



# The Challenge Academy Trust

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

For the period ended 31 August 2020

**THE CHALLENGE ACADEMY TRUST**  
**FINANCIAL STATEMENTS**  
**Year ended 31 August 2020**

**INDEX**

|  | <b>Page number</b> |
|--|--------------------|
| Reference and Administrative Details   | 2                  |
| Trustees Report  | 3 – 20             |
| Governance Statement   | 21 – 25            |
| Statement of Regularity, Propriety and Compliance  | 26                 |
| Statement of Trustees' Responsibilities  | 27                 |
| Independent Auditors' Report on the Financial Statements to the Members of The Challenge Academy Trust                                       | 28 – 30            |
| Independent Reporting Accountant's Assurance Report on Regularity to The Challenge Academy Trust and the Education and Skills Funding Agency | 31 – 32            |
| Statement of Financial Activities  | 33                 |
| Balance Sheet  | 34                 |
| Statement of Cash Flows  | 35                 |
| Notes to the Financial Statements  | 36 - 59            |

# THE CHALLENGE ACADEMY TRUST

## REFERENCE AND ADMINISTRATIVE DETAILS

|  |  |
|--|--|
| <b>Members</b>                         | <p>Professor S Broomhead<br/> J Griffiths (Chester Diocesan Board of Education Representative)<br/> N Mellor MBE<br/> D Mowat<br/> S Whatmore (resigned 3 September 2019)</p>  |
| <b>Trustees</b>                        | <p>M Grant (CEO &amp; Accounting Officer of TCAT, Principal of Priestley College, resigned 31<sup>st</sup> August 2020)<br/> J Griffiths<br/> G Johnson (resigned 11 October 2019)<br/> T Macormac (resigned 11 December 2019)<br/> L Muir<br/> J Monaghan<br/> A Moorcroft (CEO &amp; Accounting Officer, appointed 1 September 2020)<br/> N Pearson<br/> H Platt DL (Chair)<br/> S Richardson (appointed 18 September 2019)<br/> S Titchard<br/> L Waterson<br/> S Whatmore<br/> S Yates</p>   |
| <b>Central Executive Team</b>          | <p>M Grant, CEO of TCAT &amp; Principal of Priestley College (resigned 31 August 2020)<br/> A Moorcroft, CEO of TCAT, appointed 1 September 2020 (previously Executive Principal - Beamont Collegiate Academy &amp; Director of School Improvement at TCAT)<br/> M Barclay, Principal – Padgate Academy<br/> V Briggs, Executive Headteacher of Great Sankey Primary School and Executive Principal Primary at TCAT<br/> J Carlin, Principal - Penketh High School<br/> G Harris, Principal – Beamont Collegiate Academy<br/> A Grace, Headteacher - Penketh South Primary School<br/> J Gresty, Principal – Priestley College<br/> T Long, Executive Principal at Bridgewater High School &amp; Executive Principal Secondary at TCAT<br/> R Morris Brown, Headteacher – Broomfields Junior School<br/> B Scott-Herron, Headteacher – Sir Thomas Boteler Church of England High School<br/> S Wright, Headteacher – Meadowside Community Primary &amp; Nursery School</p> |
| <b>Senior Managers</b>                 | <p>D McGuire ACA – Finance Director<br/> A Laing – Operations Director</p>   |
| <b>Company Name</b>                    | The Challenge Academy Trust  |
| <b>Principal and Registered Office</b> | Bridgewater High School, Broomfields Road, Appleton, Warrington, WA4 3AE   |
| <b>Company Registration Number</b>     | 10689247 (England and Wales)   |
| <b>Independent Auditor</b>             | <p>Murray Smith LLP<br/> Darland House, 44 Winnington Hill, Northwich, CW8 1AU</p>   |
| <b>Bankers</b>                         | <p>Lloyds Bank plc<br/> Horsemarket Street, Warrington, WA1 1TP</p>  |
| <b>Solicitors</b>                      | <p>Stone King<br/> One Park Row, Leeds, LS1 5HN</p>  |

# **THE CHALLENGE ACADEMY TRUST**

## **TRUSTEES REPORT**

**Year ended 31 August 2020**

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 2020. The annual report serves the purposes of both a trustees' report and a directors' report under company law.

The academy trust operates 3 primary, including nursery provision, 1 junior school, 5 secondary and 1 16-19 academies in Warrington. The trust currently has capacity for 1,095 primary students, 5,175 secondary students and approximately 2,100 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, Broomfields Junior School, Great Sankey Primary School, Meadowside Community Primary & Nursery 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 2020

Committee 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 |
|--|--------------------------------------|
|--|--------------------------------------|

12

10.64

##### Percentage of time spent on facility time

| Percentage of time | Number of employees |
|--------------------|---------------------|
| 0%EB               | -                   |
| 1% - 50%           | 12                  |
| 51% - 99%          | -                   |
| 100%               | -                   |

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

|   |             |
|---|-------------|
| Total cost of facility time                             | £15,291     |
| Total pay bill  | £26,293,349 |
| Percentage of the total pay bill spent on facility time | 0.06%       |

##### Paid trade union activities

|   |        |
|---|--------|
| Time spent on paid trade union activities as a percentage of total paid facility time hours | 54.27% |
|---|--------|

## **THE CHALLENGE ACADEMY TRUST**

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

**Year ended 31 August 2020**

#### **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.

#### **Engagement with employees (including disabled persons)**

The Trust has a number of mechanisms in which it engages with its employees. The Trust has a Joint Consultation & Negotiation Committee as part of its trade union recognition agreement. Meetings occur regularly where it allows employees input in policy creation and adoption and a forum to discuss wider issues relating to health, safety and well-being. The Trust has also been implementing a well-being policy, events and other benefits across all the academies in addition to well-being activities already undertaken by those academies.

The Trust has created almost 20 different hubs which have differing remits e.g. subject hubs (e.g English, History etc.) to bring teachers across the Trust to work together and improve teaching, disadvantaged and safeguarding hubs, estates, IT, finance and operations hubs which bring together employees to share and work together to improve the overall performance of the Trust and the individual academies. A communication strategy has also been delivered which shows how these hubs feed into the overall management of the Trust. Also, as part of that strategy, there is a monthly newsletter that is sent to all employees.

The Challenge Academy Trust is aware of its obligations under the public sector equality duty to:

- Eliminate discrimination, harassment, victimisation and any other conduct prohibited by the Equality Act 2010;
- Advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it;
- Foster good relations between persons who share a relevant protected characteristic and persons who do not share it.

As such, the Trust has to a duty to promote disability equality by eliminating discrimination and harassment, promoting equality of opportunity between disabled and non-disabled people, and take steps to take account for disabled persons' disabilities in employment. Each of the academies within the Trust recruits in line with a recruitment and selection code of practice, which provides a framework to ensure that the best person for a job is recruited, and that any unfair or unlawful discriminatory practices are eliminated. We are also committed to supporting employees in overcoming the practical effects of their disability by way of making reasonable adjustments to their role, working arrangements and/or their working environment which are kept under regular review in full consultation with employees. The Trusts equality and diversity practices are underpinned by its Equality Information and Objectives statement which is reviewed annually.

## **THE CHALLENGE ACADEMY TRUST**

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

**Year ended 31 August 2020**

#### **Engagement with suppliers, customers and others in a business relationship with the Trust**

The Trust has a clearly defined set of Financial Regulations which detail how procurement should be undertaken. These regulations take account of public sector procurement guidance. Suppliers are paid as soon as possible following satisfactory supply.

The Trust has a complaints policy which is available for all customers or other businesses that the Trust has relationships with. In addition, the Trust views itself as very much part of the local community of Warrington and works with local representation to further improve the community as a whole.

### **OBJECTIVES AND ACTIVITIES**

#### **Objects and Aims**

The Trust's object is to advance, for the public benefit, education in the United Kingdom by establishing, 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. 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.

#### **Mission**

Our mission is *to serve, challenge and empower the educational community*. We enact our mission by providing highly effective services to our academies, supporting strong leadership, investing in the workforce and inspiring our children and young people. All of our work is underpinned by a set of core values, they are:

- Inclusivity & social justice
- Educational Excellence
- Collaboration & interdependence
- Challenge & service
- Care & sustainability
- Celebrating difference

**THE CHALLENGE ACADEMY TRUST**  
**TRUSTEES REPORT (continued)**  
**Year ended 31 August 2020**

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

These values inform everything we do as a trust and all of our services and working practices are designed around these concepts. TCAT is a unique trust, being the first in the country to include primary and secondary academies together with a Sixth Form College. TCAT also includes a Church of England High School, Sir Thomas Boteler, whose faith foundation is assured through representation from the Dioceses of Chester and Liverpool.

As an inclusive MAT with a strong moral purpose we are committed to providing an environment and education where every young person is nurtured, challenged and inspired to achieve the very best for themselves and their communities. Young people are at the heart of everything we do.

**Strategic Objectives**

Our strategic objectives are focused around the development of pupils, people and performance.

| <b>People</b>                         | <b>Pupils</b>             | <b>Performance</b>          |
|---------------------------------------|---------------------------|-----------------------------|
| Networks & communication              | Academic excellence       | Academy standards           |
| Professional development              | Inclusivity               | Financial Stability         |
| Diversity & faith                     | Disadvantaged             | Sustainability              |
| Well-being & safeguarding             | Well-being & safeguarding | Buildings & resources       |
| Talent management/succession planning | Challenge                 | Technology & communications |

**Significant Developments in 2019/2020**

- On 1 December 2019 Broomfields Junior School and Meadowside Primary School joined TCAT meeting the Trust's desire to increase the number of primary academies within the Trust.
- In March 2020, after 13 years of Requires Improvement, Penketh High School was rated as Good following an Ofsted inspection.
- M Grant, the CEO and Principal of Priestley College announced his retirement. The Trust successfully appointed A Moorcroft, the Trust's Director of School Improvement, to the role of CEO from 1<sup>st</sup> September 2020.
- J Gresty was appointed as Principal of Priestley College and commenced his role on 1<sup>st</sup> July 2020 to allow for some support and continuity through to the handover of the role.
- The Trust successfully appointed B Logan as HR Manager.
- 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. It has also provided a location for the central Trust management.



## **THE CHALLENGE ACADEMY TRUST**

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

**Year ended 31 August 2020**

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

- The partnership with Oxford University has continued to develop in 2019/20 with a series of professional development activities being run alongside activities for pupils and learners from primary, secondary and the Sixth Form College.
- The Oxford partnership also saw Priestley College 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 boilers at Penketh South Primary School and Sir Thomas Boteler Church of England High School, playgrounds at Great Sankey Primary School and Penketh South Primary School, security fencing at Penketh High School and Sir Thomas Boteler Church of England High School and work at Bridgewater High School on a retaining wall at threat of collapse. The Trust also completed a £1.8m refurbishment programme at Padgate Academy which improved fire safety, new science laboratories and improved kitchen facilities. In summer 2020, tenders were issued for the creation of a link corridor at Sir Thomas Boteler Church of England High School and a refurbishment of the nursery facilities at Meadowside Primary School. Further work is also planned for the roofing at Broomfields Junior School and Meadowside Primary School.
- Pupil recruitment for the three secondary schools where pupil numbers have fallen which in turn has led to significant financial pressures continues to remain positive.
- Beamont Collegiate Academy completed the refurbishment of the building purchased in June 2019. The building houses the academy's STEM and Computing centre which is also the North West Hub of The National Centre for Computing Education (NCCE) programme. The hub provides training to teachers from across the whole of the North West region.

#### **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

**THE CHALLENGE ACADEMY TRUST**  
**TRUSTEES REPORT (continued)**  
**Year ended 31 August 2020**

**STRATEGIC REPORT**

**Achievements and Performance**

This is the fourth year of reporting on results. It is important to remember that this year was impacted by the coronavirus pandemic. The Trust has been focussed from day one on 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.

**A) Primary outcomes**

The 2019/20 national curriculum assessments did not take place due to the coronavirus (COVID-19) pandemic.

This meant the following assessments planned between April and July 2020 were cancelled:

- end of key stage 1 and key stage 2 assessments (including tests and teacher assessment)
- phonics screening check
- multiplication tables check
- science sampling tests
- all statutory trialling

As a consequence, all schools ceased any further activities to prepare for the assessments. Primary school performance measures have not been published for the 2019/20 academic year.

The Primaries across the Trust had completed internal moderation for writing in March for all year groups, just prior to lockdown. The Primaries worked closely together on their teacher assessment and predictions to share with the high schools as part of the transition in moving to KS3. As a result, the following table demonstrates the predicted outcomes for July 2020 based on teacher assessment up to the end of March 2020.

There are no comparisons against previous outcomes or national data.

| <b>Early Years Foundation Stage Good Level of Development (GLD)</b> |     |
|---|-----|
| Great Sankey Primary  | 84% |
| Meadowside Primary  | 50% |
| Penketh South Primary   | 75% |

| <b>Phonics (Year One)</b> |     |
|---------------------------|-----|
| Great Sankey Primary      | 92% |
| Meadowside Primary        | 76% |
| Penketh South Primary     | 89% |

| <b>End of Key Stage One</b> |                      |                       |                       |                     |                    |
|-----------------------------|----------------------|-----------------------|-----------------------|---------------------|--------------------|
|                             | <b>No. of pupils</b> | <b>Reading (ARE+)</b> | <b>Writing (ARE+)</b> | <b>Maths (ARE+)</b> | <b>EGPS (ARE+)</b> |
| Great Sankey Primary        | 44                   | 84%                   | 77%                   | 89%                 | 75%                |
| Meadowside Primary          | 29                   | 76%                   | 66%                   | 73%                 | /                  |
| Penketh South Primary       | 28                   | 80%                   | 77%                   | 80%                 | /                  |

**THE CHALLENGE ACADEMY TRUST**  
**TRUSTEES REPORT (continued)**  
**Year ended 31 August 2020**

**Achievements and Performance - continued**

| <b>End of Key Stage Two</b> |                      |                       |                       |                     |                    |                 |
|-----------------------------|----------------------|-----------------------|-----------------------|---------------------|--------------------|-----------------|
|                             | <b>No. of pupils</b> | <b>Reading (ARE+)</b> | <b>Writing (ARE+)</b> | <b>Maths (ARE+)</b> | <b>EGPS (ARE+)</b> | <b>RWM comb</b> |
| Broomfields Junior          | 85                   | 87%                   | 91%                   | 90%                 | 92%                | 79%             |
| Great Sankey Primary        | 44                   | 93%                   | 86%                   | 91%                 | 91%                | 84%             |
| Meadowside Primary          | 30                   | 73%                   | 60%                   | 70%                 | 74%                | 47%             |
| Penketh South Primary       | 29                   | 83%                   | 79%                   | 83%                 | 83%                | 79%             |

**Assessments 2020/21**

Following an announcement made on 3 December 2020, it has been confirmed that there have been a number of changes to 2021 national curriculum assessments at Primary level. This is to support in recognising the difficulties being faced in light of the ongoing disruption caused by coronavirus (COVID-19).

For 2021, the DfE and national Standards and Testing Agency (STA) have removed:

- all key stage 1 (KS1) tests
- the key stage 2 (KS2) English grammar, punctuation and spelling test
- the requirement to make and report teacher assessment judgements for science at KS1 and KS2

To further support schools, they:

- have delayed the statutory introduction of the multiplication tables check – schools may choose to take part on an optional basis
- have extended the timetable variation periods for phonics and KS2, to allow schools greater flexibility if pupils cannot take the tests on the scheduled dates because of coronavirus disruption
- have removed the requirement for schools to submit applications for pupils who need additional time in KS2 tests or notifications that they used an aid (such as a scribe or word processor)

This means that the following statutory assessments for Primary will continue in 2021:

- the phonics screening check for year 1 pupils (and year 2 pupils who have not met the expected standard previously)
- KS2 English reading and mathematics tests
- KS1 and KS2 teacher assessment (excluding science)

**B) Secondary outcomes**

The DfE published the following statement about GCSE Grades and A levels on 27<sup>th</sup> August 2020:

“No exams took place in summer 2020 due to the coronavirus (COVID-19) outbreak. To enable students to receive qualifications, it was announced that students who were due to sit A level, AS level or GCSE exams this summer would receive a calculated grade.”

**THE CHALLENGE ACADEMY TRUST**  
**TRUSTEES REPORT (continued)**  
**Year ended 31 August 2020**

**Achievements and Performance – continued**

The DfE went on to say:

“On Monday 17 August, Ofqual confirmed that there no longer would be a standardisation process for AS and A levels or GCSEs and instead all students will be awarded the centre assessment grade submitted by their school or college, unless it is lower than their calculated grade in which case the calculated grade will stand. Unless there is evidence that a processing error has been made, these grades will be final.”

They concluded therefore: “that we will not publish any school or college level educational performance data based on tests, assessments or exams for 2020.”

The results that are presented below must therefore be seen in the context of these DfE announcements. They rely on internal data and cannot be externally validated because of Covid 19 and its impact on exam results. Furthermore, grades were calculated using Ofqual’s Centre Assessment Grade (GAG) guidance which required academies to factor in a three-year trend. This means that for some subjects and KPIs where there was a rapid trajectory of improvement, this improvement could have been modified by the three-year trend.

In terms of internal data, estimated P8 scores were as follows:

|              | 2018                       | 2019  | 2020  |
|--------------|----------------------------|-------|-------|
| STB          | -0.23                      | -0.35 | 0.02  |
| Bridgewater  | -0.04                      | +0.09 | 0.41  |
| Penketh High | -0.33                      | -0.09 | 0.04  |
| BCA          | -0.05                      | +0.21 | 0.4   |
| Padgate      | -0.99                      | -0.16 | -0.09 |
| TCAT         | -0.17** (Padgate not incl) | +0.08 | 0.28* |

\* Aggregate score across all students in the trust

In relation to Progress 8 there are clearly no published results from the Department for Education. However, based on internal data when compared to historic data, all schools are showing improvements in P8. Also, all academies record a positive P8 except Padgate who nonetheless are on the cusp of a positive outcome and have significantly improved from the previous years. In the main these results argue that all academies continue to improve, with the trust performing above the national average when all results are aggregated.

**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.

**THE CHALLENGE ACADEMY TRUST**  
**TRUSTEES REPORT (continued)**  
**Year ended 31 August 2020**

**Achievements and Performance - continued**

|              | APS   | 2018 |      | 2019 |      | 2020 Target |      | 2020 |     |
|--------------|-------|------|------|------|------|-------------|------|------|-----|
|              |       | Gr 4 | Gr 5 | Gr 4 | Gr 5 | Gr 4        | Gr 5 | G4   | G5  |
| STB          | 4.86  | 54   | 41   | 65   | 43   | 71          | 49   | 70   | 47  |
| Bridgewater  | 5.05  | 77   | 56   | 79   | 58   | 81          | 64   | 80   | 58  |
| Penketh High | 4.78  | 60   | 36   | 70   | 42   | 75          | 45   | 69   | 45  |
| BCA          | 4.47  | 52   | 33   | 52   | 31   | 56          | 32   | 62   | 36  |
| Padgate      | 4.53  | 46   | 30   | 57   | 26   | 62          | 34   | 53   | 35  |
| TCAT         | 4.26* | 63   | 43   | 68   | 45   | N/A         | N/A  | 70*  | 47* |
| National     | 4.7   | 64   | 43   | 65   | 43   | N/A         | N/A  | N/A  | N/A |

\* Aggregate score across all students in the trust

Against aggregated student performance across the Trust, TCAT has recorded an improvement of 2/5 at both 4 and 5 and above. If compared to 2019 validated data, this would be significantly above the national average.

Most students are broadly in line with their targets but please note that because CAGs required a three-year trend adjustment, some academies may have had rapid improvements modified by three-year trends.

**English Grade 4**

|              | 2018 | 2019 | 2020 Target | 2020 |
|--------------|------|------|-------------|------|
| STB          | 75   | 79   | 79          | 83   |
| Bridgewater  | 87   | 89   | 88          | 88   |
| Penketh High | 72   | 75   | 80          | 75   |
| BCA          | 72   | 76   | 62          | 75   |
| Padgate      | 58   | 66   | 72          | 64   |
| TCAT         | 77   | 80   | N/A         | 80*  |
| National     | 62   | 62   | N/A         | N/A  |

\* Aggregate score across all students in the trust

English has one of the more stable trends across the Trust and the alignment between targets and outcomes is one of the closest. The TCAT average against historic data shows the Trust is significantly above the national average, with most schools in line with ambitious targets.

**Maths Grade 4**

|              | 2018 | 2019 | 2020 Target | 2020 |
|--------------|------|------|-------------|------|
| STB          | 59   | 67   | 76          | 75   |
| Bridgewater  | 81   | 82   | 85          | 83   |
| Penketh High | 69   | 79   | 80          | 74   |
| BCA          | 55   | 56   | 63          | 68   |
| Padgate      | 53   | 62   | 68          | 58   |
| TCAT         | 69   | 73   | N/A         | 76*  |
| National     | 59   | 60   | N/A         | N/A  |

\* Aggregate score across all students in the trust



**THE CHALLENGE ACADEMY TRUST**  
**TRUSTEES REPORT (continued)**  
**Year ended 31 August 2020**

**Achievements and Performance - continued**

Overall, aggregated student outcomes across the Trust are above the national average at Grade 4 and above for maths. A number of academies also align closely with ambitious targets.

**EBacc entries**

|              | 2018 | 2019 | 2020 |
|--------------|------|------|------|
| STB          | 13   | 11   | 15   |
| Bridgewater  | 22   | 16   | 22   |
| Penketh High | 22   | 32   | 73   |
| BCA          | 14   | 19   | 29   |
| Padgate      | 10   | 10   | 31   |
| TCAT         | 18   | 18   | 35*  |
| National     | 24   | 40   | N/A  |

\* Aggregate score across all students in the trust

This is an indicator of entries and could therefore reasonably be set against historic outcomes. In this respect all academies have increased their entry from 2019, with significant increases at Penketh High (+41%) and Padgate (+21%). The combined effect across the cross in an increase of 17% EBacc entries compared to 2019.

**C) Post 16 outcomes**

The results should be considered in the context of exams being cancelled and the Centre Assessed Grade (CAG) approach awarding grades. The College, as with all TCAT Academies, followed a robust process.

|                          | 2017  | 2018  | 2019  | 2020   | National | 2019 National |
|--------------------------|-------|-------|-------|--------|----------|---------------|
| <b>A Level pass rate</b> | 97.8  | 98.1% | 99.4% | 99.9%  | 99.7%    | 97.6          |
| <b>A*-B pass rate</b>    | 36.3% | 37.6% | 43.9% | 51.47% |          |               |

Priestley College continued to improve the A level pass rate and achieved its best set of A Level results. AS performance also improved compared to 2019 and is also at its highest rate.

At A Level the overall pass rate improved to 99.9% up from 99.4% in 2019. There was a 100% pass rate in 39 A-Levels. There was also a significant improvement in high grades with the A\* to B pass rate improving to 51.47% compared to 43.9% in 2019 – and continuing a four year upward trend. Overall A level National pass rates were at 99.7% up from 99.5% in 2019. The percentage of students achieving A\*-B Nationally was 65.4% up from 51.1% in 2019.

|                           | 2017  | 2018  | 2019  | 2020  | National | 2019 National |
|---------------------------|-------|-------|-------|-------|----------|---------------|
| <b>AS Level pass rate</b> | 86.5% | 89.9% | 86.5% | 93.7% | 96.9%    | 88.8%         |
| <b>A*-B pass rate</b>     | 27.3% | 32.5% | 29.8% | 38.7% |          |               |

**THE CHALLENGE ACADEMY TRUST**  
**TRUSTEES REPORT (continued)**  
**Year ended 31 August 2020**

At AS the overall pass rate increased to 93.7% from 87.5% in 2019. The A to B pass also increased to 38.7% from 29.8%. Overall AS level National pass rates were at 96.9% up from 86.3% in 2019. The percentage of students achieving A\*-B Nationally was 49.4% up from 37.4% in 2019 (\*Entries for reformed AS qualifications in England have dropped by over 26% compared to last summer. This means that entries to some AS subjects are now relatively small. Where the cohorts are small and changing year on year, outcomes are likely to change, making any comparisons over time difficult. This makes it much more difficult to interpret any changes in year-on-year results).

Students studying vocational subjects delivered an excellent set of results with students on Extended Diplomas achieving a 99.5% pass rate (compared to 99.88% in 2019), 98.5% (compared to 99.74% in 2019) and those with certificates on 97% (compared to 89.3% in 2019)

GCSE re-sit results (including 19+) for English were up at 64.24% from a pass rate of 42.7% in 2019. Mathematics pass rates were at 57.3%, this was the same rate as in 2019.

**Post 16 Achievement Rates**

| No<br>2019/20 | KPI<br>descriptor              | 2016-17 | 2017-18 | 2018-19 | 2019-20<br>Achievement<br>rate | NR ALL<br>Achievement<br>rate | NR SFC<br>Achievement<br>rate |
|---------------|--------------------------------|---------|---------|---------|--------------------------------|-------------------------------|-------------------------------|
| 5194          | All achieve<br>rates           | 86.9%   | 87.8%   | 86.5%   | 90.6%                          | 81.9%                         | 78%                           |
| 5088          | All 16-18                      | 87.4%   | 88.2%   | 86.8%   | 91.1%                          | 81.9%                         | 78%                           |
| 106           | All 19+                        | 74.1%   | 73.5%   | 75%     | 65%                            | 78.1%                         | 76.2%                         |
| 1584          | AS 16-18                       | 81.5%   | 85.1%   | 80.8%   | 88.4%                          | 63.5%                         | 79.2%                         |
| 984           | A2 16-18                       | 95.1%   | 94.4%   | 96.6%   | 98.9%                          | 84.1%                         | 84.4%                         |
| 101           | Level 2 Cert<br>16-18          | 90.4%   | 90.6%   | 91%     | 79.8%                          | 82.9%                         | 82.3%                         |
| 58            | Level 2<br>Diploma 16-<br>18   | 73.9%   | 92.7%   | 88.5%   | 85.1%                          | 67.1%                         | 83.7%                         |
| 39            | Level 3<br>Award               | N/A     | N/A     | N/A     | 76.9%                          | 37.5                          | 77.8%                         |
| 767           | Level 3<br>Certificate         | 75.4%   | 83.8%   | 82.4%   | 89.3%                          | 81.5%                         | 82.9%                         |
| 836           | Level 3<br>Diploma             | 92.3%   | 92.6%   | 90.2%   | 94.5%                          | 88.6%                         | 86.5%                         |
| 217           | *Level 3<br>Other 16-19        | 88.5%   | 75.7%   | 83.8%   | 76.9%                          | 74.3%                         | 66.8%                         |
| 229           | GCSE<br>Maths*<br>(*A-C/9-4)   | 44%     | 33.3%   | 42.7%   | 52.8%                          | N/A                           | N/A                           |
| 172           | GCSE<br>English*<br>(*A-C/9-4) | 69%     | 58.9%   | 53.7%   | 60.5%                          | N/A                           | N/A                           |

**THE CHALLENGE ACADEMY TRUST**  
**TRUSTEES REPORT (continued)**  
**Year ended 31 August 2020**

**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 (now CEO) and the scorecard prepared based upon the evidence provided and substantiated by the peer review. The scorecard also identifies key strengths and areas for improvement. The scorecards are shared with Trustees and Local Governing Bodies on a regular basis.

**Going Concern**

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

**Promoting the success of the Trust**

The Trust is very much part of the local community and respects its position within the community. It works to help and serve the young people of Warrington and their families through providing a safe environment for them to learn and provide access to as many members of the local community. The Trust engages with the Local Authority and local representatives to help the local community. Through activities involving the students e.g. TCAT Concert, TCAT Parliament, all children in the Trust have an opportunity to showcase their talents or help promote local issues within the Trust.

The Trust realises the importance of its position and therefore it has full consideration of the impact of any decision. It follows a robust process of consideration through its governance process at both a local academy level and at a Trust level. The reputation of the academies is key to the ability to attract students each year. The Trust therefore has developed policies and processes to ensure that the Trust maintains its reputation in the local community.

**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 numbers increased again September 2020. The required level of growth and cost reduction has been hampered by the Coronavirus pandemic due to increased costs to provide a safe environment, increased staff supply and technology costs due to isolations and a loss of income from activities no longer able to be offered. The Trust has put specific plans in place 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.

The Trust's overall performance resulted in an operational surplus of £185,000 (2019 – Deficit £495,000) after excluding FRS17 adjustments, depreciation and the use of reserves to purchase much



**THE CHALLENGE ACADEMY TRUST**  
**TRUSTEES REPORT (continued)**  
**Year ended 31 August 2020**

**FINANCIAL REVIEW - continued**

needed technology resources during lockdown and the refurbishment of the STEM Centre at Beamont Collegiate Academy. Overall, the Trust is pleased with its financial performance during a very difficult year. The three academies with deficits were broadly in line with expectations but continue to work to their recovery plans. Padgate Academy was helped by the in year funding that had been agreed as part of the rebrokerage. Penketh South Primary School was severely impacted by the pandemic. The academy is the smallest academy within the Trust and its nursery provision was unable to recruit new children at the appropriate time and therefore a loss of income. Unfortunately, there was no government support available for this area.

The Trust recognises that the academies face challenges this year with the pandemic and the steps the academies have had to take to be able to remain open. In addition, the Trust realises that some of the academies will face challenges over the next couple of years to recover from their deficits and additional costs at this time. 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. The Trust continues to seek opportunities to drive through cost savings.

**Impact of Coronavirus Pandemic**

The Trust was able to react quickly to the national lockdown with schools able to switch to online learning due to existing IT infrastructure. The largest impact to the Trust was on the availability of access to devices for students. Students were competing for devices at home with other family members, including parents working from home. The government scheme for Year 10 disadvantaged students was good but the Trust was impacted by the system not working properly or quickly in order to maximise the time that the students had their own device. It also only covered a small number of the total number of students required. After loaning out as many devices as possible, there was still a shortfall. The Trust had to purchase more devices. Unfortunately, the government's recent decision to not make any further funding available to academies with additional costs has meant that the trust has funded these. In some cases, this has exacerbated the deficits in existing academies within the Trust.

The Trust was also impacted upon its income generating activities. The majority of these income streams have little costs associated e.g. lettings. This therefore has impacted upon the final surplus in the year. The Trust did make use of the Coronavirus Job Retention Scheme for a total of 13 staff who were employed in the two academies with in house catering or involved in the lettings. The Trust did top up salaries for those staff to 100% and also the catering staff employed by the contract catering provider.

Penketh South Community Primary School runs a nursery. Children were unable to join the nursery during the year and it was unable to recover any funding in relation to this period. This has had the impact of placing the school in a in year deficit. Recovery in its nursery places has been slow due to the changes in parents' work arrangements e.g. home working or redundancy, which has also meant that the number of children looking for places is down. It may take time for the nursery to recover from this drop in numbers.

During the lockdown period, the Trust authorised the release of any safety equipment to the local NHS. This has led to the Trust needing to replenish its safety glasses, laboratory equipment etc. that was given over to a much needed cause. In addition, the Trust, in co-operation with local businesses, made visors using its laser cutters which were then distributed by the Local Authority. Local businesses helped to supply materials after the Trust had used any materials it had in stock.

In order to operate in a Covid secure environment from September, the Trust has had to adapt some

**THE CHALLENGE ACADEMY TRUST**  
**TRUSTEES REPORT (continued)**  
**Year ended 31 August 2020**

**Impact of Coronavirus Pandemic - continued**

of its premises which have led to increased costs. There are ongoing issues with the external caterers due to the impact on income. The external caterers have been looking to change the contract which would lead to additional costs. The Trust is facing additional costs in terms of supply, due to staff isolations, hygiene costs (hand sanitisers etc), cleaning costs (additional cleaning during the day to keep the area safe) and continued demands upon devices which has led to further purchases since September. These devices have been funded either from Trust funds or through the Local Enterprise Partnership and local businesses donating funds for the purchase of devices for disadvantaged students. This scheme has added an additional 100 devices across three of the secondary academies with the highest number of disadvantaged students.

The Trust had originally forecast a budget surplus for the year ended 31 August 2021. However, the budget has already come under strain due to the impact of the pandemic. In the first two months of the year, it is estimated that the Trust has already incurred approximately £150,000 more in expenditure compared to the same period last year and has lost income in the region of £150,000. The government has recently announced some additional help from 1 November 2020 to the end of December 2020. The additional funding is quite restricted and the period covered is towards the end of the increase in cases in the local area so it is not expected to help recover much of the costs already incurred. The Trust continues to look at ways to reduce the additional costs of operating e.g. bulk buying, greater information exchange on needs and suppliers. The Trust is continuing to work to maintain the finances of the Trust.

**Capital Investment**

Due to the size of the Trust, it is allocated significant sums via the School Condition Allocation (SCA). As a result, some £2.7 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. A programme of works is scheduled for the next couple of years, as long as the SCA remains in place. The Trust negotiated £1.8m capital funding for Padgate Academy, as part of its rebrokerage. The approved work commenced in October 2019 and was completed in May 2020.

**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. Whilst commercial benchmarks are not directly relevant to the Trust's charitable aims, to ensure financial stability, the Trust will work towards creating an ongoing surplus equivalent to one month's expenditure which is a suggested commercial standard.

At 31 August 2020, the Trust had Unrestricted Reserves of £1,642,000 (2019 - £1,251,000), Restricted General Reserves of £293,000 (2019 - £499,000), Restricted Pension Reserve deficit of £14,614,000 (2018 - £14,106,000) and a Fixed Asset Reserve of £96,296,000 (2019 - £96,632,000). Seven of the ten 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. The impact of capital investment using reserves, in year funding to meet the technology needs during lockdown and non-cash provisions e.g. FRS 17 adjustments, resulted in the reduction of the restricted income reserve.

## THE CHALLENGE ACADEMY TRUST

### TRUSTEES REPORT (continued)

Year ended 31 August 2020

#### 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:

| Area                       | Overall Assessment |
|----------------------------|--------------------|
| National Initiatives       | High               |
| Local Risks                | High               |
| Safeguarding               | Medium             |
| Estates and Facilities     | Low                |
| Human Resources            | Medium             |
| Curriculum & Quality       | Medium             |
| Legal & Insurance          | Low                |
| Financial & Audit          | Medium             |
| FIS/MIS/IT Systems         | Medium             |
| Sponsorship of STB/Padgate | Medium             |

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.

**THE CHALLENGE ACADEMY TRUST**  
**TRUSTEES REPORT (continued)**  
**Year ended 31 August 2020**

**STREAMLINED ENERGY AND CARBON REPORTING**

**UK Greenhouse gas emissions and energy use data for the period 1 September 2019 to 31 August 2020**

|  |           |
|--|-----------|
| Energy consumption used to calculate emissions (kWh) | 7,810,842 |
| Energy consumption break down (kWh)                  |           |
| Gas  | 4,490,902 |
| Electricity  | 3,290,200 |
| Transport fuel                                       | 29,740    |
| <u>Scope 1 emissions in metric tonnes CO2e</u>       |           |
| Gas consumption                                      | 825.74    |
| Owned transport – mini-buses                         | 6.35      |
| <u>Total scope 1</u>                                 | 832.09    |
| <u>Scope 2 emissions in metric tonnes CO2e</u>       |           |
| Purchased electricity                                | 767.08    |
| <u>Scope 3 emissions in metric tonnes CO2e</u>       |           |
| Business travel in employee owned vehicles           | 1.80      |
| <u>Total gross emissions in metric tonnes CO2e</u>   | 1,600.97  |
| <u>Intensity ratio</u>                               |           |
| Tonnes CO2e per pupil                                | 0.21      |

**Quantification and reporting methodology**

We have followed the 2019 HM Government Environmental Reporting Guidelines. We have also used the GHG Reporting Protocol – Corporate Standard and have used the 2020 UK Government’s Conversion Factors for Company Reporting.

**Intensity measurement**

The chosen intensity measurement ratio is total gross emissions in metric tonnes CO2e per pupil, the recommended ratio for the sector.

**Measures taken to improve energy efficiency**

The Trust already has introduced energy saving steps e.g. double glazing, replacing oil fired boilers, replacement of boilers with more modern efficient boilers whilst reducing the number of boilers, fitting of LED lighting. It uses the capital funding to improve energy efficiency wherever possible. The Trust is exploring opportunities for other projects e.g. more LED lighting and solar panels. All academies have smart meters. Meetings are now held online which has reduced the need to travel between academies. The Trust has recently replaced many of its ageing minibuses for greener vehicles.

**PLANS FOR FUTURE PERIODS**

TCAT will continue to drive up standards and school improvement through collaboration and plans for 2020/21 include:

1. Seeking opportunities for growth with schools that share our ethos and vision
2. Continue to work on the financial recovery of Sir Thomas Boteler Church of England High School, Penketh High School and Padgate Academy.
3. 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.

**THE CHALLENGE ACADEMY TRUST**  
**TRUSTEES REPORT (continued)**  
**Year ended 31 August 2020**

**PLANS FOR FUTURE PERIODS - continued**

4. Further development of the work with the joint agreement with Oxford University
5. Continue the programme of harmonising staff and HR policies
6. The expansion and subsequent extension for Bridgewater High School funded via Warrington Borough Council
7. Continue to seek funding for a new school building for Penketh High School

**POST BALANCE SHEET EVENTS**

On 1 September 2020, A Moorcroft became CEO of the Trust following the retirement of M Grant on 31 August 2020.

**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 2020 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 10 December 2020 and signed on the board's behalf by:

  
\_\_\_\_\_

**H Platt**  
Trustee

10 December 2020

**THE CHALLENGE ACADEMY TRUST**  
**GOVERNANCE STATEMENT**  
**Year ended 31 August 2020**

**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.

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

The board of trustees has delegated the day-to-day responsibility to the 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 7 times during the period. Attendance during the period at meetings of the board of trustees was as follows:

| <b>Trustees</b>                                 | <b>Meetings<br/>Attended</b> | <b>Out of a<br/>possible</b> |
|---|------------------------------|------------------------------|
| H Platt (Chair)                                 | 7                            | 7                            |
| M Grant (CEO, Principal and Accounting Officer) | 7                            | 7                            |
| J Griffiths                                     | 5                            | 7                            |
| G Johnson – resigned 11 October 2019            | -                            | 7                            |
| T Macormac – resigned 11 December 2019          | -                            | 2                            |
| J Monaghan                                      | 5                            | 7                            |
| L Muir  | 4                            | 7                            |
| N Pearson                                       | 2                            | 7                            |
| S Richardson – appointed 18 September 2019      | 7                            | 7                            |
| S Titchard                                      | 5                            | 7                            |
| L Waterson                                      | 6                            | 7                            |
| S Whatmore                                      | 6                            | 7                            |
| S Yates   | 6                            | 7                            |

The Chief Executive Officer retired at the end of the year and two trustees resigned. The board continually reviews itself and considers whether any changes are required and appropriate appointments are made. The internal auditors review of governance within the trust reported that they considered corporate governance as 'strong' with 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 2020**

The committee met four times since 1 September 2019. The attendance and membership of the committee was:

|   | <b>Meetings<br/>Attended</b> | <b>Out of a<br/>possible</b> |
|---|------------------------------|------------------------------|
| <b>Trustee Members</b>                          |                              |                              |
| H Platt (Chair of Trust)                        | 4                            | 4                            |
| M Grant (CEO, Principal and Accounting Officer) | 4                            | 4                            |
| T Macormac – resigned 11 December 2019          | -                            | 1                            |
| J Monaghan                                      | 3                            | 4                            |
| N Pearson                                       | 2                            | 4                            |
| S Titchard (Chair of Committee)                 | 4                            | 4                            |
| L Waterson                                      | 3                            | 4                            |
| S Whatmore                                      | 3                            | 4                            |
| <b>Co-opted Members</b>                         |                              |                              |
| A Pailing                                       | 3                            | 4                            |
| G Bratley                                       | 2                            | 4                            |

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

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

The committee has met twice since 1 September 2019. A meeting was postponed due the pandemic lockdown but held later in the year. The attendance and membership of the committee was:

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

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

**Year ended 31 August 2020**

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

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

The committee has met 3 times since 1 September 2019. The attendance and membership of the committee was:

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

The Remuneration Committee met once in 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:

- At renewal, switched insurance to the Risk Protection Assurance scheme
- Following a review of services provided by the Local Authority across the Trust, services were tendered and negotiated for better value agreements.
- Utility contracts were switched for a number of academies as part of an ongoing process of bringing all academies together under one contract in order to offer opportunities in the future for negotiation
- Negotiation of Trust wide discounts or passing of common supplier information through the Trust to improve buying returns.
- The Trust has a number of tenders in process or planned to complete in 2020/21 which will generate further cost savings

**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 2020**

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 2019 to 31 August 2020 and up to the date of approval of the annual report and financial statements.

**Capacity to Handle Risk**

The board of trustees has reviewed the key risks to which the academy trust is exposed together with the operating, financial and compliance controls that have been implemented to mitigate those risks. The board of trustees is of the view that there is a formal 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 2019 to 31 August 2020 and up to the date of approval of the annual report and financial statements. This process is regularly reviewed by the board of trustees.

**The Risk and Control Framework**

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

- comprehensive budgeting and monitoring systems with an annual budget and periodic financial reports which are reviewed and agreed by the 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 completed their second year and have submitted reports to the Audit Committee on:

- Human Resources and Payroll
- Procurement
- Individual Learner Returns for 16-19 ESFA Funding
- Curriculum Planning
- Budgetary and Financial Controls
- Follow Up Review of 2018/19 Recommendations

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 based upon the Follow Up Review. Unfortunately, the pandemic stopped the Trust being able to implement all of the recommendations by the time of the Review. The majority of the recommendations are now complete with a couple which are ongoing and will be completed by March 2021.

**THE CHALLENGE ACADEMY TRUST**  
**GOVERNANCE STATEMENT (continued)**  
**Year ended 31 August 2020**

**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 10 December 2020 and signed on its behalf by:



**H Platt**  
Trustee



**A Moorcroft**  
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 2019.

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

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

A handwritten signature in black ink, appearing to be 'A Moorcroft', with a stylized, cursive script.

**A Moorcroft**  
Accounting Officer  
10 December 2020

**THE CHALLENGE ACADEMY TRUST**  
**STATEMENT OF TRUSTEES' RESPONSIBILITIES**  
**Year ended 31 August 2020**

The trustees (who are also the directors of the charitable company for the purposes of company law) are responsible for preparing the Trustees' Report and the financial statements in accordance with the 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 2019 to 2020
- make judgments and accounting estimates that are reasonable and prudent
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charitable company will continue in business

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

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

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

Approved by order of the members of the board of trustees on 10 December 2020 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 2020, 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 2019 to 2020 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 2020 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 2019 to 2020

## **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 27, 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.



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

10 December 2020

## **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 2019 to 2020, 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 2019 to 31 August 2020 have been applied to the purposes identified by Parliament and the financial transactions conform to the authorities which govern them.

This report is made solely to The 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 2019, for ensuring that expenditure disbursed and income received is applied for the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

Our responsibilities for this engagement are established in the United Kingdom by our profession's ethical guidance and are to obtain limited assurance and report in accordance with our engagement letter and the requirements of the Academies Accounts Direction 2019 to 2020. We report to you whether anything has come to our attention in carrying out our work which suggests that in all material respects, expenditure disbursed and income received during the year from 1 September 2019 to 31 August 2020 have not been applied to purposes intended by Parliament or that the financial transactions do not conform to the authorities which govern them.

### **Approach**

We conducted our engagement in accordance with the Academies Accounts Direction 2019 to 2020 issued by ESFA. We performed a limited assurance engagement as defined in our engagement letter. The objective of a limited assurance engagement is to perform such procedures as to obtain information and explanations in order to provide us with sufficient appropriate evidence to express a negative conclusion on regularity.

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

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

The work undertaken to draw 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 2019 to 31 August 2020 has not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.

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

10 December 2020

**THE CHALLENGE ACADEMY TRUST**  
**STATEMENT OF FINANCIAL ACTIVITIES**  
for the year ended 31 August 2020

|   | Note | Unrestricted<br>Funds<br>£000 | Restricted<br>General<br>Funds<br>£000 | Restricted<br>Fixed<br>Asset Fund<br>£000 | Total<br>2020<br>£000 | Total<br>2019<br>£000 |
|---|------|-------------------------------|--|---|-----------------------|-----------------------|
| <b>Income and endowments from:</b>                          |      |                               |  |   |                       |                       |
| Donations and capital grants                                | 2    | -                             | 291                                    | 2,830                                     | 3,121                 | 1,875                 |
| Transfer from local authority on conversion                 |      | -                             | 101                                    | 9,842                                     | 9,943                 | -                     |
| Transfer from other academies                               |      | -                             | -                                      | -   | -                     | 13,056                |
| <b>Charitable activities:</b>                               |      |                               |  |   |                       |                       |
| Funding for the academy trust's educational operations      | 3    | -                             | 41,514                                 | -   | 41,514                | 36,044                |
| Other trading activities                                    | 4    | 1,037                         | 360                                    | -   | 1,397                 | 2,105                 |
| Investments   | 5    | 6                             | -                                      | -   | 6                     | 2                     |
| <b>Total</b>  |      | <u>1,043</u>                  | <u>42,266</u>                          | <u>12,672</u>                             | <u>55,981</u>         | <u>53,082</u>         |
| <b>Expenditure on:</b>                                      |      |                               |  |   |                       |                       |
| Raising funds   | 6    | 519                           | -                                      | -   | 519                   | 579                   |
| <b>Charitable activities:</b>                               |      |                               |  |   |                       |                       |
| Academy trust educational operations                        | 7    | -                             | 44,185                                 | 3,673                                     | 47,858                | 42,859                |
| Other   |      | -                             | -                                      | -   | -                     | -                     |
| <b>Total</b>  |      | <u>519</u>                    | <u>44,185</u>                          | <u>3,673</u>                              | <u>48,377</u>         | <u>43,438</u>         |
| <b>Net income/(expenditure)</b>                             |      | 524                           | (1,919)                                | 8,999                                     | 7,604                 | 9,644                 |
| Transfers between funds                                     | 15   | (133)                         | (181)                                  | 314                                       | -                     | -                     |
| <b>Other recognised gains/(losses)</b>                      |      |                               |  |   |                       |                       |
| Pension deficits transferred                                |      | -                             | (149)                                  | -   | (149)                 | (599)                 |
| Actuarial gains/(losses) on defined benefit pension schemes | 20   | -                             | 1,535                                  | -   | 1,535                 | (5,942)               |
| <b>Net movement in funds</b>                                |      | <u>391</u>                    | <u>(714)</u>                           | <u>9,313</u>                              | <u>8,990</u>          | <u>3,103</u>          |
| <b>Reconciliation of funds</b>                              |      |                               |  |   |                       |                       |
| Total funds brought forward                                 |      | <u>1,251</u>                  | <u>(13,607)</u>                        | <u>96,632</u>                             | <u>84,276</u>         | <u>81,173</u>         |
| <b>Total funds carried forward</b>                          | 15   | <u>1,642</u>                  | <u>(14,321)</u>                        | <u>105,945</u>                            | <u>93,266</u>         | <u>84,276</u>         |

**THE CHALLENGE ACADEMY TRUST****BALANCE SHEET****As at 31 August 2020**

|  | <b>Note</b> | <b>2020<br/>£0000</b> | <b>2019<br/>£000</b> |
|--|-------------|-----------------------|----------------------|
| <b>Fixed assets</b>  |             |                       |                      |
| Tangible assets  | 11          | 105,945               | 96,632               |
| <b>Current assets</b>  |             |                       |                      |
| Debtors  | 12          | 1,684                 | 3,676                |
| Cash at bank and in hand                                       |             | 6,757                 | 3,330                |
|  |             | 8,441                 | 7,006                |
| <b>Creditors: amounts falling due within one year</b>          | 13          | (6,430)               | (5,154)              |
| <b>Net current assets</b>                                      |             | 2,011                 | 1,852                |
| <b>Total assets less current liabilities</b>                   |             | 107,956               | 98,484               |
| <b>Creditors: amounts falling due after more than one year</b> | 14          | (76)                  | (102)                |
| <b>Net assets excluding pension liability</b>                  |             | 107,880               | 98,382               |
| Defined benefit pension scheme liability                       | 20          | (14,614)              | (14,106)             |
| <b>TOTAL NET ASSETS</b>  |             | 93,266                | 84,276               |
| <b>Funds of the academy trust:</b>                             |             |                       |                      |
| <b>Restricted funds</b>  |             |                       |                      |
| Fixed asset fund   | 15          | 105,945               | 96,632               |
| Restricted income fund   | 15          | 293                   | 499                  |
| Pension reserve  | 15          | (14,614)              | (14,106)             |
| <b>Total restricted funds</b>                                  |             | 91,624                | 83,025               |
| Unrestricted income funds                                      | 15          | 1,642                 | 1,251                |
| <b>TOTAL FUNDS</b>   |             | 93,266                | 84,276               |

The financial statements on pages 33-59 were approved by the trustees and authorised for issue on 10 December 2020 and are signed on their behalf by:



**H Platt**  
Trustee

**THE CHALLENGE ACADEMY TRUST**  
**STATEMENT OF CASH FLOWS**  
**for the year ended 31 August 2020**

|  | Note | 2020                | 2019                |
|--|------|---------------------|---------------------|
|  |      | £000                | £000                |
| <b>Cash flows from operating activities</b>                        |      |                     |                     |
| Net cash provided by operating activities                          | 21   | 2,552               | (1,490)             |
| <b>Cash flows from investing activities</b>                        | 23   | 875                 | 494                 |
| <b>Cash flows from financing activities</b>                        | 22   | -                   | (117)               |
| <b>Change in cash and cash equivalents in the reporting period</b> |      | <u>3,427</u>        | <u>(1,113)</u>      |
| <b>Cash and cash equivalents at 1 September 2019</b>               |      | <u>3,330</u>        | <u>4,443</u>        |
| <b>Cash and cash equivalents at 1 August 2020</b>                  | 24   | <u><u>6,757</u></u> | <u><u>3,330</u></u> |

**THE CHALLENGE ACADEMY TRUST**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**for the year ended 31 August 2020**

**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 2019 to 2020 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 2020**

**(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 2020**  
**(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 greater than £1,000 or if lower than £1,000 but forming part of a larger project 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 2020**  
**(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 2020**

**(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 2020**

**(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 2020**

(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<br>Funds<br>£000 | Restricted<br>Funds<br>£000 | Total<br>2020<br>£000 | Total<br>2019<br>£000 |
|-----------------|-------------------------------|-----------------------------|-----------------------|-----------------------|
| Capital grants  | -                             | 2,830                       | 2,830                 | 1,496                 |
| Other donations | -                             | 291                         | 291                   | 379                   |
| <b>Total</b>    | <b>-</b>                      | <b>3,121</b>                | <b>3,121</b>          | <b>1,875</b>          |

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

|  | Unrestricted<br>Funds<br>£000 | Restricted<br>Funds<br>£000 | Total<br>2020<br>£000 | Total<br>2019<br>£000 |
|--|-------------------------------|-----------------------------|-----------------------|-----------------------|
| <b>DfE/ESFA grants</b>                 |                               |                             |                       |                       |
| General Annual Grant (GAG)             | -                             | 35,525                      | 35,525                | 32,744                |
| Pupil Premium                          | -                             | 1,638                       | 1,638                 | 1,375                 |
| Teacher Pay & Pension Grants           | -                             | 1,715                       | 1,715                 | 276                   |
| Other DfE/ESFA grants                  | -                             | 493                         | 493                   | 485                   |
| ITT Bursaries Grant                    | -                             | 78                          | 78                    | 85                    |
| Teaching School Grants                 | -                             | 40                          | 40                    | 50                    |
|  | -                             | 39,489                      | 39,489                | 35,015                |
| <b>Other Government grants</b>         |                               |                             |                       |                       |
| Local authority grants                 | -                             | 1,588                       | 1,588                 | 999                   |
| Special educational projects           | -                             | 238                         | 238                   | -                     |
|  | -                             | 1,826                       | 1,826                 | 999                   |
| <b>Other grants</b>                    | -                             | -                           | -                     | 30                    |
| <b>Exceptional government funding</b>  |                               |                             |                       |                       |
| Coronavirus Job Retention Scheme Grant | -                             | 47                          | 47                    | -                     |
| Coronavirus exceptional support        | -                             | 152                         | 152                   | -                     |
|  | -                             | 41,514                      | 41,514                | 36,044                |

The academy trust has been eligible to claim additional funding in year from government support schemes in response to the coronavirus outbreak. The funding received is shown above under 'exceptional government funding'. The funding received for coronavirus exceptional support covers

**THE CHALLENGE ACADEMY TRUST**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**for the year ended 31 August 2020**  
**(continued)**

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

£152,000 of supermarket vouchers for free school meals children before the government scheme was in place, deep cleaning at an academy with a confirmed coronavirus case and costs associated with remaining open during the holiday periods to provide the support for key worker children. These costs are included in notes 6 and 7 below as appropriate.

The Trust also furloughed some of its catering staff, lettings and leisure centre staff under the government's CHRS. The funding received of £47,000 relates to staff costs in respect of 13 staff which are included within note 8 below as appropriate.

**4 Other trading activities**

|                    | <b>Unrestricted<br/>Funds<br/>£000</b> | <b>Restricted<br/>Funds<br/>£000</b> | <b>Total<br/>2020<br/>£000</b> | <b>Total<br/>2019<br/>£000</b> |
|--------------------|--|--------------------------------------|--------------------------------|--------------------------------|
| Hire of facilities | 195                                    | -                                    | 195                            | 258                            |
| Catering income    | 348                                    | -                                    | 348                            | 548                            |
| Trips income       | -                                      | 360                                  | 360                            | 805                            |
| Other income       | 494                                    | -                                    | 494                            | 494                            |
| <b>Total</b>       | <b>1,037</b>                           | <b>360</b>                           | <b>1,397</b>                   | <b>2,105</b>                   |

**5 Investment income**

|                     | <b>Unrestricted<br/>Funds<br/>£000</b> | <b>Restricted<br/>Funds<br/>£000</b> | <b>Total<br/>2020<br/>£000</b> | <b>Total<br/>2019<br/>£000</b> |
|---------------------|--|--------------------------------------|--------------------------------|--------------------------------|
| Short term deposits | 6                                      | -                                    | 6                              | 2                              |

**THE CHALLENGE ACADEMY TRUST**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 31 August 2020  
(continued)

**6 Expenditure**

|                                   | Staff<br>Costs<br>£000 | Non Pay Expenditure |               | Total<br>2020<br>£000 | Total<br>2019<br>£000 |
|-----------------------------------|------------------------|---------------------|---------------|-----------------------|-----------------------|
|                                   |                        | Premises<br>£000    | Other<br>£000 |                       |                       |
| Expenditure on raising funds      | 261                    | -                   | 258           | 519                   | 579                   |
| Academy's educational operations: |                        |                     |               |                       |                       |
| Direct costs                      | 31,625                 | 2,220               | 7,209         | 41,054                | 37,543                |
| Allocated support costs           | 5,020                  | 333                 | 1,451         | 6,804                 | 5,316                 |
|                                   | <u>36,906</u>          | <u>2,553</u>        | <u>8,918</u>  | <u>48,377</u>         | <u>43,438</u>         |

Net income/(expenditure) for the period includes:

|   | 2020<br>£000  | 2019<br>£000  |
|---|---------------|---------------|
| Operating lease rentals                 | 173           | 118           |
| Depreciation                            | 3,673         | 3,199         |
| (Gain)/Loss on disposal of fixed assets | -             | -             |
| Fees payable to auditor for:            |               |               |
| • audit                                 | 27            | 24            |
|   | <u>      </u> | <u>      </u> |

**7 Charitable activities**

|  | Total<br>2020<br>£000 | Total<br>2019<br>£000 |
|--|-----------------------|-----------------------|
| Direct costs – educational operations  | 41,054                | 37,543                |
| Support costs – educational operations | 6,804                 | 5,316                 |
|  | <u>47,858</u>         | <u>42,859</u>         |

**Analysis of support costs**

|                            | Educational<br>operations<br>£000 | Total<br>2020<br>£000 | Total<br>2019<br>£000 |
|----------------------------|-----------------------------------|-----------------------|-----------------------|
| Support staff costs        | 5,020                             | 5,020                 | 3,820                 |
| Depreciation               | 479                               | 479                   | 367                   |
| Technology costs           | 82                                | 82                    | 58                    |
| Premises costs             | 333                               | 333                   | 313                   |
| Other support costs        | 816                               | 816                   | 669                   |
| Governance costs           | 74                                | 74                    | 89                    |
| <b>Total support costs</b> | <u>6,804</u>                      | <u>6,804</u>          | <u>5,316</u>          |

**THE CHALLENGE ACADEMY TRUST**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 31 August 2020  
(continued)

**8 Staff**

**a. Staff costs**

Staff costs during the period were:

|  | <b>Total<br/>2020<br/>£000</b> | <b>Total<br/>2019<br/>£000</b> |
|--|--------------------------------|--------------------------------|
| Wages and salaries                                 | 26,279                         | 23,966                         |
| Social security costs                              | 2,522                          | 2,304                          |
| Operating costs of defined benefit pension schemes | 7,348                          | 4,938                          |
| Apprenticeship levy                                | 116                            | 105                            |
|  | <b>36,265</b>                  | <b>31,313</b>                  |
| Supply staff costs                                 | 627                            | 680                            |
| Staff restructuring costs                          | 14                             | 122                            |
| <b>Total</b>                                       | <b>36,906</b>                  | <b>32,115</b>                  |
| Staff restructuring costs comprise:                |                                |                                |
| Redundancy payments                                | 4                              | 82                             |
| Severance payments                                 | 10                             | 40                             |
|  | <b>14</b>                      | <b>122</b>                     |

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

Included in staff restructuring costs are non-statutory/non-contractual severance payments totalling £10,000 (2019 - £19,000). Individually, the payments were: £7,000 made on 15 November 2019 and £3,000 made on 15 August 2020.

**c. Staff numbers**

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

|                            | <b>2020<br/>No.</b> | <b>2020<br/>FTE</b> | <b>2019<br/>No.</b> | <b>2019<br/>FTE</b> |
|----------------------------|---------------------|---------------------|---------------------|---------------------|
| Teachers                   | 435                 | 383                 | 413                 | 366                 |
| Administration and support | 467                 | 310                 | 400                 | 270                 |
| Management                 | 46                  | 46                  | 42                  | 41                  |
| <b>Total</b>               | <b>948</b>          | <b>739</b>          | <b>855</b>          | <b>677</b>          |

**THE CHALLENGE ACADEMY TRUST**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 31 August 2020  
(continued)

**8 Staff - continued**

**d. Higher paid staff**

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

|                    | <b>2020</b> | <b>2019</b> |
|--------------------|-------------|-------------|
|                    | <b>No.</b>  | <b>No.</b>  |
| £60,001 - £70,000  | 18          | 8           |
| £70,001 - £80,000  | 7           | 6           |
| £80,001 - £90,000  | 4           | 1           |
| £90,001 - £100,000 | -           | 1           |
| £100,001-£110,000  | -           | -           |
| £110,001-£120,000  | 2           | 2           |
| £120,001-£130,000  | -           | 1           |
| £130,001-£140,000  | 1           | -           |

**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 and employer national insurance contributions) received by key management personnel for their services to the academy trust was £1,412,972 (2019 - £1,041,431).

**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                         | £130,001 - £135,000 (2019 - £120,001 - £125,000) |
| Employer’s pension contribution paid | £Nil (2019 - £10,001 - £15,000)                  |

**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 £10,000,000 on any one claim. During the year, the Trust changed from commercial insurance to assurance through the Risk Protection Arrangement for academy trusts. The cost of this cover is not split out from the overall cost.

**THE CHALLENGE ACADEMY TRUST**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 31 August 2020  
(continued)

**11 Tangible fixed assets**

|  | <b>Freehold<br/>Land and<br/>Buildings<br/>£000</b> | <b>Leasehold<br/>Land and<br/>Buildings<br/>£000</b> | <b>Improvem<br/>ents to<br/>Buildings<br/>£000</b> | <b>Furniture<br/>and<br/>Equipment<br/>£000</b> | <b>Computer<br/>Equipment<br/>£000</b> | <b>Motor<br/>Vehicles<br/>£000</b> | <b>Total<br/>£000</b> |
|--|---|--|--|---|--|------------------------------------|-----------------------|
| <b>Cost or valuation</b>                     |   |  |  |   |  |                                    |                       |
| At 1 September 2019                          | 12,709  | 84,565   | 1,040  | 4,152   | 1,019                                  | 5                                  | 103,490               |
| Transfers from other<br>academies            | -   | -  | -  | -   | -                                      | -                                  | -                     |
| Transfers from local<br>authority conversion | -   | 9,825  | -  | 11  | 6                                      | -                                  | 9,842                 |
| Additions                                    | -   | -  | 2,809  | 85  | 250                                    | -                                  | 3,144                 |
| Disposals                                    | -   | -  | -  | -   | -                                      | -                                  | -                     |
| At 31 August 2020                            | 12,709  | 94,390   | 3,849  | 4,248   | 1,275                                  | 5                                  | 116,476               |
| <b>Accumulated<br/>depreciation</b>          |   |  |  |   |  |                                    |                       |
| At 1 September 2019                          | 1,071   | 3,246  | 100  | 1,994   | 442                                    | 5                                  | 6,858                 |
| Charge for the year                          | 459   | 1,732  | 371  | 802   | 309                                    | -                                  | 3,673                 |
| Disposals                                    | -   | -  | -  | -   | -                                      | -                                  | -                     |
| At 31 August 2020                            | 1,530   | 4,978  | 471  | 2,796   | 751                                    | 5                                  | 10,531                |
| <b>Net book value</b>                        |   |  |  |   |  |                                    |                       |
| At 31 August 2020                            | 11,179  | 89,412   | 3,378  | 1,452   | 524                                    | -                                  | 105,945               |
| At 31 August 2019                            | 11,638  | 81,319   | 940  | 2,158   | 577                                    | -                                  | 96,632                |

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<br/>Date of Lease</b> | <b>Value of Property<br/>at Lease Inception<br/>£000</b> |
|---|---------------------------------------|--|
| Broomfields Junior School                     | 1 December 2019                       | 4,665  |
| Meadowside Community Primary & Nursery School | 1 December 2019                       | 5,160  |

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



**THE CHALLENGE ACADEMY TRUST**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 31 August 2020  
(continued)

**12 Debtors**

|                                | <b>2020</b>         | <b>2019</b>         |
|--------------------------------|---------------------|---------------------|
|                                | <b>£000</b>         | <b>£000</b>         |
| Trade debtors                  | 63                  | 151                 |
| VAT recoverable                | 441                 | 2,646               |
| Other debtors                  | 8                   | 116                 |
| Prepayments and accrued income | 1,172               | 763                 |
|                                | <u><b>1,684</b></u> | <u><b>3,676</b></u> |

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

|                                    | <b>2020</b>         | <b>2019</b>         |
|------------------------------------|---------------------|---------------------|
|                                    | <b>£000</b>         | <b>£000</b>         |
| Trade creditors                    | 817                 | 821                 |
| Other taxation and social security | 1,285               | 1,108               |
| ESFA creditor                      | 38                  | 10                  |
| Salix loan                         | 27                  | 27                  |
| Other creditors                    | 176                 | 232                 |
| Accruals and deferred income       | 4,087               | 2,956               |
|                                    | <u><b>6,430</b></u> | <u><b>5,154</b></u> |

|                                  | <b>2020</b>         | <b>2019</b>         |
|----------------------------------|---------------------|---------------------|
|                                  | <b>£000</b>         | <b>£000</b>         |
| <b>Deferred income</b>           |                     |                     |
| Resources deferred in the period | <u><b>3,495</b></u> | <u><b>2,302</b></u> |

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

|              | <b>2020</b>      | <b>2019</b>       |
|--------------|------------------|-------------------|
|              | <b>£000</b>      | <b>£000</b>       |
| Salix loan   | <u>76</u>        | <u>102</u>        |
| <b>Total</b> | <u><b>76</b></u> | <u><b>102</b></u> |

**THE CHALLENGE ACADEMY TRUST**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 31 August 2020

(continued)

**15 Funds**

|                                     | Balance at<br>1 September<br>2019<br>£000 | Income<br>£000 | Expenditure<br>£000 | Gains,<br>losses and<br>transfers<br>£000 | Balance at<br>31 August<br>2020<br>£000 |
|-------------------------------------|---|----------------|---------------------|---|---|
| <b>Restricted general funds</b>     |   |                |                     |   |   |
| General Annual Grant (GAG)          | (2,611)                                   | 35,525         | (35,651)            | (181)                                     | (2,918)                                 |
| Pupil Premium                       | -   | 1,638          | (1,638)             | -   | -                                       |
| Pension Reserve                     | (14,106)                                  | -              | (1,894)             | 1,386                                     | (14,614)                                |
| Other grants and donations          | -   | 5,002          | (5,002)             | -   | -                                       |
| Transfer on conversion              | 3,110                                     | 101            | -                   | -   | 3,211                                   |
|                                     | <u>(13,607)</u>                           | <u>42,266</u>  | <u>(44,185)</u>     | <u>1,205</u>                              | <u>(14,321)</u>                         |
| <b>Restricted fixed asset funds</b> |   |                |                     |   |   |
| Transfer on conversion              | 94,700                                    | 9,842          | (3,043)             | -   | 101,499                                 |
| DfE/ESFA capital grants             | 1,218                                     | 2,830          | (461)               | -   | 3,587                                   |
| Capital expenditure from GAG        | 424                                       | -              | (144)               | 181                                       | 461                                     |
| Capital expenditure from reserves   | 290                                       | -              | (25)                | 133                                       | 398                                     |
|                                     | <u>96,632</u>                             | <u>12,672</u>  | <u>(3,673)</u>      | <u>314</u>                                | <u>105,945</u>                          |
| <b>Total restricted funds</b>       | <u>83,025</u>                             | <u>54,938</u>  | <u>(47,858)</u>     | <u>1,519</u>                              | <u>91,624</u>                           |
| <b>Total unrestricted funds</b>     | <u>1,251</u>                              | <u>1,043</u>   | <u>(519)</u>        | <u>(133)</u>                              | <u>1,642</u>                            |
| <b>Total funds</b>                  | <u>84,276</u>                             | <u>55,981</u>  | <u>(48,377)</u>     | <u>1,386</u>                              | <u>93,266</u>                           |

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

|                                     | Balance at<br>1 September<br>2018<br>£000 | Income<br>£000 | Expenditure<br>£000 | Gains,<br>losses and<br>transfers<br>£000 | Balance at<br>31 August<br>2019<br>£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>                           |

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

for the year ended 31 August 2020

(continued)

**15 Funds - continued**

**A current year and prior year combined position is as follows:**

|                                     | Balance at<br>1 September<br>2018<br>£000 | Income<br>£000 | Expenditure<br>£000 | Gains,<br>losses and<br>transfers<br>£000 | Balance at<br>31 August<br>2020<br>£000 |
|-------------------------------------|---|----------------|---------------------|---|---|
| <b>Restricted general funds</b>     |   |                |                     |   |   |
| General Annual Grant (GAG)          | (1,347)                                   | 68,269         | (69,659)            | (181)                                     | (2,918)                                 |
| Pupil Premium                       | -   | 3,013          | (3,013)             | -   | -                                       |
| Pension Reserve                     | (6,482)                                   | -              | (2,977)             | (5,155)                                   | (14,614)                                |
| Other grants and donations          | -   | 8,196          | (8,196)             | -   | -                                       |
| Transfer on conversion              | 3,064                                     | 147            | -                   | -   | 3,211                                   |
|                                     | <u>(4,765)</u>                            | <u>79,625</u>  | <u>(83,845)</u>     | <u>(5,336)</u>                            | <u>(14,321)</u>                         |
| <b>Restricted fixed asset funds</b> |   |                |                     |   |   |
| Transfer on conversion              | 84,557                                    | 22,852         | (5,910)             | -   | 101,499                                 |
| DfE/ESFA capital grants             | -   | 4,241          | (654)               | -   | 3,587                                   |
| Capital expenditure from GAG        | 557                                       | -              | (277)               | 181                                       | 461                                     |
| Capital expenditure from reserves   | -   | -              | (31)                | 429                                       | 398                                     |
|                                     | <u>85,114</u>                             | <u>27,093</u>  | <u>(6,872)</u>      | <u>610</u>                                | <u>105,945</u>                          |
| <b>Total restricted funds</b>       | <u>80,349</u>                             | <u>106,718</u> | <u>(90,717)</u>     | <u>(4,726)</u>                            | <u>91,624</u>                           |
| <b>Total unrestricted funds</b>     | <u>824</u>                                | <u>2,345</u>   | <u>(1,098)</u>      | <u>(429)</u>                              | <u>1,642</u>                            |
| <b>Total funds</b>                  | <u>81,173</u>                             | <u>109,063</u> | <u>(91,815)</u>     | <u>(5,155)</u>                            | <u>93,266</u>                           |

**Total funds analysis by academy**

Fund balances at 31 August were allocated as follows:

|  | <b>Total<br/>2020<br/>£000</b> | <b>Total<br/>2019<br/>£000</b> |
|--|--------------------------------|--------------------------------|
| Beamont Collegiate Academy                       | 580                            | 578                            |
| Bridgewater High School                          | 191                            | 137                            |
| Broomfields Junior School                        | 32                             | -                              |
| Great Sankey Primary School                      | 274                            | 215                            |
| Meadowside Community Primary & Nursery School    | 178                            | -                              |
| Padgate Academy                                  | (178)                          | (246)                          |
| Penketh High School                              | (1,050)                        | (963)                          |
| Penketh South Community Primary School           | (21)                           | 45                             |
| Priestley College                                | 2,374                          | 2,220                          |
| Sir Thomas Boteler Church of England High School | (441)                          | (244)                          |
| Central Trust Reserves                           | (4)                            | 8                              |
|  | <u>1,935</u>                   | <u>1,750</u>                   |
| Total before fixed assets and pensions reserves  | 1,935                          | 1,750                          |
| Restricted Fixed Asset Fund                      | 105,945                        | 96,632                         |
| Pension Reserve                                  | (14,614)                       | (14,106)                       |
|  | <u>93,266</u>                  | <u>84,276</u>                  |
| <b>Total funds</b>                               | <u>93,266</u>                  | <u>84,276</u>                  |

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

**for the year ended 31 August 2020**

(continued)

**15 Funds – continued**

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. The academy achieved a Good Ofsted rating in early March which is hoped will bring a change in fortunes to the enrolment of Year 7. A redundancy programme was planned for the summer of the year but, due to lockdown, this could not go ahead. The academy has begun a process in this financial year which will bring about some cost savings for the following financial year. With increasing costs, fragile enrolments at Year 7 and an ageing 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 the academy is now on a strict financial plan, although the impact of the pandemic is making it difficult to remain within the budget. The Trust is also actively seeking a long term solution to the building issues.

Sir Thomas Boteler Church of England High School has undertaken 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 has 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. Ofsted were due to visit the academy on the week that the national lockdown was announced. Unfortunately, the visit did not take place and the academy has missed the opportunity to change its previous rating before conversion. The pandemic has impacted on the financial recovery of the academy.

Beaumont Collegiate Academy's growth has stabilised and it finished the year with a small surplus after funding the refurbishment of the new long leasehold building purchased in the summer of 2019, also from reserves.

Padgate Academy, formerly known as University Academy Warrington, was rebrokered into the Trust in the previous financial year. As part of the rebrokerage, the Trust was able to negotiate in year funding for 2019/20 and 2020/21. The in year funding has helped the Trust to be able to undertake the level of intervention required to improve student outcomes, student experience, financial health and also the basic fabric of the building. The Trust has completed a staff restructuring exercise and a review of the curriculum offer and delivery. This has helped to put the academy on a better financial footing going forward.

As part of the rebrokerage, the Trust also negotiated some capital funds to address issues with the building. All of this work completed in this financial year. The academy is operating to a very strict budget but it has been hit hard in one of its activities for generating income. The academy runs a leisure centre operation but due to the restrictions and guidance in place since March 2020, this facility has not been able to open. It will impact heavily on the finances of the academy.

Penketh South Community Primary School is the smallest academy within the Trust. Due to the national lockdown, its nursery was impacted upon and the lost income is responsible for the fortunes of the academy. The pandemic restrictions and guidance also meant additional costs were incurred.

**THE CHALLENGE ACADEMY TRUST**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 31 August 2020  
(continued)

**16 Analysis of net assets between funds**

Fund balances at 31 August 2020 are represented by:

|                          | Unrestricted<br>Funds<br>£000 | Restricted<br>General<br>Funds<br>£000 | Restricted<br>Fixed Asset<br>Funds<br>£000 | Total Funds<br>£000 |
|--------------------------|-------------------------------|--|--|---------------------|
| Tangible fixed assets    | -                             | -                                      | 105,945                                    | 105,945             |
| Current assets           | 1,642                         | 6,799                                  | -  | 8,441               |
| Current liabilities      | -                             | (6,430)                                | -  | (6,430)             |
| Non-current liabilities  | -                             | (76)                                   | -  | (76)                |
| Pension scheme liability | -                             | (14,614)                               | -  | (14,614)            |
| <b>Total net assets</b>  | <b>1,642</b>                  | <b>(14,321)</b>                        | <b>105,945</b>                             | <b>93,266</b>       |

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

|                          | Unrestricted<br>Funds<br>£000 | Restricted<br>General<br>Funds<br>£000 | Restricted<br>Fixed Asset<br>Funds<br>£000 | Total Funds<br>£000 |
|--------------------------|-------------------------------|--|--|---------------------|
| 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>       |

**17 Capital commitments**

|  | 2020<br>£000 | 2019<br>£000 |
|--|--------------|--------------|
| Contracted for, but not provided in the financial statements | 882          | Nil          |

**18 Commitments under operating leases**

**Operating leases**

At 31 August 2020 the total of the Academy Trust's future minimum lease payments under non-cancellable operating leases was:

|   | 2020<br>£000 | 2019<br>£000 |
|---|--------------|--------------|
| <b>Other</b>                                  |              |              |
| Expiring within one year                      | 157          | 125          |
| Expiring between two and five years inclusive | 233          | 193          |
|   | <b>390</b>   | <b>318</b>   |

**THE CHALLENGE ACADEMY TRUST**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**for the year ended 31 August 2020**  
**(continued)**

**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 2016 and the CPF 31 March 2019. Contributions amounting to £650,038 were payable to the schemes at 31 August 2020 (2019 - £514,338) 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 teachers in academies. All teachers have the option to opt-out of the TPS following enrolment.

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

**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 2016. The valuation report was published by the Department for Education on 5 March 2019. The key elements of the valuation and subsequent consultation are:

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

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

**for the year ended 31 August 2020**

(continued)

**20 Pension and similar obligations - continued**

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

The employer's pension costs paid to TPS in the period amounted to £4,164,144 (2019 - £2,735,286).

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 2020 was £1,952,727 (2019 - £1,691,851) of which employers contributions totalled £1,540,712 (2019 - £1,341,963) and employees contributions totalled £412,015 (2019 - £349,888). The agreed contribution rates for future years vary for each academy depending upon its asset and liability profile within the scheme. Currently, the employer rate paid ranges from 19.9% to 23.8% dependent upon the academy profile within the scheme. 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.

**Principal Actuarial Assumptions**

|  | <b>2020</b> | <b>2019</b> |
|--|-------------|-------------|
| Rate of increase in salaries                       | 2.9%        | 2.6%        |
| Rate of increase for pensions in payment/inflation | 2.2%        | 2.3%        |
| Discount rate for scheme liabilities               | 1.7%        | 1.8%        |
| 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>2020</b> | <b>2019</b> |
|----------------------|-------------|-------------|
| Retiring today       |             |             |
| Males                | 21.2        | 22.3        |
| Females              | 23.6        | 24.5        |
| Retiring in 20 years |             |             |
| Males                | 21.9        | 23.9        |
| Females              | 25.0        | 26.5        |

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

for the year ended 31 August 2020

(continued)

**20 Pension and similar obligations - continued**

**Sensitivity Analysis**

|  | <b>2020</b> | <b>2019</b> |
|--|-------------|-------------|
|  | <b>£000</b> | <b>£000</b> |
| <b>Change in assumption</b>                |             |             |
| 0.5% decrease in Real Discount Rate        | 5,354       | 5,004       |
| 0.5% increase in the Salary Increase Rate  | 581         | 903         |
| 0.5% increase in the Pension Increase Rate | 4,673       | 3,987       |

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

|                                     | <b>2020</b>   | <b>2019</b>   |
|-------------------------------------|---------------|---------------|
|                                     | <b>£000</b>   | <b>£000</b>   |
| Equities                            | 13,774        | 11,641        |
| Bonds                               | 12,550        | 12,723        |
| Property                            | 3,061         | 2,166         |
| Cash                                | 1,224         | 541           |
| <b>Total Market Value of Assets</b> | <b>30,609</b> | <b>27,071</b> |

|  | <b>2020</b>    | <b>2019</b>    |
|--|----------------|----------------|
|  | <b>£000</b>    | <b>£000</b>    |
| Current service cost                       | (3,163)        | (2,096)        |
| Past service cost                          | -              | (123)          |
| Interest income                            | 547            | 660            |
| Interest cost                              | (825)          | (863)          |
| <b>Total amount recognised in the SOFA</b> | <b>(3,441)</b> | <b>(2,422)</b> |

| <b>Changes in the present value of defined benefit obligations were as follows:</b> | <b>2020</b>   | <b>2019</b>   |
|---|---------------|---------------|
|   | <b>£000</b>   | <b>£000</b>   |
| <b>At 1 September</b>   | <b>41,177</b> | <b>27,863</b> |
| Conversion of academy trusts  | 1,734         | -             |
| Transferred in on existing academies joining the trust                              | -             | 2,555         |
| Current service cost  | 3,163         | 2,096         |
| Interest cost   | 825           | 863           |
| Employee Contributions  | 414           | 353           |
| Actuarial (gain)/loss   | -             | -             |
| Benefits paid   | (472)         | (341)         |
| Losses or gains on curtailments   | -             | -             |
| Past service cost   | -             | 123           |
| Change in demographic assumptions   | (698)         | -             |
| Change in financial assumptions   | 982           | 7,665         |
| Other experience  | (1,902)       | -             |
| <b>At 31 August</b>   | <b>45,223</b> | <b>41,177</b> |



**THE CHALLENGE ACADEMY TRUST**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**for the year ended 31 August 2020**  
**(continued)**

**20 Pension and similar obligations - continued**

|  | <b>2020</b>   | <b>2019</b>   |
|--|---------------|---------------|
|  | <b>£000</b>   | <b>£000</b>   |
| <b>Changes in fair value of academy's share of scheme assets</b> |               |               |
| <b>At 1 September</b>  | 27,071        | 21,381        |
| Conversion of academy trusts                                     | 1,585         | -             |
| Transferred in on existing academies joining the trust           | -             | 1,956         |
| Interest income  | 547           | 660           |
| Actuarial gain/(loss)  | (83)          | 1,723         |
| Employer contributions   | 1,547         | 1,339         |
| Employee contributions   | 414           | 353           |
| Benefits paid  | (472)         | (341)         |
| Effect of non-routine settlements                                | -             | -             |
|  | <hr/>         | <hr/>         |
| <b>At 31 August</b>  | <b>30,609</b> | <b>27,071</b> |
|  | <hr/>         | <hr/>         |

**21 Reconciliation of Net Income/(Expenditure) to Net Cash Flow from Operating Activities**

|  | <b>2020</b>  | <b>2019</b>    |
|--|--------------|----------------|
|  | <b>£000</b>  | <b>£000</b>    |
| Net income/(expenditure) for the reporting period (as per the statement of financial activities) | 7,604        | 9,644          |
| Adjusted for:  |              |                |
| Depreciation   | 3,673        | 3,199          |
| Fixed assets transferred on entry to the Trust   | (9,842)      | (13,010)       |
| Capital grants from DfE and other capital income   | (2,830)      | (1,411)        |
| Interest receivable  | (6)          | (2)            |
| Defined benefit pension scheme cost less contributions payable                                   | 1,616        | 880            |
| Defined benefit pension scheme finance cost  | 278          | 203            |
| (Increase)/decrease in debtors   | 1,992        | (1,322)        |
| Increase/(decrease) in creditors   | 67           | 329            |
|  | <hr/>        | <hr/>          |
| <b>Net cash provided by / (used in) Operating Activities</b>                                     | <b>2,552</b> | <b>(1,490)</b> |
|  | <hr/>        | <hr/>          |

**22 Cash Flows from Financing Activities**

|                                     | <b>2020</b> | <b>2019</b> |
|-------------------------------------|-------------|-------------|
|                                     | <b>£000</b> | <b>£000</b> |
| Repayment of borrowing              | -           | -           |
| Repayment of ESFA Financial Advance | -           | (117)       |
|                                     | <hr/>       | <hr/>       |
|                                     | -           | (117)       |
|                                     | <hr/>       | <hr/>       |

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

**for the year ended 31 August 2020**

(continued)

**23 Cash flows from investing activities**

|  | <b>2020</b> | <b>2019</b> |
|--|-------------|-------------|
|  | <b>£000</b> | <b>£000</b> |
| Dividends, interest and rents from investments | 6           | 2           |
| Capital grants from DfE/ESFA                   | 3,875       | 1,856       |
| Payments for the purchase of fixed assets      | (3,006)     | (1,364)     |
|  | <u>875</u>  | <u>494</u>  |

**24 Analysis of cash and cash equivalents**

|                          | <b>2020</b>  | <b>2019</b>  |
|--------------------------|--------------|--------------|
|                          | <b>£000</b>  | <b>£000</b>  |
| Cash in hand and at bank | <u>6,757</u> | <u>3,330</u> |

**25 Contingent Liabilities**

The Trust had no contingent liabilities.

**26 Related party transactions**

Owing to the nature of the academy trust and the composition of the board of trustees being drawn from local public and private sector organisations, transactions may take place with organisations in which the 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</b> | <b>Outstanding at 31 August</b> |
|----------------------------|-------------------------------------|---------------------------------|
|                            | <b>£000</b>                         | <b>£000</b>                     |
| Education Delivery         | <u>1,290</u>                        | <u>Nil</u>                      |
| Purchase of Services       | <u>1,032</u>                        | <u>177</u>                      |

**THE CHALLENGE ACADEMY TRUST**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**for the year ended 31 August 2020**  
**(continued)**

**26 Related party transactions - continued**

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 EFSA funded 16-19 discretionary bursary. In the year, the academy disbursed £4,661 (2019 - £6,455) which was refunded by PETT after 31 August 2020. An outstanding balance of £2,876 (2019 - £2,285) is included in Other Debtors.

**27 Agency arrangements**

The Trust distributes the ESFA discretionary 16-19 bursary to students as an agent for the ESFA. The Trust disbursed £175,822 (2019 - £177,993) in the year and the amount overspent, £21,328 (2019 - overspent £16,303), was deducted from the balance carried forward in Other Creditors to be used next year.

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

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

On 1 December 2019, Broomfields Junior School and Meadowside Community Primary and Nursery School converted to academy status having been within the Local Authority and joined the Trust. The Trust entered into a lease of 125 years for the properties of both academies. For inclusion in these financial statements, a valuation of the properties was carried out and the properties have been included in Long Leasehold Land & Buildings at £4,665,000 and £5,160,000 respectively. The academies transferred from the local Authority with a surplus of £14,717 and £86,781 respectively, received in cash. The transfer of these assets is reflected in the Transfer from local authorities on conversion in the Statement of Financial Activities on Page 33.

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

There were no events after the end of the reporting period.

**THE CHALLENGE ACADEMY TRUST**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**for the year ended 31 August 2020**  
**(continued)**

**30 Teaching School Trading Account**

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

|   | <b>2020</b> |             | <b>2019</b> |             |
|---|-------------|-------------|-------------|-------------|
|   | <b>£000</b> | <b>£000</b> | <b>£000</b> | <b>£000</b> |
| <b>Income</b>                                     |             |             |             |             |
| Direct income                                     |             |             |             |             |
| Other grants                                      |             | 118         |             | 135         |
|   |             | <hr/>       |             | <hr/>       |
| <b>Total Income</b>                               |             | 118         |             | 135         |
| <b>Expenditure</b>                                |             |             |             |             |
| Direct Costs                                      |             |             |             |             |
| Direct staff costs                                | 57          |             | 85          |             |
| Other direct costs                                | 16          |             | 15          |             |
|   | <hr/>       |             | <hr/>       |             |
| <b>Total Direct Costs</b>                         |             | 73          |             | 100         |
| Other Costs                                       |             |             |             |             |
| Support staff costs                               | 37          |             | 32          |             |
| Premises costs                                    | 3           |             | 2           |             |
|   | <hr/>       |             | <hr/>       |             |
| <b>Total other costs</b>                          |             | 40          |             | 34          |
|   |             | <hr/>       |             | <hr/>       |
| <b>Total Expenditure</b>                          |             | 113         |             | 134         |
|   |             | <hr/>       |             | <hr/>       |
| <b>Surplus from all sources</b>                   |             | 5           |             | 1           |
| Teaching school balances at 1 September 2019      |             | 1           |             | -           |
|   |             | <hr/>       |             | <hr/>       |
| <b>Teaching school balances at 31 August 2020</b> |             | 6           |             | 1           |
|   |             | <hr/>       |             | <hr/>       |