2020 if our bid has been successful.
- The Trust continued to consolidate its back office functions and it now has a full time Director of School Improvement, together with a part time senior Lead for the Teaching School and a Primary Lead for School Improvement. From September 2019 the Trust's

**THE CHALLENGE ACADEMY TRUST**  
**TRUSTEES REPORT (continued)**  
**Year ended 31 August 2019**

**Vision, Objectives, Strategies and Activities - continued**

Director of Finance and Director of Operations are now both full time Trust roles and they are now supported by a Management Accountant and a team of Finance Managers who work across a group of academies.

- The Trust will shortly be appointing an HR Manager and an apprentice to support the work of the Director of Operations.
- During the summer of 2019 the former Appleton College Sixth Form Centre at Bridgewater High School was converted into the TCAT Professional Development Centre. This will not only be the base for trainee teachers but also the base for all professional development activity across the Trust and it will also support the partnership work we are developing with Oxford University.
- The partnership with Oxford University was further developed in 2018/19 with a series of professional development activities being run alongside activities for pupils and learners from primary, secondary and the Sixth Form College. The Oxplore@TCAT partnership will be formally launched at a national conference being held in Manchester in January 2020.
- The Oxford partnership also saw Priestley being chosen as the base for the OxNet North West Hub for Languages and Culture with the launch event being held at the Professional Development Centre in December 2019.
- The Trust has continued to prioritise health and safety needs for the spending of the School Condition grant and over the last twelve months we have seen significant investment in new outside playing facilities at Penketh South Primary School, the refurbishment of toilets at Bridgewater and Penketh High Schools and security fencing at Penketh High School. Further expenditure is planned for the creation of a link corridor and security fencing at Sir Thomas Boteler Church of England High School.
- We have secured significant increases in pupil recruitment for the three secondary schools where pupil numbers have fallen which in turn has led to significant financial pressures. Sir Thomas Boteler Church of England High School, Padgate Academy and Penketh High School have also seen an increase in expressions of interest for 2020 entry.
- Beamont Collegiate purchased the Roger Hunt building from Warrington and Vale Royal College. This building sits on the Beamont site and was already leased by the academy. The building will see the academy develop a STEM and Computing centre for the benefit of its pupils and the wider community.
- Beamont Collegiate Academy and Priestley College successfully bid to become the North West Hub as part of the The National Centre for Computing Education (NCCE) programme. After going through a rigorous selection process the partners were awarded a three year contract. The aim of the hubs is to provide high-quality support and training to primary and secondary computing teachers in their local area. The hub will be based at the new STEM & Computing centre at BCA and will provide training to teachers from across the whole of the North West region.
- Priestley College secured a Good Ofsted grade in its full inspection held in late May 2019 and Sir Thomas Boteler Church of England High and Bridgewater High Schools took part in Ofsted pilots of the new inspection framework with both receiving very useful indicators about the progress they are making.

**THE CHALLENGE ACADEMY TRUST**  
**TRUSTEES REPORT (continued)**  
**Year ended 31 August 2019**

**Vision, Objectives, Strategies and Activities - continued**

- Held our first TCAT concert at the Parr Hall Warrington with pupils and learners from primary, secondary schools and the college performing alongside each other. This in turn led to the formation of the TCAT Choir and the TCAT Stomp Band. The second concert is was held in November 2019.

**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**

This is our third year of reporting on results and also our third year when we can point to improved results across all phases. As Trustees are aware our focus from day one has been very much about improving the quality of education that all learners in TCAT receive. This is the key to both improved outcomes and to the long term financial viability of the Trust. It is therefore pleasing to see that this strategy continues to bear fruit. It should be remembered that this is the first time Padgate data is included at secondary level.

**A) Primary outcomes**

Pupils across the trust continue to achieve extremely well across all phases. Outcomes clearly demonstrate that the large majority of pupils are performing well above national attainment levels and making good/outstanding progress from their starting points.

There is a sustained trend over time of achievement significantly above national rates at EYFS, KS1 and KS2. KS1 cohorts make good progress from the end of EYFS with the overall attainment at the end of KS1 consistently above national benchmarks in reading, writing and maths. There is a decrease in Y1 children achieving phonic outcomes for 2019. This is due to a larger number of children of lower ability and SEN. However, those retaking phonics at Y2 is 100% for 2019.

**THE CHALLENGE ACADEMY TRUST**  
**TRUSTEES REPORT (continued)**  
**Year ended 31 August 2019**

**Achievements and Performance - continued**

<i>Standards</i>	<b>2018</b>				<b>2019</b>			
	<b>GSP</b>	<b>PS</b>	<b>TCAT</b>	<b>Nat</b>	<b>GSP</b>	<b>PS</b>	<b>TCAT</b>	<b>Nat</b>
<b>EYFS</b>	82	77	80	71	84	84	84	TBC
<b>Phonics</b>	91	95	93	83	91	83	87	TBC
<b>KS1 – Exs</b>	R – 82 W – 82 M – 89	R – 77 W – 73 M – 80	R – 80 W – 78 M – 85	80 70 76	R- 82 W- 78 M- 82	R- 92 W- 84 M- 80	R- 87 W- 81 M- 81	TBC
<b>KS1 – GDS</b>	R – 27 W – 23 M – 27	R – 33 W – 40 M – 33	R – 30 W – 32 M – 30	26 16 22	R- 24 W- 24 M- 27	R- 40 W- 16 M- 32	R- 32 W- 20 M- 30	TBC
<b>KS1 RWM</b>	75	73	74	65	71	72	72	TBC
<b>KS2 – Exs</b>	R – 91 W – 85 M – 91	R – 77 W – 84 M – 77	R – 84 W – 85 M – 84	75 78 76	R- 87 W- 84 M- 87	R- 77 W- 86 M- 77	R- 82 W- 85 M- 82	73 78 79
<b>KS2 – GDS</b>	R – 36 W – 19 M – 28	R – 26 W – 19 M – 26	R – 31 W – 19 M – 27	25 18 23	R- 33 W- 33 M- 36	R- 45 W- 32 M- 27	R- 39 W- 33 M- 32	TBC
<b>KS2 RWM</b>	81	71	76	64	78	77	78	65
<b>KS2 RWM GDS</b>	13	16	15	10	9	18	14	10

**A) Secondary outcomes**

There were significant improvements in GCSE outcomes at Penketh High and Padgate this year with sustained good performance at Beamont Collegiate Academy (BCA), Sir Thomas Boteler Church of England High School (STB) and Bridgewater who have all improved in some priority subject areas. In terms of the provisional Progress 8 indicator, we can see significant improvement across the Trust as a whole and in all academies. For the first time, we have a positive P8 residual up by 0.25 which tells us that in general TCAT students are making slightly more progress than their peers nationally. An improvement of 0.83 can be seen at Padgate in its first year as a TCAT academy.

	<b>2018</b>	<b>2019</b>
STB	-0.23	-0.35
Bridgewater	-0.04	+0.09
Penketh High	-0.33	-0.09
BCA	-0.05	+0.21
Padgate	-0.99	-0.16
TCAT	-0.17** (Padgate not incl)	+0.08

There are likely to be positive variances by the time national data sets are published later this month. In relation to the BASICS measure or GCSE passes in English and Maths, our aggregated data suggests that TCAT students are performing slightly above the 2018 national averages with a 5% increase at grade 4 and a 2% increase at grade 5. All academies have performed relatively close to targets set between FFT 5 and 50 at the start of the year. Most significant improvements can be seen at Penketh and Padgate.

**THE CHALLENGE ACADEMY TRUST**  
**TRUSTEES REPORT (continued)**  
**Year ended 31 August 2019**

**Achievements and Performance - continued**

**Basics performance (English and maths)**

Academy performance should be considered in relation to the Average Points Score (APS) on entry which describes the ability profile of the cohort. Where the APS is above national the academy will be expected to achieve above the national average and vice versa.

	APS	2018		Target		2019	
		Gr 4	Gr 5	Gr4	Gr 5	Gr 4	Gr 5
STB	4.86	54	41	67	53	65	43
Bridgewater	5.05	77	56	80	60	79	58
Penketh High	4.78	60	36	73	49	70	42
BCA	4.47	52	33	56	36	52	31
Padgate	4.53	46	30	55	34	57	26
TCAT	-	63	43	-	-	68	45
National	4.7 approx	64	43	-	-	TBC	TBC

**English Grade 4**

Outcomes have risen from 2018 at every TCAT academy and aggregated outcomes are now significantly above the national average.

	2018	Target	2019
STB	75	84	79
Bridgewater	87	89	89
Penketh High	72	75	75
BCA	72	75	76
Padgate	58	74	66
TCAT	77	-	80
National	70	-	TBC

**Maths Grade 4**

Aggregated outcomes have risen by 4% from 2018 and are now above the national average. There were significant improvements at Penketh and Padgate and every academy has improved from last year. Maths is a key focus for further improvement in 2019/20.

	2018	Target	2019
STB	59	79	67
Bridgewater	81	86	82
Penketh High	69	80	79
BCA	55	63	56
Padgate	53	62	62
TCAT	69	-	73
National	71	-	TBC

**THE CHALLENGE ACADEMY TRUST**  
**TRUSTEES REPORT (continued)**  
**Year ended 31 August 2019**

**Achievements and Performance - continued**

In relation to EBacc performance we can also see significant improvements from last year in relation to grade 4s across all EBacc subjects at Penketh and BCA. STB, Padgate and Bridgewater have established strategic plans to increase EBacc performance going forwards.

	2018	2019
STB	13	11
Bridgewater	22	16
Penketh High	22	32
BCA	14	19.3
Padgate	10	10
TCAT	18	18
National	24	TBC

**B) Post 16 outcomes**

Priestley College received their best set of A Level results this year but there has been a fall in the overall AS performance compared to 2018, though they do remain higher than 2017.

At A Level the overall pass rate improved to 99.4% up from 98.1% in 2018 with significant improvement to high grades with the A\* to B pass rate improving to 44.8% compared to 37.6% in 2018 and the A\* to C pass rate increased to 74.5% from 68.7%.

Nationally the overall A Level pass rate held steady at 97.6% whilst there was a fall in the A\* to C pass rate to 75.5% from 76.8% meaning that the college is now very close to this benchmark.

	2018	2019	National
A Level pass rate	98.1	99.4	97.6
A*-C pass rate	68.7	74.5	75.5
A*-B pass rate	37.6	44.8	-

At AS the overall pass rate fell to 87.5% from 90.5% though this is still above the college's 2017 pass rate of 86.5%. The A to B fell to 33.1% from 35.7% with the A to C pass rate falling to 51.0% from 56.3%. The AS picture nationally is rapidly changing as the number of entries are now less than a quarter than before the AS and A Level reforms took hold. The national pass rates also fell, the A to E rate fell to 88.8% from 90.7% and the A to B rate fell to 41.4% from 47% with the A to C rate falling to 61.9% from 66.3%.

Students studying vocational subjects delivered an excellent set of results with the overall pass rate on Extended Diplomas or equivalents currently standing at 96.6% with 123 students securing at least triple Distinction and 65 students achieving a triple Distinction\*.

GCSE re-sit results for English were 5.2% down from 2018 at 53.7% whereas mathematics improved from 33.3 to 42.7%. Both figures are well above sector averages.

Achievement Rates are a key performance indicator for Sixth Form and FE Colleges and as the table below shows Priestley's rates remain significantly above national rates in all key lines. For those not familiar with achievement rates they are simply a multiple of pass rates and retention rates.

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**TRUSTEES REPORT (continued)**  
**Year ended 31 August 2019**

It should be noted that where organisations have moved to linear A Level delivery retention would be counted over the full two years of the programme. The sector rates are therefore not always a direct comparison.

**Post 16 Achievement Rates**

<b>Enrolments</b>	<b>KPI descriptor</b>	<b>2016-17</b>	<b>2017-18</b>	<b>2018-19</b>	<b>National Rate all Colleges</b>	<b>NR Sixth Form Colleges</b>
5293	All achieve rates	86.9%	87.8%	86.5%	85.2%	84.2%
5161	All 16-18	87.4%	88.2%	86.8%	82.1%	84.1%
132	All 19+	74.1%	73.5%	75%	88.3%	86.9%
1524	AS 16-18	81.5%	85.1%	80.8%	76.0%	75.7%
1113	A2 16-18	95.1%	94.4%	96.6%	85.7%	84.8%
111	Level 2 Cert 16-18	90.4%	90.6%	91%	80.1%	81.3%
61	Level 2 Diploma 16-18	73.9%	92.7%	88.5%	81.8%	85.1%
595	Level 3 Certificate	75.4%	83.8%	82.4%	82%	84.1%
996	Level 3 Diploma	92.3%	92.6%	90.2%	87.2%	89.5%
216	Level 3 Other 16-19	88.5%	75.7%	83.8%	70.4%	66.2%

The final Year 13 cohort of 26 students at Bridgewater High School committed themselves well and achieved a pleasing set of A level results which reflected the ability of the year group. They have all secured future destinations.

**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.

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**TRUSTEES REPORT (continued)**  
**Year ended 31 August 2019**

**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. The year has been a testing year financially. The academies, who joined with deficits, have proved more difficult to change to generate necessary savings or increase income through more new students thereby leading to a slower return to break even. Student performance has improved which has helped with student numbers joining in September 2019 being higher than previously achieved but the level of growth and cost reduction needs to be accelerated. The Trust is working on specific plans for those academies to bring them to a break even position in the first instance with the aim of surplus reserves in the medium term.

There has been investment at Beamont Collegiate Academy to purchase a long leasehold building. Beamont Collegiate Academy has also had to invest in its staffing, furniture and resources due to the continued growth in student numbers. With lagged funding, this has led to the academy struggling to post a surplus in year. It is well supported with reserves and funding should soon catch up with student number growth. The addition of Padgate Academy, a rebrokered academy, posted a deficit of £251,000 in its nine month period of being in the Trust. It was always expected to post a deficit but this has added to the Trust's overall operational deficit. The other academies all performed well providing surpluses but the overall position was an operational deficit of £495,000(2018 – Deficit £281,000) after excluding FRS17 adjustments, depreciation and the use of reserves to purchase the long leasehold building.

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. More intervention will take place with these academies and a full review of curriculum and operations has started to find opportunities to reduce costs and maintain the drive to improve student performance. In year funding for Padgate Academy will help improve the financial position of that academy also. 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 September 2019, the Trust restructured its finance operations with a more centralised finance operation. This will allow the Trust to more closely monitor an academy and its financial performance. In addition, this should also increase the opportunities to drive through cost savings.

**Capital Investment**

Due to the size of the Trust we were allocated significant sums via the School Condition Allocation (SCA). As a result, some £1.5 million is currently showing in the deferred income.

The Trust, using the Health & Safety Report and the ten year School Condition survey report, prioritised a schedule of works across the Trust's estate. The projects have been combined where synergies arise and tendered. The works commenced during the year and the programme is scheduled for the next couple of years, as long as the SCA remains in place. Padgate Academy joined the Trust on 1<sup>st</sup> December 2018 and a £1.8 million condition grant was negotiated with the ESFA. The approved work commenced in October 2019 and will be completed by March 2020. The funding for this project was released in September 2019.

**THE CHALLENGE ACADEMY TRUST**  
**TRUSTEES REPORT (continued)**  
**Year ended 31 August 2019**

**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 2019, the Trust had Unrestricted Reserves of £1,251,000 (2018 - £824,000), Restricted General Reserves of £499,000 (2018 - £1,717,000), Restricted Pension Reserve deficit of £14,106,000 (2018 - £6,482,000) and a Fixed Asset Reserve of £96,632,000 (2018 - £85,114,000). Half of the academies within the Trust operated at a cash surplus budget within the year. The Trust continues to work to bring the other academies to financial health. One academy had an in year deficit, covered by brought forward and carry forward reserves, due to continued exponential growth which requires investment in staffing, furniture and resources whilst funding is based upon lagged student numbers. The academy should return to a budget surplus by next 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 has identified the advantages of pooling surplus cash flows across the academy to generate additional interest receivable and currently discussions are taking place with banks and a policy document being written to control how those monies are invested. 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 the following main headings and their identified risk to the Trust:

<b>Area</b>	<b>Overall Assessment</b>
National Initiatives	High
Local Risks	Medium
Safeguarding	High
Estates and Facilities	Medium
Human Resources	Medium
Curriculum & Quality	Medium
Legal & Insurance	Low
Financial & Audit	Medium
FIS/MIS/IT Systems	Medium
Trust Assumes Sponsorship of UAW/Padgate	Medium

**THE CHALLENGE ACADEMY TRUST**  
**TRUSTEES REPORT (continued)**  
**Year ended 31 August 2019**

**Principal Risks and Uncertainties - continued**

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.

**FUNDRAISING**

The Trust does not employ, or have a contract for services with, a professional fundraiser. The Trust seeks to generate additional income from its assets but does not actively seek donations or sponsorships. Academies within the Trust may have active Parent Teacher Associations that fundraise for the specific academy. The Headteacher is represented at the Association and any fundraising activities would be scrutinised and restricted where necessary. Any promotion of fundraising activities is restricted to the parents and families of students at the academies and not promoted beyond that point. The academies do look to corporate schemes to apply for donations for specific projects. All fundraising monies are held in a separate account which the Association then approve funds to the academies.

**PLANS FOR FUTURE PERIODS**

TCAT will continue to drive up standards and school improvement through collaboration and plans for 2019/20 include:

1. The anticipated growth with Broomfields Junior and Meadowside Primary Schools joining TCAT on 1 December 2019.
2. Developing three year financial recovery plans for Sir Thomas Boteler Church of England and Penketh High Schools and Padgate Academy.
3. Completing the £1.83 million investment programme in Padgate Academy on schedule and within budget by mid 2020.
4. Continuing to invest the School Condition funds to address immediate health and safety and condition issues as identified in our comprehensive health and safety and school condition reports.
5. Seeking further growth by continuing discussions with local primary schools who are seeking to work with us ahead of any formal application to join the Trust.
6. Firming up and signing the joint agreement with Oxford University
7. Continue the programme of harmonising staff and HR policies which will be supported by the new HR manager
8. The development of an expansion plan for Bridgewater High School funded via Warrington Borough Council

**POST BALANCE SHEET EVENTS**

On 1 December 2019 Broomfields Junior School and Meadowside Community Primary and Nursery School joined the Trust. The Trust also issued and awarded tenders for the capital works approved and funded by the Department for Education. The overall funding for the project is £1.8 million. In

**THE CHALLENGE ACADEMY TRUST**  
**TRUSTEES REPORT (continued)**  
**Year ended 31 August 2019**

**Post Balance Sheet Events - continued**

November 2019, the CEO of the Trust and Principal of Priestley College announced his retirement on 31 August 2020. A process to find a replacement is underway for Priestley College and the process for the CEO role will begin in the next calendar year.

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

The Trust, through its academies, holds monies paid in advance, for educational trips or for catering accounts. The funds are held in a separate bank account and either used to pay for the trip or pay for meals purchased. Any balances at 31 August 2019 are included in Other Creditors.

Priestley College, being a 16-19 academy, receives funds from the ESFA from the 16-19 Discretionary Bursary fund and also the Vulnerable Students Bursary Fund. Priestley College manages the bursary funding and directs bursaries to eligible students. Any unspent bursary funding in the year is carried forward in other creditors and used the following year.

**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 11 December 2019 and signed on the board's behalf by:

  
A handwritten signature in dark ink, appearing to be 'H Platt', is written above a horizontal line.

**H Platt**  
Trustee

11 December 2019

**THE CHALLENGE ACADEMY TRUST**  
**GOVERNANCE STATEMENT**  
**Year ended 31 August 2019**

**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	1
G Johnson – resigned 11 October 2019	2	5
T Macormac – resigned 11 December 2019	4	5
M Mellor MBE – resigned 17 December 2018	3	5
J Monaghan	4	5
L Muir – appointed 17 December 2018	2	2
N Pearson	4	5
S Titchard	5	5
L Waterson	4	5
S Whatmore	4	5
S Yates	4	5

There have been some changes to the board of trustees. M Mellor has resigned as a Trustee but has been appointed as a member of the Trust. The board continually looks at what it is doing and considers whether any changes should be made. The internal auditors review of governance within the trust 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 2019**

The committee met four times since 1 September 2018. 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 – resigned 11 October 2019	3	4
T Macormac – resigned 11 December 2019	2	4
J Monaghan	4	4
N Pearson	1	4
S Titchard (Chair of Committee)	3	4
L Waterson	3	4
S Whatmore	3	4
<b>Co-opted Members</b>		
A Pailing	3	4
G Bratley	-	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 2018. 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
M Grant (CEO, Principal and Accounting Officer)	3	3
L Waterson (Chair of Committee)	2	3
S Whatmore	1	1
<b>Co-opted Members</b>		
P Dyke	3	3
A Farquharson	3	3
C Findlay	-	3
G Stuart	-	3

**THE CHALLENGE ACADEMY TRUST**  
**GOVERNANCE STATEMENT (continued)**  
**Year ended 31 August 2019**

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 2 times since 1 September 2018. 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	2
J Griffiths	1	2
N Pearson	1	2
S Yates (Chair of Committee)	2	2
<b>Co-opted Members</b>		
P King	2	2
A Topping	-	2
C Roper	-	2
C Williams	2	2

The Remuneration Committee was established in December 2018. 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:

- Added Padgate Academy to the existing catering contract which secured a nil cost contract as opposed to the previously subsidised catering contract.
- Secured funding for Padgate Academy to undertake much needed capital works.
- During the negotiations to rebroker Padgate Academy, certain contracts were not transferred thereby allowing for an improvement in deficits.
- 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

**THE CHALLENGE ACADEMY TRUST**  
**GOVERNANCE STATEMENT (continued)**  
**Year ended 31 August 2019**

should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in The Challenge Academy Trust for the year from 1 September 2018 to 31 August 2019 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 2018 to 31 August 2019 and up to the date of approval of the annual report and financial statements. This process is regularly reviewed by the board of trustees.

**The Risk and Control Framework**

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

- comprehensive budgeting and monitoring systems with an annual budget and periodic financial reports which are reviewed and agreed by the board of trustees
- regular reviews by the 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. They have completed their first full year and have submitted reports to the Audit Committee on:

- Safeguarding
- Governance
- GDPR
- IT
- Finance systems
- Human resources and personnel – Autumn 2019

A programme of work has been agreed for 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 majority of their work resulted in a 'strong or satisfactory' rating in terms of internal control. There was one area where a 'weak' rating was given and this was at the time when Padgate Academy was rebrokered into the Trust. The level of internal control was not the same as in other parts of the Trust and action has been taken to improve their systems. Overall, they said that the Trust exhibited many good features.

**THE CHALLENGE ACADEMY TRUST**  
**GOVERNANCE STATEMENT (continued)**  
**Year ended 31 August 2019**

**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:

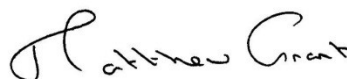
- the work of the external auditor
- the work of the internal auditor
- the financial management and governance self-assessment process
- the work of the executive managers within the academy trust who have responsibility for the development and maintenance of the internal control framework

The accounting officer has been advised of the implications of the result of their review of the system of internal control by the Audit Committee and a plan to address weaknesses and ensure continuous improvement of the system is in place.

Approved by order of the members of the board of trustees on 11 December 2019 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 2018.

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

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

A handwritten signature in black ink, appearing to read 'Matthew Grant'. The signature is written in a cursive, flowing style.

**M Grant**  
Accounting Officer  
11 December 2019

**THE CHALLENGE ACADEMY TRUST**  
**STATEMENT OF TRUSTEES' RESPONSIBILITIES**  
**Year ended 31 August 2019**

The trustees (who are also the directors of the charitable company for the purposes of company law) are responsible for preparing the Trustees' Report and the financial statements in accordance with the 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 2018 to 2019
- make judgments and accounting estimates that are reasonable and prudent
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charitable company will continue in business

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

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

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

Approved by order of the members of the board of trustees on 11 December 2019 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 2019, 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 2018 to 2019 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 2019 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 2018 to 2019

## **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;

### **Responsibilities of trustees**

As explained more fully in the Statement of Trustees Responsibilities set out on page 23, 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.

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.

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

### **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', with a long horizontal flourish extending to the right.

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

17 December 2019

## **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 2018 to 2019, 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 2018 to 31 August 2019 have been applied to the purposes identified by Parliament and the financial transactions conform to the authorities which govern them.

This report is made solely to The 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 2018, for ensuring that expenditure disbursed and income received is applied for the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

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

### **Approach**

We conducted our engagement in accordance with the Academies Accounts Direction 2018 to 2019 issued by ESFA. We performed a limited assurance engagement as defined in our engagement letter. The objective of a limited assurance engagement is to perform such procedures as to obtain information and explanations in order to provide us with sufficient appropriate evidence to express a negative conclusion on regularity.

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

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

The work undertaken to draw to our conclusion includes:

- review of the Trust's expenditure for the period
- review of arrangements 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 2018 to 31 August 2019 has not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.

A handwritten signature in black ink, appearing to read 'Murray Smith', with a stylized flourish at the end.

**Murray Smith LLP**

Chartered Accountants and Statutory Auditors  
Darland House  
44 Winnington Hill  
Northwich  
Cheshire CW8 1AU

17 December 2019

**THE CHALLENGE ACADEMY TRUST**  
**STATEMENT OF FINANCIAL ACTIVITIES**  
**for the year ended 31 August 2019**

	Note	Unrestricted Funds £000	Restricted General Funds £000	Restricted Fixed Asset Fund £000	Total 2019 £000	Total 2018 £000
<b>Income and endowments from:</b>						
Donations and capital grants	2	-	464	1,411	1,875	2,423
Transfer from local authority on conversion		-	-	-	-	1,776
Transfer from other academies		-	46	13,010	13,056	-
Charitable activities:						
Funding for the academy trust's educational operations	3	-	36,044	-	36,044	32,362
Other trading activities	4	1,300	805	-	2,105	2,174
Investments	5	2	-	-	2	2
<b>Total</b>		<u>1,302</u>	<u>37,359</u>	<u>14,421</u>	<u>53,082</u>	<u>38,737</u>
<b>Expenditure on:</b>						
Raising funds	6	579	-	-	579	522
Charitable activities:						
Academy trust educational operations	7	-	39,660	3,199	42,859	40,602
Other		-	-	-	-	-
<b>Total</b>		<u>579</u>	<u>39,660</u>	<u>3,199</u>	<u>43,438</u>	<u>41,124</u>
<b>Net income/(expenditure)</b>		723	(2,301)	11,222	9,644	(2,387)
Transfers between funds	15	(296)	-	296	-	-
<b>Other recognised gains/(losses)</b>						
Pension deficits transferred		-	(599)	-	(599)	(70)
Actuarial gains/(losses) on defined benefit pension schemes	20	-	(5,942)	-	(5,942)	1,243
<b>Net movement in funds</b>		<u>427</u>	<u>(8,842)</u>	<u>11,518</u>	<u>3,103</u>	<u>(1,214)</u>
<b>Reconciliation of funds</b>						
Total funds brought forward		<u>824</u>	<u>(4,765)</u>	<u>85,114</u>	<u>81,173</u>	<u>82,387</u>
<b>Total funds carried forward</b>	15	<u><u>1,251</u></u>	<u><u>(13,607)</u></u>	<u><u>96,632</u></u>	<u><u>84,276</u></u>	<u><u>81,173</u></u>

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

As at 31 August 2019

	Note	2019 £0000	2018 £000
<b>Fixed assets</b>			
Tangible assets	11	96,632	85,114
<b>Current assets</b>			
Debtors	12	3,676	2,354
Cash at bank and in hand		3,330	4,443
		7,006	6,797
<b>Creditors: amounts falling due within one year</b>	13	(5,154)	(4,127)
<b>Net current assets</b>		1,852	2,670
<b>Total assets less current liabilities</b>		98,484	87,784
<b>Creditors: amounts falling due after more than one year</b>	14	(102)	(129)
<b>Net assets excluding pension liability</b>		98,382	87,655
Defined benefit pension scheme liability	20	(14,106)	(6,482)
<b>TOTAL NET ASSETS</b>		84,276	81,173
<b>Funds of the academy trust:</b>			
<b>Restricted funds</b>			
Fixed asset fund	15	96,632	85,114
Restricted income fund	15	499	1,717
Pension reserve	15	(14,106)	(6,482)
<b>Total restricted funds</b>		83,025	80,349
Unrestricted income funds	15	1,251	824
<b>TOTAL FUNDS</b>		84,276	81,173

The financial statements on pages 29-55 were approved by the trustees and authorised for issue on 11 December 2019 and are signed on their behalf by:



**H Platt**  
Trustee

**THE CHALLENGE ACADEMY TRUST**  
**STATEMENT OF CASH FLOWS**  
**for the year ended 31 August 2019**

	Note	2019	2018
		£000	£000
<b>Cash flows from operating activities</b>			
Net cash provided by operating activities	21	(1,490)	(1,570)
<b>Cash flows from investing activities</b>	23	494	666
<b>Cash flows from financing activities</b>	22	(117)	(147)
		<hr/>	<hr/>
<b>Change in cash and cash equivalents in the reporting period</b>		<b>(1,113)</b>	<b>(1,051)</b>
		<hr/>	<hr/>
<b>Cash and cash equivalents at 1 September 2018</b>		4,443	<b>5,494</b>
		<hr/>	<hr/>
<b>Cash and cash equivalents at 1 August 2019</b>	24	<b>3,330</b>	<b>4,443</b>
		<hr/> <hr/>	<hr/> <hr/>

**THE CHALLENGE ACADEMY TRUST**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**for the year ended 31 August 2019**

**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 2018 to 2019 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 2019**  
**(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 and liabilities 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 academy trust. An equal amount of income is recognised as transfer on conversion within Donations and capital grant income to the net assets received.

**Transfer of existing academies into the trust**

Where assets and liabilities are received on the transfer of an existing academy into the academy 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 academy trust. An equal amount of income is recognised for the transfer of an existing academy into the academy trust within Donations and capital grant income to the net assets acquired.

**THE CHALLENGE ACADEMY TRUST**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**for the year ended 31 August 2019**  
**(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 2019**  
**(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
Improvements to Buildings	Written off over the life of the asset improvement or the period of the lease, 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 balance sheet 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 2019**  
**(continued)**

**Investments**

The Trust's shareholding in the wholly owned subsidiary, Bridgewater High School Trading 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. TPS is an unfunded multi-employer scheme with no underlying assets to assign

**THE CHALLENGE ACADEMY TRUST**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**for the year ended 31 August 2019**  
**(continued)**

**Pensions Benefits – cont**

between employers. Consequently, the TPS is treated as a defined contribution scheme for accounting purposes and the contributions recognised in the period to which they relate.

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

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

**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 2019. Any differences between the figures derived from the roll forward approach and a full actuarial valuation would impact on the carrying amount of the pension liability.

**THE CHALLENGE ACADEMY TRUST**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**for the year ended 31 August 2019**

(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**

	Unrestricted Funds £000	Restricted Funds £000	Total 2019 £000	Total 2018 £000
Capital grants	-	1,496	1,496	1,869
Other donations	-	379	379	554
<b>Total</b>	<b>-</b>	<b>1,875</b>	<b>1,875</b>	<b>2,423</b>

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

	Unrestricted Funds £000	Restricted Funds £000	Total 2019 £000	Total 2018 £000
<b>DfE/ESFA grants</b>				
General Annual Grant (GAG)	-	34,119	34,119	30,997
Other DfE/ESFA grants	-	761	761	622
ITT Bursaries Grant	-	85	85	-
Teaching School Grants	-	50	50	-
	-	35,015	35,015	31,619
<b>Other Government grants</b>				
Local authority grants	-	999	999	734
<b>Other grants</b>	-	30	30	-
	-	36,044	36,044	32,362

**4 Other trading activities**

	Unrestricted Funds £000	Restricted Funds £000	Total 2019 £000	Total 2018 £000
Hire of facilities	258	-	258	172
Catering income	548	-	548	531
Trips income	-	805	805	916
Other income	494	-	494	555
<b>Total</b>	<b>1,300</b>	<b>805</b>	<b>2,105</b>	<b>2,174</b>

**THE CHALLENGE ACADEMY TRUST**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 31 August 2019

(continued)

**5 Investment income**

	Unrestricted Funds £000	Restricted Funds £000	Total 2019 £000	Total 2018 £000
Short term deposits	2	-	2	2

**6 Expenditure**

	Staff Costs £000	Non Pay Expenditure		Total 2019 £000	Total 2018 £000
		Premises £000	Other £000		
Expenditure on raising funds	262	-	317	579	522
Academy's educational operations:					
Direct costs	28,033	2,417	7,093	37,543	35,815
Allocated support costs	3,820	313	1,183	5,316	4,787
	<u>32,115</u>	<u>2,730</u>	<u>8,593</u>	<u>43,438</u>	<u>41,124</u>

Net income/(expenditure) for the period includes:

	2019 £000	2018 £000
Operating lease rentals	118	96
Depreciation	3,199	2,822
(Gain)/Loss on disposal of fixed assets	-	-
Fees payable to auditor for:		
• audit	24	23

**7 Charitable activities**

	Total 2019 £000	Total 2018 £000
Direct costs – educational operations	37,543	35,815
Support costs – educational operations	5,316	4,787
	<u>42,859</u>	<u>40,602</u>

**Analysis of support costs**

	Educational operations £000	Total 2019 £000	Total 2018 £000
Support staff costs	3,820	3,820	3,385
Depreciation	367	367	278
Technology costs	58	58	53
Premises costs	313	313	419
Other support costs	669	669	599
Governance costs	89	89	53
<b>Total support costs</b>	<u>5,316</u>	<u>5,316</u>	<u>4,787</u>

**THE CHALLENGE ACADEMY TRUST**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**for the year ended 31 August 2019**  
**(continued)**

**8 Staff**

**a. Staff costs**

Staff costs during the period were:

	<b>Total 2019 £000</b>	<b>Total 2018 £000</b>
Wages and salaries	23,966	21,774
Social security costs	2,304	2,089
Operating costs of defined benefit pension schemes	4,938	4,570
Apprenticeship levy	105	95
	<b>31,313</b>	<b>28,528</b>
Supply staff costs	680	588
Staff restructuring costs	122	127
<b>Total</b>	<b>32,115</b>	<b>29,243</b>
Staff restructuring costs comprise:		
Redundancy payments	<b>82</b>	<b>53</b>
Severance payments	<b>40</b>	<b>74</b>
	<b>122</b>	<b>127</b>

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

Included in staff restructuring costs are non-statutory/non-contractual severance payments totalling £19,000 (2018 - £57,000). Individually, the payments were: £18,000 made on 31 July 2019 and £1,000 made on 30 August 2019.

**c. Staff numbers**

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

	<b>2019 No.</b>	<b>2019 FTE</b>	<b>2018 No.</b>	<b>2018 FTE</b>
Teachers	413	366	381	344
Administration and support	400	270	374	248
Management	42	41	33	33
<b>Total</b>	<b>855</b>	<b>677</b>	<b>788</b>	<b>625</b>

During the year, the Trust had seconded staff on a part time basis. Those staff continued in their normal role whilst also undertaking the Trust function. On 1 September the Trust created a centralised function.

**THE CHALLENGE ACADEMY TRUST**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**for the year ended 31 August 2019**  
**(continued)**

**d. Higher paid staff**

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

	<b>2019</b>	<b>2018</b>
	<b>No.</b>	<b>No.</b>
£60,001 - £70,000	8	7
£70,001 - £80,000	6	4
£80,001 - £90,000	1	1
£90,001 - £100,000	1	1
£100,001-£110,000	-	1
£110,001-£120,000	2	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 £1,041,431 (2018 - £879,337).

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

The principal/CEO is the only trustee to receive paid remuneration in respect of services they provide undertaking the roles of principal/CEO under their contracts of employment. There are no other benefits received by trustees.

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

M Grant (Principal/CEO and Trustee)

Remuneration                    £120,001 - £125,000 (2018 - £120,001 - £125,000)  
Employer’s pension contribution paid   £10,001 - £15,000 (2018 - £20,001 - £25,000)

**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 2019 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 2019**  
**(continued)**

**11 Tangible fixed assets**

	<b>Freehold Land and Buildings £000</b>	<b>Leasehold Land and Buildings £000</b>	<b>Improvem ents to Buildings £000</b>	<b>Furniture and Equipment £000</b>	<b>Computer Equipment £000</b>	<b>Motor Vehicles £000</b>	<b>Total £000</b>
<b>Cost or valuation</b>							
At 1 September 2018	12,709	71,294	28	4,030	707	5	88,773
Transfers from other academies	-	12,975	-	-	35	-	13,010
Transfers from local authority conversion	-	-	-	-	-	-	-
Additions		296	1,012	122	277	-	1,707
Disposals	-	-	-	-	-	-	-
At 31 August 2019	12,709	84,565	1,040	4,152	1,019	5	103,490
<b>Accumulated depreciation</b>							
At 1 September 2018	612	1,723	-	1,134	186	4	3,659
Charge for the year	459	1,523	100	860	256	1	3,199
Disposals	-	-	-	-	-	-	-
At 31 August 2018	1,071	3,246	100	1,994	442	5	6,858
Net book value							
At 31 August 2019	11,638	81,319	940	2,158	577	-	96,632
At 31 August 2018	12,097	69,571	28	2,896	521	1	85,114

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>
Padgate Academy	1 December 2018	12,975

The Trust also bought the remainder of a sub-lease for £296,000 to gain vacant possession of a property to be used by one of the academies. The property is already within a 125 year lease of the Trust. 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**  
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**12 Debtors**

	<b>2019</b>	<b>2018</b>
	<b>£000</b>	<b>£000</b>
Trade debtors	151	46
VAT recoverable	2,646	1,519
Other debtors	116	123
Prepayments and accrued income	763	666
	<u><b>3,676</b></u>	<u><b>2,354</b></u>

The Trust received all of the VAT recoverable due to be refunded by HMRC after the year end.

**13 Creditors: Amounts Falling Due Within One Year**

	<b>2019</b>	<b>2018</b>
	<b>£000</b>	<b>£000</b>
Trade creditors	821	694
Other taxation and social security	1,108	1,057
ESFA creditor	10	199
Salix loan	27	27
Other creditors	232	138
Accruals and deferred income	2,956	2,012
	<u><b>5,154</b></u>	<u><b>4,127</b></u>

	<b>2019</b>	<b>2018</b>
	<b>£000</b>	<b>£000</b>
<b>Deferred income</b>		
Resources deferred in the period	<u><b>2,302</b></u>	<u><b>1,743</b></u>

**14 Creditors: Amounts Falling Due In Greater Than One Year**

	<b>2019</b>	<b>2018</b>
	<b>£000</b>	<b>£000</b>
Salix loan	<u>102</u>	<u>129</u>
<b>Total</b>	<u><b>102</b></u>	<u><b>129</b></u>

**THE CHALLENGE ACADEMY TRUST**  
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(continued)

**15 Funds**

	Balance at 1 September 2018 £000	Income £000	Expenditure £000	Gains, losses and transfers £000	Balance at 31 August 2019 £000
<b>Restricted general funds</b>					
General Annual Grant (GAG)	(1,347)	32,744	(34,008)	-	(2,611)
Pupil Premium	-	1,375	(1,375)	-	-
Pension Reserve	(6,482)	-	(1,083)	(6,541)	(14,106)
Other grants and donations	-	3,194	(3,194)	-	-
Transfer on conversion	3,064	46	-	-	3,110
	<u>(4,765)</u>	<u>37,359</u>	<u>(39,660)</u>	<u>(6,541)</u>	<u>(13,607)</u>
<b>Restricted fixed asset funds</b>					
Transfer on conversion	84,557	13,010	(2,867)	-	94,700
DfE/ESFA capital grants	-	1,411	(193)	-	1,218
Capital expenditure from GAG	557	-	(133)	-	424
Capital expenditure from reserves	-	-	(6)	296	290
	<u>85,114</u>	<u>14,421</u>	<u>(3,199)</u>	<u>296</u>	<u>96,632</u>
<b>Total restricted funds</b>	<u>80,349</u>	<u>51,780</u>	<u>(42,859)</u>	<u>(6,245)</u>	<u>83,025</u>
<b>Total unrestricted funds</b>	<u>824</u>	<u>1,302</u>	<u>(579)</u>	<u>(296)</u>	<u>1,251</u>
<b>Total funds</b>	<u>81,173</u>	<u>53,082</u>	<u>(43,438)</u>	<u>(6,541)</u>	<u>84,276</u>

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

	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>

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**NOTES TO THE FINANCIAL STATEMENTS**  
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A current year and prior year combined position is as follows:

	Balance at 1 September 2017 £000	Income £000	Expenditure £000	Gains, losses and transfers £000	Balance at 31 August 2019 £000
<b>Restricted general funds</b>					
General Annual Grant (GAG)	1,107	64,124	(66,428)	(1,414)	(2,611)
Pupil Premium	-	2,357	(2,357)	-	-
Pension Reserve	(7,725)	-	(2,122)	(4,259)	(14,106)
Other grants and donations	-	6,533	(6,533)	-	-
Transfer on conversion	3,036	74	-	-	3,110
	(3,582)	73,088	(77,440)	(5,673)	(13,607)
<b>Restricted fixed asset funds</b>					
Transfer on conversion	85,525	14,758	(5,583)	-	94,700
DfE/ESFA capital grants	-	1,411	(193)	-	1,218
Capital expenditure from GAG	358	-	(239)	305	424
Capital expenditure from reserves	-	-	(6)	296	290
	85,883	16,169	(6,021)	601	96,632
<b>Total restricted funds</b>	82,301	89,257	(83,461)	(5,072)	83,025
<b>Total unrestricted funds</b>	86	2,562	(1,101)	(296)	1,251
<b>Total funds</b>	82,387	91,819	(84,562)	(5,368)	84,276

**Total funds analysis by academy**

Fund balances at 31 August were allocated as follows:

	<b>Total 2019 £000</b>	<b>Total 2018 £000</b>
Beamont Collegiate Academy	578	901
Bridgewater High School	137	24
Great Sankey Primary School	215	141
Padgate Academy	(246)	-
Penketh High School	(963)	(656)
Penketh South Community Primary School	45	26
Priestley College	2,220	2,216
Sir Thomas Boteler Church of England High School	(244)	(122)
Central Trust Reserves	8	11
Total before fixed assets and pensions reserves	1,750	2,541
Restricted Fixed Asset Fund	96,632	85,114
Pension Reserve	(14,106)	(6,482)
<b>Total funds</b>	<b>84,276</b>	<b>81,173</b>

**THE CHALLENGE ACADEMY TRUST**  
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**15 Funds – continued**

The Trust as a whole has seen the cost of funding the LGPS with Cheshire Pensions increase. Last year, the Trust benefitted from an improvement in the asset valuation. However, this year there has been a change in valuation due to the McCloud case which has seen the overall liabilities of the fund increase.

Penketh High School joined the Trust with an historic deficit of £390,000. The academy has worked to reduce the deficit but although Year 7 numbers are now increasing they do not match the number of pupils leaving at Year 11 therefore its ability to make quick changes to staffing is difficult. Every year, it has taken stock of the staffing and reduced where it has been able to. With increasing costs and an ageing school building, it makes it difficult to make other significant savings. The Trust continues to look at how it can reduce costs for the academy and is actively seeking a long term solution to the building issues.

Sir Thomas Boteler Church of England High School will be undertaking a review of its operations with the help of the Trust. Since joining the Trust, it has made some cost savings but there is more work needed to return the academy to surplus against the backdrop of improvement to academic performance and low student numbers. The results of the students at the academy have improved and there has been a growth in the student numbers as the reputation of the school is now much more positive than five years ago. The Trust is seeking in-year funding to help support the school financially and the Trust has also used the services of a School Management Resource Advisor through the ESFA to explore further options for savings. Their conclusion was that the plan in place was as good as it could be but the key is to continue to increase student numbers, maintaining improvement in the academy's academic performance and restricting investment in additional staffing.

Beamont Collegiate Academy has been growing exponentially over the last couple of years and it has faced the need to fund this growth, including additional staff, furniture and resources. As funding is based upon lagged funding and not increased in line with costs, it has meant that the academy has moved into deficits in year. Funding should catch up with student numbers next year due to the amount of space the academy has available. The academy did use some of its reserves to purchase a long leasehold building which now forms part of the overarching lease for the academy. This additional asset is already being put to use and will help in the STEM delivery of the academy.

Bridgewater High School closed its sixth form at the end of the last financial year. This change and the opening of the Teaching School has helped to return the academy to an in year surplus. Last year and for this financial year the academy was subject to a change in its level of funding as calculated by Warrington Borough Council. This change has deprived the academy of £594,000 of funding over the two years. The Trust has made representations to the relevant bodies, including the Regional Schools Commissioner and the ESFA. The Trust has been able to establish that this funding will be coming back to the school and a long-term solution will be proposed going forward via The Schools Forum.

On 1 December 2018, Padgate Academy, formerly known as University Academy Warrington, was rebrokered into the Trust. The academy requires intervention to improve student outcomes, student experience, financial health and also the basic fabric of the building. The Trust knew that the academy would be in deficit in the first couple of years due to the very low student numbers. It has agreed in year funding with the ESFA as part of the rebrokerage for two years commencing on 1 September 2019. The Trust has begun a support staff restructuring exercise and will then consider the curriculum offer and delivery. There are a number of contracts which will become available to

**THE CHALLENGE ACADEMY TRUST**  
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**(continued)**

**15 Funds – continued**

negotiate on expiring at the end of the next financial year which should hopefully address some of the costs. as part of the rebrokerage, the Trust negotiated some capital funds to address issues with the building. All of this work will start in Autumn 2019 and carry on through to Spring 2020. The academy returned a deficit very close to that budgeted during the rebrokerage period. The academy had good results in summer 2019 with it being the most improved school in Warrington. There has been good growth in new students beginning at the academy in September 2019 which provides a good start for the academy to turn around the deficit.

**16 Analysis of net assets between funds**

Fund balances at 31 August 2019 are represented by:

	<b>Unrestricted Funds £000</b>	<b>Restricted General Funds £000</b>	<b>Restricted Fixed Asset Funds £000</b>	<b>Total Funds £000</b>
Tangible fixed assets	-	-	96,632	96,632
Current assets	1,251	5,755	-	7,006
Current liabilities	-	(5,154)	-	(5,154)
Non-current liabilities	-	(102)	-	(102)
Pension scheme liability	-	(14,106)	-	(14,106)
<b>Total net assets</b>	<b>1,251</b>	<b>(13,607)</b>	<b>96,632</b>	<b>84,276</b>

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

	<b>Unrestricted Funds £000</b>	<b>Restricted General Funds £000</b>	<b>Restricted Fixed Asset Funds £000</b>	<b>Total Funds £000</b>
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>

**17 Capital commitments**

	<b>2019 £000</b>	<b>2018 £000</b>
Contracted for, but not provided in the financial statements	Nil	Nil

**THE CHALLENGE ACADEMY TRUST**  
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**18 Commitments under operating leases**  
**Operating leases**

	<b>2019</b>	<b>2018</b>
	<b>£000</b>	<b>£000</b>
<b>Land and buildings</b>		
Expiring in over five years	-	-
	<hr/>	<hr/>
	-	-
	<hr/>	<hr/>
<b>Other</b>		
Expiring within one year	-	-
Expiring between two and five years inclusive	118	96
	<hr/>	<hr/>
	118	96
	<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 £514,338 were payable to the schemes at 31 August 2019(2018 - £502,169) 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 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.

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

**20 Pension and similar obligations - continued**

**Valuation of the Teachers' Pension Scheme**

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

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

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

The employer's pension costs paid to TPS in the period amounted to £2,735,286 (2018 - £2,533,954).

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 2019 was £1,691,851 (2018 - £1,397,392) of which employers contributions totalled £1,341,963 (2018 - £1,096,620) and employees contributions totalled £349,888 (2018 - £300,722). 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 employer rate paid is 22.6% per annum increasing by 0.5% each year to a maximum of 30.1%. The rates paid by employees range from 5.5% to 8.5% depending upon their salary.

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

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**20 Pension and similar obligations - continued**

**Principal Actuarial Assumptions**

	<b>2019</b>	<b>2018</b>
Rate of increase in salaries	2.6%	2.7%
Rate of increase for pensions in payment/inflation	2.3%	2.4%
Discount rate for scheme liabilities	1.8%	2.8%
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>2019</b>	<b>2018</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>2019</b>	<b>2018</b>
<b>Change in assumption</b>	<b>£000</b>	<b>£000</b>
0.5% decrease in Real Discount Rate	5,004	3,254
0.5% increase in the Salary Increase Rate	903	642
0.5% increase in the Pension Increase Rate	3,987	2,564

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

	<b>2019</b>	<b>2018</b>
	<b>£000</b>	<b>£000</b>
Equities	11,641	10,263
Bonds	12,723	9,194
Property	2,166	1,710
Cash	541	214
<b>Total Market Value of Assets</b>	<b>27,071</b>	<b>21,381</b>

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**20 Pension and similar obligations - continued**

	<b>2019</b>	<b>2018</b>
	<b>£000</b>	<b>£000</b>
Current service cost	(2,096)	(1,961)
Past service cost	(123)	-
Interest income	660	499
Interest cost	(863)	(704)
<b>Total amount recognised in the SOFA</b>	<b>(2,422)</b>	<b>(2,166)</b>

<b>Changes in the present value of defined benefit obligations were as follows:</b>	<b>2019</b>	<b>2018</b>
	<b>£000</b>	<b>£000</b>
<b>At 1 September</b>	27,863	27,117
Conversion of academy trusts	-	244
Transferred in on existing academies joining the trust	2,555	-
Current service cost	2,096	1,961
Interest cost	863	704
Employee Contributions	353	300
Actuarial (gain)/loss	-	-
Benefits paid	(341)	(331)
Losses or gains on curtailments	-	-
Past service cost	123	-
Change in financial assumptions	7,665	(2,132)
Effect of non-routine settlements	-	-
<b>At 31 August</b>	<b>41,177</b>	<b>27,863</b>

<b>Changes in fair value of academy's share of scheme assets</b>	<b>2019</b>	<b>2018</b>
	<b>£000</b>	<b>£000</b>
<b>At 1 September</b>	21,381	19,392
Conversion of academy trusts	-	172
Transferred in on existing academies joining the trust	1,956	-
Interest income	660	499
Actuarial gain/(loss)	1,723	222
Employer contributions	1,339	1,127
Employee contributions	353	300
Benefits paid	(341)	(331)
Effect of non-routine settlements	-	-
<b>At 31 August</b>	<b>27,071</b>	<b>21,381</b>

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<b>21</b>	<b>Reconciliation of Net Income/(Expenditure) to Net Cash Flow from Operating Activities</b>	<b>2019</b>	<b>2018</b>
		<b>£000</b>	<b>£000</b>
	Net income/(expenditure) for the reporting period (as per the statement of financial activities)	9,644	(2,387)
	Adjusted for:		
	Depreciation	3,199	2,822
	Fixed assets transferred on entry to the Trust	(13,010)	(1,748)
	Capital grants from DfE and other capital income	(1,411)	-
	Interest receivable	(2)	(2)
	Defined benefit pension scheme cost less contributions payable	880	834
	Defined benefit pension scheme finance cost	203	205
	(Increase)/decrease in debtors	(1,322)	(1,464)
	Increase/(decrease) in creditors	329	170
	<b>Net cash provided by / (used in) Operating Activities</b>	<b>(1,490)</b>	<b>(1,570)</b>
<b>22</b>	<b>Cash Flows from Financing Activities</b>	<b>2019</b>	<b>2018</b>
		<b>£000</b>	<b>£000</b>
	Repayment of borrowing	-	(7)
	Repayment of ESFA Financial Advance	(117)	(140)
		<b>(117)</b>	<b>(147)</b>
<b>23</b>	<b>Cash flows from investing activities</b>	<b>2019</b>	<b>2018</b>
		<b>£000</b>	<b>£000</b>
	Dividends, interest and rents from investments	2	2
	Capital grants from DfE/ESFA	1,856	1,326
	Payments for the purchase of fixed assets	(1,364)	(662)
		<b>494</b>	<b>666</b>
<b>24</b>	<b>Analysis of cash and cash equivalents</b>	<b>2019</b>	<b>2018</b>
		<b>£000</b>	<b>£000</b>
	Cash in hand and at bank	<b>3,330</b>	<b>4,443</b>
<b>25</b>	<b>Contingent Liabilities</b>		

The Trust had no contingent liabilities.

**THE CHALLENGE ACADEMY TRUST**  
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**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.

<b>Type of transaction</b>	<b>Total incurred during period £000</b>	<b>Outstanding at 31 August £000</b>
Education Delivery	883	1
Purchase of Services	1,007	177

Priestley Education & Training Trust (PETT) – M Grant (trustee of the Trust) is a trustee 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 ESFA funded 16-19 discretionary bursary. In the year, the academy disbursed £6,455 (2018 - £8,197) which was refunded by PETT after 31 August 2019. 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 £177,993 (2018 - £165,550) in the year and the amount overspent, £16,303 (2018 - overspent £11,383), was deducted from the balance carried forward in Other Creditors to be used next year.

**THE CHALLENGE ACADEMY TRUST**  
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**for the year ended 31 August 2019**  
**(continued)**

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

On 1 December 2018, Padgate Academy, formerly known as University Academy Warrington, was rebrokered via the ESFA from The University of Chester Academy Trust.

The assets and liabilities transferred were as follows:

	Value reported by transferring trust £000	Fair Value Adjustments £000	Transfer in recognised £000
<b>Tangible fixed assets</b>			
Long Leasehold Land & Buildings	-	12,975	12,975
Furniture & Equipment	5	(5)	-
Computer Equipment	38	(3)	35
<b>Other assets</b>			
Debtors	126	-	126
Cash at bank and in hand	-	-	-
<b>Liabilities</b>			
Creditors due in less than one year	(80)	-	(80)
Creditors due in more than one year	-	-	-
<b>Pensions</b>			
Pensions – pension scheme assets	1,956	-	1,956
Pensions – pension scheme liabilities	(2,555)	-	(2,555)
<b>Net assets/(liabilities)</b>	<u>(510)</u>	<u>12,967</u>	<u>12,457</u>

The Long Leasehold Land & Buildings is a new 125 year lease with Warrington Borough Council. The land and buildings were valued by a Chartered Surveyor for the purpose of inclusion in these financial statements.

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

Broomfields Junior School and Meadowside Community Primary and Nursery School joined the Trust on 1 December 2019. Both schools have converted from Local Authority control.

**THE CHALLENGE ACADEMY TRUST**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**for the year ended 31 August 2019**  
**(continued)**

**31 Teaching School Trading Account**

Bridgewater High School is a Teaching School and its activities were:

	2019		2018
	£000	£000	£000
<b>Income</b>			
Direct income			
Other grants		135	-
		<hr/>	<hr/>
<b>Total Income</b>		135	-
<b>Expenditure</b>			
Direct Costs			
Direct staff costs	85		-
Other direct costs	15		-
	<hr/>		<hr/>
<b>Total Direct Costs</b>		100	-
Other Costs			
Support staff costs	32		-
Premises costs	2		-
	<hr/>		<hr/>
<b>Total other costs</b>		34	-
		<hr/>	<hr/>
<b>Total Expenditure</b>		134	-
		<hr/>	<hr/>
<b>Surplus from all sources</b>		1	-
Teaching school balances at 1 September 2018		<hr/>	<hr/>
		-	-
<b>Teaching school balances at 31 August 2019</b>		<hr/>	<hr/>
		1	-
		<hr/>	<hr/>