



The Challenge Academy Trust

ANNUAL REPORT AND FINANCIAL STATEMENTS

For the period ended 31 August 2023



THE CHALLENGE ACADEMY TRUST
FINANCIAL STATEMENTS
Year ended 31 August 2023

INDEX

	Page number
Reference and Administrative Details	2
Trustees Report	3 – 22
Governance Statement	23 – 28
Statement of Regularity, Propriety and Compliance	29
Statement of Trustees' Responsibilities	30
Independent Auditors' Report on the Financial Statements to the Members of The Challenge Academy Trust	31 – 34
Independent Reporting Accountant's Assurance Report on Regularity to The Challenge Academy Trust and the Education and Skills Funding Agency	35 – 36
Statement of Financial Activities	37
Balance Sheet	38
Statement of Cash Flows	39
Notes to the Financial Statements	40- 70

THE CHALLENGE ACADEMY TRUST
REFERENCE AND ADMINISTRATIVE DETAILS

Members	Professor S Broomhead MBE C Penn (Chester Diocesan Board of Education Representative) M Mellor MBE D Mowat P Claus
Trustees	J Cartwright S Davis J Griffiths (Resigned 4 th November 2022) P McEwan J Monaghan (Resigned 14 th July 2023) L Muir A Moorcroft (CEO & Accounting Officer) H Platt DL (Chair) S Richardson (Resigned 14 th July 2023) S Titchard L Waterson S Whatmore S Yates
Central Executive Team	A Moorcroft, CEO, TCAT V Briggs, Director of Education, TCAT J Carlin, Principal - Penketh High School C Curtis, Headteacher – Meadowside Community Primary & Nursery School G Harris, Principal – Beamont Collegiate Academy A Grace, Headteacher - Penketh South Primary School J Gresty, Principal – Priestley College Z Jones, Headteacher – Appleton Thorn Primary School T Long, School Improvement Lead, TCAT A McMillan, Principal – Padgate Academy R Morris Brown, Headteacher – Broomfields Junior School K Powell, Principal – Bridgewater High School B Scott-Herron, Headteacher – Sir Thomas Boteler Church of England High School L Wilding – Headteacher – Great Sankey Primary School
Senior Managers	D McGuire ACA – Finance Director A Laing – Operations Director B Logan – Human Resources Manager
Company Name	The Challenge Academy Trust
Principal and Registered Office	Bridgewater High School, Broomfields Road, Appleton, Warrington, WA4 3AE
Company Registration Number	10689247 (England and Wales)
Independent Auditor	Murray Smith LLP Darland House, 44 Winnington Hill, Northwich, CW8 1AU
Bankers	Lloyds Bank plc Horsemarket Street, Warrington, WA1 1TP
Solicitors	Stone King, One Park Row, Leeds, LS1 5HN

THE CHALLENGE ACADEMY TRUST
TRUSTEES REPORT
Year ended 31 August 2023

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 2023. The annual report serves the purposes of both a trustees' report and a directors' report under company law.

The academy trust currently operates 4 primary, including 3 nurseries, 1 junior school, 5 secondary and 1 16-19 academies in Warrington. The trust currently has capacity for 8,974 students - 1,323 primary students, 5,251 secondary students and approximately 2,400 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 names which are: Appleton Thorn Primary School, 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. Appleton Thorn Primary School converted to academy status and joined the Trust on 1st April 2023.

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.

THE CHALLENGE ACADEMY TRUST
TRUSTEES REPORT (continued)
Year ended 31 August 2023

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 Committee and Remuneration Committee. Four committees exist to help the Trust Board with this oversight. At individual academy level, the Local Governing Boards, through the scheme of delegation, oversee budgetary control, learning standards, exclusions, human resources etc. Through the scheme of delegation, the Central Executive Team (CET), made up of the CEO, key central Trust staff and the Principals/Headteachers of the 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 central trust team meet with the committee regularly. The CEO/HR Lead 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 and is subject to national benchmarking. A remuneration committee has been established to oversee the pay recommendations for all members of the central trust team. 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.

THE CHALLENGE ACADEMY TRUST
TRUSTEES REPORT (continued)
Year ended 31 August 2023

academies. The hubs are listed below under the headings of Primary, Secondary & Post 16, Cross Phase and Operations.

PRIMARY	SECONDARY & POST 16	CROSS PHASE	OPERATIONS
Headteachers	Headteachers	EAL	Business
Deputy and Assistant Headteachers	Deputy Headteachers and Vice-Principals	Teaching & Learning Educational Research	Estates
Early Years	Pastoral and Welfare	Safeguarding	Finance
English	Curriculum, assessment and Outcomes	SEND	IT
Maths	EBACC subjects (6 hubs)	Personal Development	HR
Science	Music	Attendance and Behaviour	
Foundation	Sports		
	Computer Science		
	Careers & Aspiration		

The Trust also 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 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 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 Trust's 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 2023

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

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
- Sustainability & well-being
- Celebrating difference

THE CHALLENGE ACADEMY TRUST
TRUSTEES REPORT (continued)
Year ended 31 August 2023

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 (Multi Academy Trusts) 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.

People	Pupils	Performance
Growth of the organisation	Curriculum implementation	Academy standards
Professional development	Curriculum impact	VFM, financial stability, procurement & growth
Governance	Inclusivity	Sustainability of estates, facilities & resources
HR: Workforce Strategy	Disadvantaged & vulnerable	Efficiency & effectiveness of systems and processes
Safeguarding	Transition	Technology & communications

Significant Developments in 2022/2023

- All academies within the Trust are now rated Good or Outstanding by Ofsted.
- In September 2022, Penketh South Community Primary & Nursery School had a Section 8 inspection and was judged to still be providing a 'good' educational offer.
- In November 2022, Bridgewater High School had a Section 5 inspection and judged to be providing a 'good' educational offer.
- In April 2023, Meadowside Community Primary & Nursery School had a Section 8 inspection and was judged to still be providing a 'good' educational offer.
- In May 2023, Padgate Academy had its first Ofsted inspection since joining the Trust. The Section 5 inspection judged the academy to be providing a 'good' educational offer, having prior to joining the Trust been judged as 'requires improvement'.
- On 1st September 2022, new Headteachers started at Bridgewater High School, Great Sankey Primary School and Padgate Academy. On 1st April 2023, a new Headteacher

THE CHALLENGE ACADEMY TRUST
TRUSTEES REPORT (continued)
Year ended 31 August 2023

Significant Developments in 2022/2023- continued

started at Meadowside Community Primary & Nursery School. Three of the four academies were inspected by Ofsted in the year, all being confirmed as providing a 'good' educational offer.

- On 1st April 2023, Appleton Thorn Primary School joined the Trust.
- Throughout the year, the Trust has been working with three schools with the possibility of joining the Trust. Two of the schools submitted applications to join the Trust towards the end of the financial year. They were approved by the Regional Advisory Board in November and will join the Trust in Spring 2024. The other school is currently in the consultation stage.
- The £5m expansion of Bridgewater High School was successfully completed and commissioned in November 2022 within budget and agreed timescales.
- In September 2022, the Trust started the first year of a training programme for its Deputy Headteachers and Vice-Principals with a view to developing for Headships.
- Due to potential growth, the Trust developed a growth strategy plan and identified a number of roles that were required. The first appointment was additional HR support to enhance the Trust's workload and well-being strategy. Two other roles were recruited after the end of the financial year to help serve the academies in compliance, governance and stakeholder engagement.
- The Trust was successful in a bid in the third round of the Public Sector Decarbonisation Scheme. The bid allows five academies to improve their energy efficiency and reduce their carbon footprint by installing ground source heat pumps, improving roofing, replacing windows and doors and insulation. The grant awarded was for £5.8m with the Trust adding £1.6m from its School Condition Allocation Grant in order to complete these extensive works. The project should be completed by March 2024.
- The Trust's School to School Support work increased with more assignments from the Department for Education and also a request from another Multi Academy Trust and Local Authority to provide support.
- The Department for Education approved the application for Penketh High School to be part of the Schools Rebuilding Programme. The Trust and academy are working with the Department over the design with a view to the academy moving into the new building in September 2026.
- A number of academies have faced exceptional growth during the year, more than 10%, and the Trust has worked with the Local Authority in opening places where necessary. This growth has placed pressures on the academies' finances as funding for the students is lagged.

THE CHALLENGE ACADEMY TRUST
TRUSTEES REPORT (continued)
Year ended 31 August 2023

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 the Trust's strategic objectives and planning our activities, the trustees have carefully considered the Charity Commission's general guidance on public benefit.

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

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

STRATEGIC REPORT

Achievements and Performance

This is the seventh year of reporting on results. This year was the first year following the disruption to learning and assessment for our young people.

A) Primary outcomes

The TCAT primary academies performed broadly in line with or above the national outcomes. Pupils were teacher assessed in writing. Judgements in writing were subject to internal as well as TCAT wide moderation. In addition, the Local Authority moderated Penketh South Primary School and Meadowside Primary School. Assessments moderated were verified and accurately matched.

Early Years and Phonics continued to improve on the previous year as well as a return to greater depth performances for the majority of our Primary academies for end of KS2.

2023	KS2 Reading Attainment	KS2 Reading Progress	KS2 Writing Attainment	KS2 Writing Progress	KS2 Maths Attainment	KS2 Maths Progress	Phonics Attainment
Appleton Thorn Primary	Above national	Above national	Above national	Above national	Above national	Below national	Above national
Broomfields Junior	Above national	Below national	Above national	Above national	Above national	Above national	N/A
Great Sankey Primary	Above national	Above national	Above national	Above national	Above national	Above national	Above national
Meadowside Primary	Below national	Above national	Below national	In line with national	Below national	Above national	Below national
Penketh South Primary	Above national	In line with national	Above national	Below national	Above national	Above national	In line with national

THE CHALLENGE ACADEMY TRUST
TRUSTEES REPORT (continued)
Year ended 31 August 2023

Achievements and Performance – continued

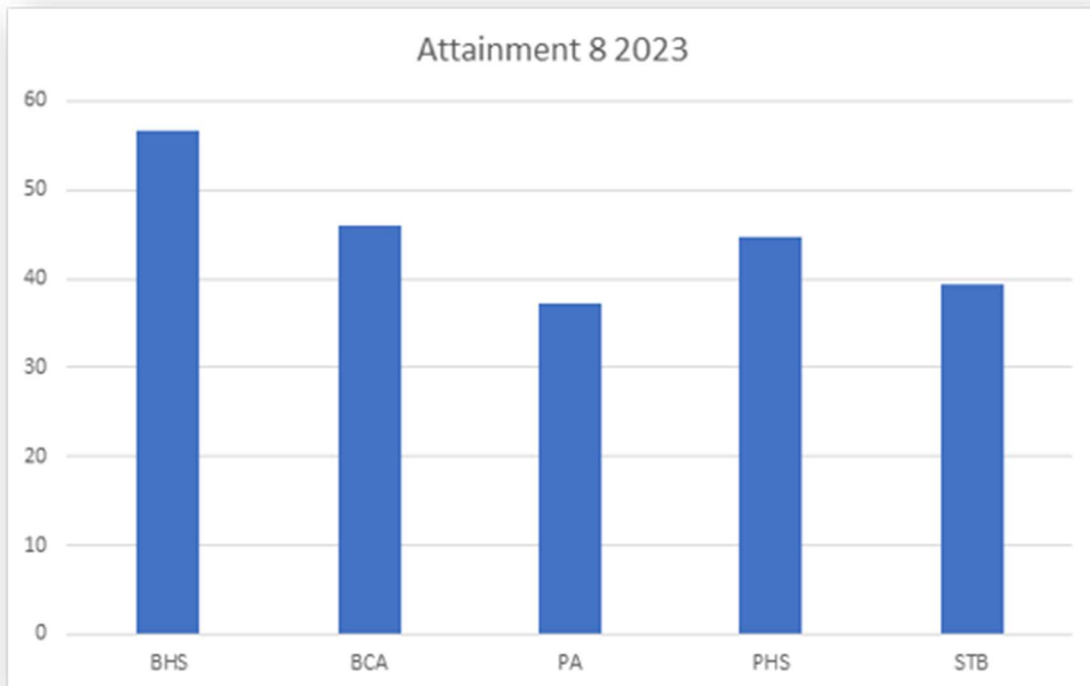
Progress at Key Stage Two was as follows:

	Reading	Writing	Maths
Appleton Thorn Primary	0.6	0.9	-1.1
Broomfields Junior School	-0.9	0.63	0.66
Great Sankey Primary School	1.3	1.7	2.5
Meadowside Primary School	1.2	0	2.5
Penketh South Primary School	0	-3.2	0.1

B) Secondary outcomes

The main value-added performance indicator for secondary schools is Progress 8 or P8. This score shows how much progress pupils at a school made between the end of key stage 2 and the end of key stage 4, compared to pupils across England who got comparable results at the end of key stage 2. This is based on results in up to 8 qualifications, which include English, maths, 3 English Baccalaureate including sciences, computer science, history, geography and languages, and 3 other additional approved qualifications opens.

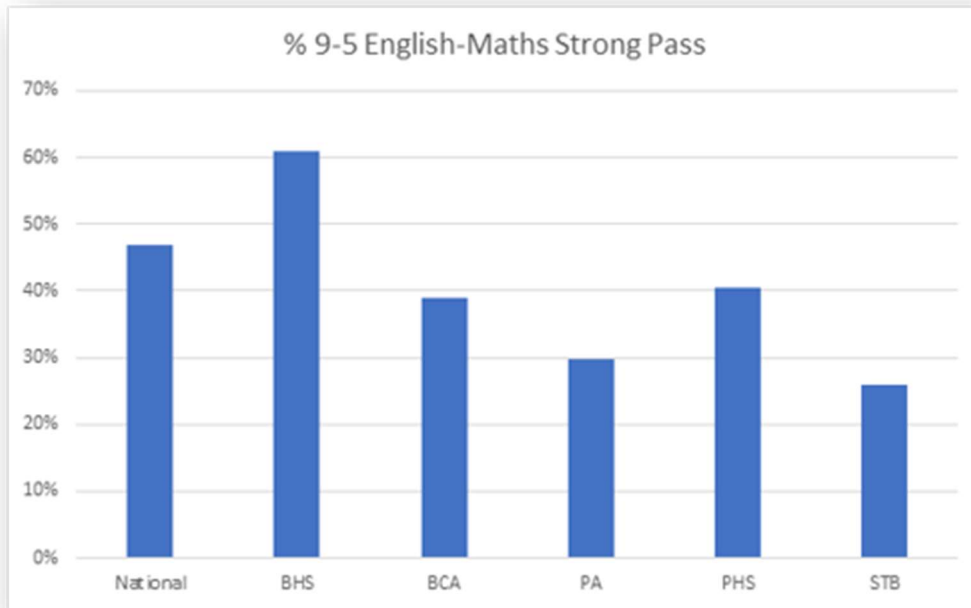
The attainment outcomes for each academy is as follows:



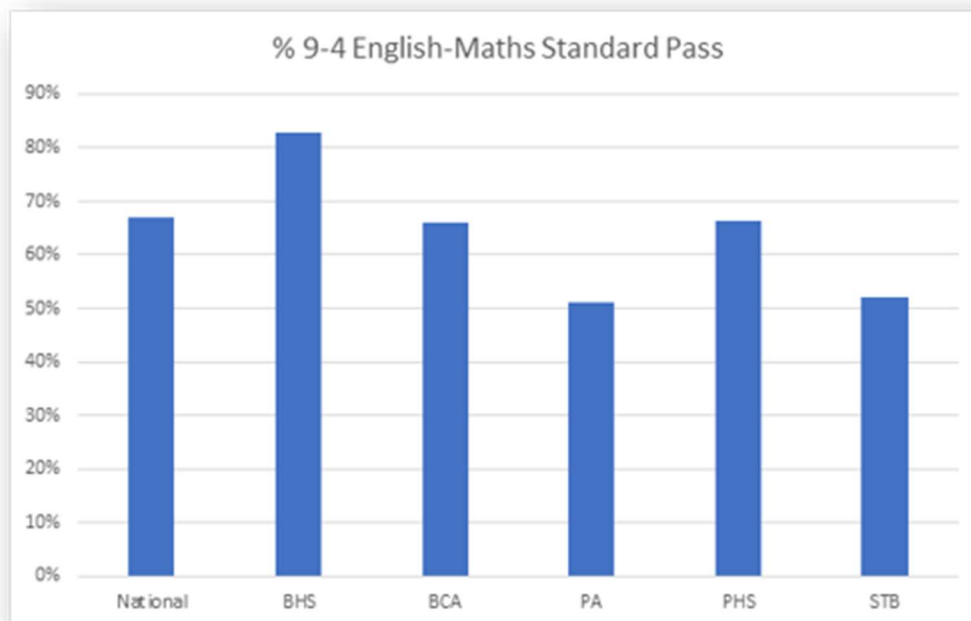
**THE CHALLENGE ACADEMY TRUST
TRUSTEES REPORT (continued)
Year ended 31 August 2023**

Achievements and Performance – continued

Attainment in the basics – English and Maths grade 5 and above:



Attainment in the basics – English and Maths grade 4 and above:



THE CHALLENGE ACADEMY TRUST
TRUSTEES REPORT (continued)
Year ended 31 August 2023

Achievements and Performance – continued

The Progress 8 data for each academy is as follows:

	Number On Roll	P8	P8 Eng	P8 Ma	P8 Ebacc	P8 Open Bucket	P8 Dis	Banding
Beamont Collegiate Academy (BCA)	898	0.21	0.05	0.01	0.23	0.44	0.09	Average
Bridgewater High School (BHS)	1609	0.4	0.68	0.1	0.29	0.49	-0.7	Above average
Padgate Academy (PA)	577	-0.23	-0.16	-0.23	-0.4	-0.13	-0.29	Average
Penketh High School (PHS)	895	-0.42	-0.5	-0.24	-0.52	-0.44	-0.88	Below average
Sir Thomas Boteler High School (STB)	797	-0.29	-0.18	-0.45	-0.48	-0.1	-0.65	Below average

C) Post 16 outcomes

The headline results for Priestley College were:

Overall Summary of results – Level 3			
	Year 2	2019	2023
	A level A-E	99.4%	98.3%
	A level A*-B	43.9%	43%
	L3 Extended Diplomas	100%	100%
	L3 Diploma	100%	100%
	L3 Certificate	96.6%	99.5%
	UAL	N/A	100%
	Year 1		
	Level 3 'Other AS Grades'	97.1%	97%
	HG in 'Other AS Grades'	29.4%	48%
	AS level A-E	86.5%	83.4%
	AS level A-B	30%	30.1%

THE CHALLENGE ACADEMY TRUST
TRUSTEES REPORT (continued)
Year ended 31 August 2023

Achievements and Performance – continued

Year 2 - A level pathway		Vocational pathway		Mixed pathway	
Number of entries / students	977 (303)	Number of entries / students	518 (323)	Number of entries	905 312
98% A-E Pass rate 48% A*-B High Grades		100% A-E Pass rate 74.6% High Grades on Extended Dip 65.2% High Grades on UAL		98.4% A-E Pass rate 48.7% A*-B High Grades overall (Extended Certs/Diplomas)	

TCAT

This is the first 'round' of T-level results and the college is pleased with the successful completion of them. These outcomes are comparable to national outcomes.

Year 2 - T level pathway				
	College High Grades	National High Grades	College Pass Rate	National Pass Rate
Education and Childcare (5)	100%	34.5%	100%	95%
Health (10)	90%	25.8%	100%	96%

Foundation and GCSE results were:

Foundation and GCSE results		
L2 Certificate/Diploma	2019	2023
Number of entries	88	135
% pass rate	94%	97%
% high grades	26%	18.5%
GCSE	2019	2023
Number of entries	452	258
% 9-4 Maths	40.6%	62.4%
% 9-4 English	53.7%	45.7%
% 9-4 Science	N/A	71.4%

THE CHALLENGE ACADEMY TRUST
TRUSTEES REPORT (continued)
Year ended 31 August 2023

Key Performance Indicators

The Trust has two scorecards covering the distinct focus areas of Educational and Business Performance. The Educational scorecard is focussed upon the areas of progress, teaching and learning, behaviour, welfare, safeguarding and attendance. The Business scorecard covers compliance, governance, finance, HR, health & safety, facilities management and IT.

Each academy has two reviews per annum for both scorecards involving the Principal/Headteacher and the Chair of the Local Governing Body of the academy. The scorecard also identifies key strengths and areas for improvement and an agreed set of action points arise from the review. The scorecards are shared with Trustees and Local Governing Bodies via Governor Hub.

The reviews are also an opportunity for the Trust and academy to explore ways that the Trust can help the academy e.g. academic support, capital projects etc.

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 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. With all of the uncertainty and additional costs as a result of the pandemic, the Trust worked hard to ensure that it did not impact on the delivery of education to all of our students whilst trying to not allow expenditure to increase. The Trust created support across all of the academies to allow them to focus on the education of their students.

THE CHALLENGE ACADEMY TRUST
TRUSTEES REPORT (continued)
Year ended 31 August 2023

FINANCIAL REVIEW - continued

The Trust's overall performance resulted in an operational deficit of £178,000 (2022 – Surplus £751,000) after excluding FRS102 adjustments and depreciation.

The deficit arose due to the Trust allowing a number of academies to use some of their reserves to undertake much needed investment in their facilities in terms of IT, replacement of furniture and also to cope with the growth in student numbers. The amount of expenditure was £371,000. Therefore, the actual operational outturn would have been a surplus of £193,000. The performance during the year was impacted by two factors – in-year student growth and a clawback of a funding stream from a prior year. The in-year growth, although pleasing, presents challenges due to the lagged funding methodology. Subject to when a student is admitted in the year, it can be up to two academic years before the funding arrives for that student. Some of our academies have had to plan for this growth as it was agreed with the local authority. It can mean the appointment of additional staff and additional resources. Two of our secondary academies have been opening another whole class in some year groups. The second impact was the clawback of Capacity and Delivery Funding at Priestley College. The college appealed against the clawback due to the problems of finding work placements, especially now as so many organisations have switched to working from home. The opportunities to find suitable work placements has reduced as a result. Had these events not occurred, the Trust would have exceeded its forecast for the year. Overall the Trust is pleased with its financial performance and above all allowing the academies to invest in their future provision.

The Trust recognises that the academies face challenges this year with increasing costs and salaries. Although there are increases in funding, it should be noted that the full cost of those increases is not funded. However, due to the growth in student numbers and the lagged funding starting to arise in the 2023/24 financial year, the Trust is hopeful that the challenge of achieving a break-even position has slightly reduced. The academies will still face challenges as the increases in costs are still being felt. The Trust also has to prepare for some changes in demographics at two schools which will require addressing in order to maintain a balanced budget in those academies. 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 to reduce costs. The Trust continues to seek opportunities to drive through cost savings.

Capital Investment

Due to the size of the Trust, it receives School Condition Allocation Funding (SCA) for condition/capital works. At the start of the financial year, the Trust had set aside £1.6m of SCA to contribute to any work required for Penketh High School if the Department for Education Capital Section decided to not fund a complete new build. Their decision was not made until late in the financial year which has meant that the amount of SCA funding included in deferred income is much higher than would normally be the case at £3,779,000. As Penketh High School has now been confirmed as being funded for a complete new build, the amount allocated has been transferred to the Public Sector Decarbonisation Scheme (PSDS) project. The Trust has also initiated a number of other projects which will be completed over the next financial year and will utilise the amount deferred at 31st August 2023.

THE CHALLENGE ACADEMY TRUST
TRUSTEES REPORT (continued)
Year ended 31 August 2023

Capital Investment - continued

The Trust's Estates Management Strategy uses the Health & Safety Report and the ten-year School Condition survey report to prioritise 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 has adopted the UN's 17 goals for sustainability. This sustainability policy is also informing the projects funded by the SCA with a focus on energy efficiency projects. The successful bid under round 3 of the PSDS, focusses on energy efficiency by replacing the existing gas boilers with ground source heat pumps in five academies. In addition, the grant also covers replacement of windows and doors, improvements to roofing and insulation. The grant awarded is for £5.8m with a further contribution from the Trust of £1.6m to bring the value of the project to £7.4m. The project started before the end of the financial year and will be completed in Spring 2024.

In addition to the SCA funding, the Trust has been working on a project to pool together all of the Devolved Formula Capital for energy efficiency projects. An extensive review of LED lighting has been completed and a project for all academies is now at the tender stage. The Trust will add SCA funding in order to maximise the project. During the year, the Trust undertook some LED installation before the announcement of the energy efficiency DFC funding which was financed by two Salix Loans.

In November 2022, the Trust completed the extension to Bridgewater High School which was funded by s103 funding. The costs had been shown in Tangible Fixed Assets as Assets under Construction at the beginning of the year. They have now been transferred to Long Leasehold Land and Buildings.

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 2023, the Trust had Unrestricted Reserves of £4,070,000 (2022 - £3,102,000), Restricted General Reserves deficit of £149,000 (2022 - surplus £997,000), Restricted Pension Reserve of £Nil (2022 - £1,398,000) and a Fixed Asset Reserve of £107,965,000 (2022 - £106,110,000). All academies within the Trust operated at a cash surplus budget within the year apart from Penketh High School and the Central Trust. The Trust continues to work to bring all academies to long term financial health.

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 CHALLENGE ACADEMY TRUST
TRUSTEES REPORT (continued)
Year ended 31 August 2023

Investment Policy - continued

The Trust implemented an investment policy and has identified a number of investment strategies. At 31st August 2023, the Trust had deposited £2,025,000 in fixed term or term notice accounts across 26 different banks to take advantage of the Financial Services Compensation Scheme. The accounts were primarily 12-month fixed term deposits which is why these are shown as investments and not cash. After the end of the financial year, the Trust engaged Rathbones Wealth Management to act as advisers in relation to other investments. The Trust has now invested £4,000,000 via Rathbones in government bonds.

The Trust also recognises the need to invest in the infrastructure of the Trust in terms of buildings and IT. In this financial year, £371,000 was invested from reserves for the purchase of IT and other equipment in the academies to support their educational aims. The Trust is exploring other investment opportunities to further enhance the educational offer for its students.

The Trust has, through its investment policy, recognised that, due to it using public funds, it must invest in low risk opportunities and take into consideration the advice of a professional investment specialist like Rathbones.

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 Issues	High
Growth	Medium
Business Continuity	Medium
Safeguarding	Medium
Quality and Standards	Low
Finance	Medium
Resources	Medium
Governance	Low
Local Academy Risks	Medium

For all risks identified, the risk management plan 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 plan is reviewed at every audit committee ensuring that the plan is a live document at the heart of operations.

FUNDRAISING

The Trust currently does not employ, or have a contract for services with, a professional fundraiser. The Trust has recently had discussions with a Bid Writer about the possibility of preparing bids. 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. The Headteacher is represented at the Association and any fundraising

THE CHALLENGE ACADEMY TRUST
TRUSTEES REPORT (continued)
Year ended 31 August 2023

FUNDRAISING – continued

activities are scrutinised and restricted where necessary. Any promotion of activities is restricted to the parents and families of students at the academies. All Association fundraising monies are held in a separate account outside the control of the Trust. The Association then approve funds and transfers the funds to the academies.

STREAMLINED ENERGY AND CARBON REPORTING

UK Greenhouse gas emissions and energy use data for the period	1 Sept 2022 to 31 Aug 2023	1 Sept 2021 to 31 Aug 2022
Energy consumption used to calculate emissions (kWh)	9,112,124	9,586,395
Energy consumption break down (kWh)		
Gas	5,382,633	6,227,483
Electricity	3,691,080	3,318,011
Transport fuel	38,411	40,901
<u>Scope 1 emissions in metric tonnes CO2e</u>		
Gas consumption	982.65	1,136.76
Owned transport – mini-buses	10.88	11.05
<u>Total scope 1</u>	993.53	1,147.81
<u>Scope 2 emissions in metric tonnes CO2e</u>		
Purchased electricity	764.33	641.64
<u>Scope 3 emissions in metric tonnes CO2e</u>		
<u>Business travel in employee owned vehicles</u>	4.20	4.39
Total gross emissions in metric tonnes CO2e	1,762.06	1,793.84
<u>Intensity ratio</u>		
Tonnes CO2e per pupil	0.21	0.22

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 2021 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 and now has a Sustainability Policy which influences projects financed by the SCA funding.

The Trust application to Round 3 of the Public Sector Decarbonisation Scheme was successful. The Trust has been awarded £5.8m towards the installation of ground source heat pumps to replace existing boilers along with funding for improvements to the buildings across five academies covering roofing, windows, doors and insulation to improve energy

THE CHALLENGE ACADEMY TRUST
TRUSTEES REPORT (continued)
Year ended 31 August 2023

Measures taken to improve energy efficiency - continued

efficiency and reduce carbon usage. The Trust is adding £1.6m to the project which will be completed in Spring 2024. In addition, a review of all properties across the Trust has taken place and a tender is being released to install LED lighting across all of the estate. This will complete the move to LED lighting for all buildings. The Trust has recently replaced many of its ageing minibuses for greener vehicles and will explore electric vehicles when the existing vehicles are due for replacement.

As part of its staff benefits scheme, the Trust launched a Green Car Salary Sacrifice Scheme on 1st December 2023. This will enable staff to switch to electric or hybrid cars. The Trust has begun installing electric vehicle charging points at its academies. In addition, it has also negotiated a staff discount for annual bus passes with the local bus company and also looking at support for rail season tickets.

PLANS FOR FUTURE PERIODS

The Trust will continue to drive up standards and school improvement through collaboration. Plans for 2023/24 include:

1. Seeking further opportunities for growth with schools that share our ethos and vision and build on the Trust partnership arrangement offered via the Department for Education
2. Successfully include Dallam Primary School and The Sutton Academy which have been approved to convert to academy status/transfer from a multi-academy trust and join the Trust
3. Continue to work on the financial recovery of Sir Thomas Boteler Church of England High School and Penketh High School.
4. Continuing to invest the School Condition funds to address immediate health and safety and condition issues as identified in our comprehensive health and safety and school condition reports.
5. Further development of the work with the joint agreement with partners such as Oxford University, Warrington Wolves, local business, universities and Warrington & Co to support the needs of the young people in the town and to serve the wider community.
6. Develop a recruitment platform, available to our academies, which promotes the benefits of working in the education sector and within the Trust
7. Work with the Department for Education in regard to the delivery of a new building at Penketh High School
8. Work with Warrington Borough Council to fully understand the number of pupil places required for the forthcoming years and be able to help fulfil that need

THE CHALLENGE ACADEMY TRUST
TRUSTEES REPORT (continued)
Year ended 31 August 2023

PLANS FOR FUTURE PERIODS – continued

9. Deliver training and the suite of National Professional qualifications as Area Lead for the Generate Teaching School Hub.
10. Provide support and training to a range of schools external to the Trust on behalf of the Department for Education through the Trust & School Improvement offer.
11. Seek to grow the School Improvement offer with support to other schools who have approached the Trust directly
12. Implement our Sustainability Strategy and continue to develop projects to improve sustainability and energy efficiency
13. Ensure through planning sufficient capacity to cope with growth in the Trust and ensure that succession planning is also embedded within that planning
14. Develop and grow the Initial Teacher Training offer with our SCITT, Bright Futures
15. To explore investment opportunities that add value to the educational offer
16. To further enhance the staff workload, well-being and benefits offer

POST BALANCE SHEET EVENTS

In November 2023, Priestley College was subject to a Section 5 inspection visit by Ofsted and it was judged to be providing a 'good' educational offer.

In November 2023, the Advisory Board to the Regional Department for Education Directors approved the conversion of Dallam Primary School and the transfer in of The Sutton Academy. They will be joining the Trust subject to appropriate due diligence and approval of the Secretary of State for Education.

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 2023 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.

THE CHALLENGE ACADEMY TRUST
TRUSTEES REPORT (continued)
Year ended 31 August 2023

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.

The Trustees' report, incorporating a strategic report, was approved by order of the board of trustees, as the company directors, on 14 December 2023 and signed on the board's behalf by:

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H Platt
Trustee

14 December 2023

THE CHALLENGE ACADEMY TRUST
GOVERNANCE STATEMENT
Year ended 31 August 2023

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 4 times during the period. Attendance during the period at meetings of the board of trustees was as follows:

Trustees	Meetings Attended	Out of a possible
H Platt (Chair)	3	4
J Cartwright	3	4
S Davis	2	4
J Griffiths	-	1
P McEwan	3	4
A Moorcroft (CEO and Accounting Officer)	4	4
J Monaghan	-	4
L Muir	1	4
S Richardson	3	4
S Titchard	3	4
L Waterson	3	4
S Whatmore	4	4
S Yates	3	4

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 CHALLENGE ACADEMY TRUST
GOVERNANCE STATEMENT (continued)
Year ended 31 August 2023

Governance - continued

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 committee met five times since 1 September 2022. The attendance and membership of the committee was:

	Meetings Attended	Out of a possible
Trustee Members		
H Platt (Chair of Trust)	5	5
A Moorcroft (CEO and Accounting Officer)	4	5
J Monaghan	-	2
S Titchard (Chair of Committee)	5	5
L Waterson	3	5
S Whatmore	4	5
Co-opted Members		
A Pailing	1	5
G Bratley	3	5

J Monaghan stepped down from the committee during the year but continued to serve as a Trustee.

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 CHALLENGE ACADEMY TRUST
GOVERNANCE STATEMENT (continued)

Year ended 31 August 2023

Governance - continued

The committee has met three times since 1 September 2022. The attendance and membership of the committee was:

	Meetings Attended	Out of a possible
Trustee Members		
H Platt (Chair of Trust)	3	3
J Cartwright – joined committee 30 June 2022	3	3
A Moorcroft (CEO and Accounting Officer)	3	3
L Waterson (Chair of Committee)	2	3
S Whatmore	3	3
Co-opted Members		
P Dyke	1	3

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 2022. The attendance and membership of the committee was:

	Meetings Attended	Out of a possible
Trustee Members		
H Platt (Chair of Trust)	2	3
J Griffiths	-	1
L Muir	2	3
S Richardson	1	3
S Yates (Chair of Committee)	3	3
Co-opted Members		
C Roper	1	3
C Williams	2	3

The Remuneration Committee meets once in the year. There was full attendance at the meeting.

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, as well as estates safety and management, achieved in return for the taxpayer resources received.

THE CHALLENGE ACADEMY TRUST
GOVERNANCE STATEMENT (continued)
Year ended 31 August 2023

Review of Value for Money - continued

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:

- Continued review of services provided by the Local Authority across the Trust, services are being tendered towards the end date of contracts and negotiated for better value agreements.
- Negotiation of Trust wide discounts or passing of common supplier information through the Trust to improve buying returns.
- The Trust made the decision to bring the catering in the primary academies in house. This was to improve the service and quality of food provided to the children. The in-house catering service started in June 2022 and has proved successful in improving quality. In the long term, it is expected that the in-house model will also be cheaper. Currently, it is operating at a break-even position which, baring in mind the rising cost of food, is a satisfactory outcome.
- The Trust ran a number of tender opportunities in 2022/23 e.g. computer equipment, external auditor services and building work totalling over £1,000,000 of expenditure. The tendering exercise improved service and also produced competitive pricing.
- At the beginning of 2022/23, the Trust, using the Crown Commercial Services framework for MFDs (photocopiers) ran a tender exercise which brought nine of the eleven academies onto the same contract and reducing costs. The exercise also improved the capability for staff allowing them to be able to use a device at any of those academies.
- During 2022/23, the Trust continued to look at merging services across the Trust and tendering those services to generate further savings and improvements in service. With the recruitment of Heads of Estates and IT, the central operational team has more capacity to look at procurement. There is now a central operational team meeting dedicated to procurement. The areas of focus have been divided amongst the members of the team and they can focus on the realignment of contracts across the academies and negotiation of group wide deals.

The Purpose of the System of Internal Control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives. It can, therefore, only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an on-going process designed to identify and prioritise the risks to the achievement of academy trust policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in The Challenge Academy Trust for the year from 1 September 2022 to 31 August 2023 and up to the date of approval of the annual report and financial statements.

THE CHALLENGE ACADEMY TRUST
GOVERNANCE STATEMENT (continued)
Year ended 31 August 2023

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 2022 to 31 August 2023 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 fourth year and have submitted reports to the Audit Committee on:

- Estates Management
- Cyber Security
- Catering
- Follow Up Review of Recommendations

A programme of work has been agreed for 2023/24 by the Audit Committee. The Audit Committee has the authority to change the work during the year if there is an area requiring specific focus. Of the three main reports for the year, one had a 'strong' rating with two having a 'substantial' rating in terms of internal control. The Follow Up Review resulted in a 'strong' rating.

THE CHALLENGE ACADEMY TRUST
GOVERNANCE STATEMENT (continued)
Year ended 31 August 2023

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 14 December 2023 and signed on its behalf by:

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Howard Platt
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H Platt
Trustee

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A Moorcroft
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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, including for estates safety and management, under the funding agreement 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 Academy Trust Handbook 2022, including responsibilities for estates safety and management.

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 Academy Trust Handbook 2022.

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.

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A Moorcroft
Accounting Officer
14 December 2023

THE CHALLENGE ACADEMY TRUST
STATEMENT OF TRUSTEES' RESPONSIBILITIES
Year ended 31 August 2023

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 2019 and the Academies Accounts Direction 2022 to 2023
- 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 14 December 2023 and signed on its behalf by:

DocuSigned by:

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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 2023, 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 2022 to 2023 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 2023 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 2019 and Academies Accounts Direction 2022 to 2023.

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

In auditing the financial statements, we have concluded that the Governing Body's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may

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

Conclusions relating to going concern - continued

cast doubt on the Trust's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue. Our responsibilities and the responsibilities of the Governing Body with respect to going concern are described in the relevant sections of this report.

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

Matters on which we are required to report by exception

In the light of 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.

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

Responsibilities of trustees

As explained more fully in the Statement of Trustees Responsibilities set out on page 30, 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.

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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

The audit procedures designed to identify irregularities included:

- enquiry of management and those charged with governance around actual and potential litigation and claims
- enquiry of Trust staff with responsibilities for compliance matters to identify any instances of non-compliance with laws and regulations
- reviewing financial statement disclosures and testing to supporting documentation to assess compliance with applicable laws and regulations
- auditing the risk of management override of controls, including through testing journal entries and other adjustments for appropriateness, and evaluating the business rationale of significant transactions outside the normal course of business.

There are inherent limitations in the audit procedures described above and, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it. Also, the risk of not detecting a material misstatement due to fraud is

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

Our responsibilities for the audit of the financial statements - continued

higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, intentional misrepresentations or through collusion.

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

Use of our report

This report is made solely to the 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 Members, as a body, 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 Members, as a body, for our audit work, for this report, or for the opinions we have formed.

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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

14 December 2023

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 2022 to 2023, 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 2022 to 31 August 2023 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 Academy Trust Handbook, extant from 1 September 2022, 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 2022 to 2023. 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 2022 to 31 August 2023 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 Framework and Guide for External Auditors and Reporting Accountant of Academy Trusts 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.

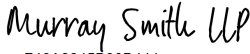
Independent Reporting Accountant's Assurance Report on Regularity To The Challenge Academy Trust and the Education and Skills Funding Agency

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

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 2022 to 31 August 2023 has not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.

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Murray Smith LLP

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

14 December 2023

THE CHALLENGE ACADEMY TRUST
STATEMENT OF FINANCIAL ACTIVITIES
for the year ended 31 August 2023

	Note	Unrestricted Funds £000	Restricted General Funds £000	Restricted Fixed Asset Fund £000	Total 2023 £000	Total 2022 £000
Income and endowments from:						
Donations and capital grants	2	-	103	3,277	3,380	5,424
Transfer from local authority on conversion	31	-	49	2,539	2,588	-
Transfer from other academies		-	-	-	-	-
Charitable activities:						
Funding for the academy trust's educational operations	3	-	52,260	-	52,260	47,328
Other trading activities	4	1,952	865	-	2,817	1,888
Investments	5	1	-	-	1	1
Total		<u>1,953</u>	<u>53,277</u>	<u>5,816</u>	<u>61,046</u>	<u>54,641</u>
Expenditure on:						
Raising funds	6	985	-	-	985	575
Charitable activities:						
Academy trust educational operations	7	-	55,083	3,854	58,937	55,441
Other		-	-	-	-	-
Total		<u>985</u>	<u>55,083</u>	<u>3,854</u>	<u>59,922</u>	<u>56,016</u>
Net income/(expenditure)		968	(1,806)	1,962	1,124	(1,375)
Transfers between funds	18	-	107	(107)	-	-
Other recognised gains/(losses)						
Pension deficits transferred	31	-	(159)	-	(159)	-
Actuarial gains/(losses) on defined benefit pension schemes	22	-	2,110	-	2,110	23,112
Net movement in funds		<u>968</u>	<u>252</u>	<u>1,855</u>	<u>3,075</u>	<u>21,737</u>
Reconciliation of funds						
Total funds brought forward		3,102	(401)	106,110	108,811	87,074
Total funds carried forward	18	<u><u>4,070</u></u>	<u><u>(149)</u></u>	<u><u>107,965</u></u>	<u><u>111,886</u></u>	<u><u>108,811</u></u>

Company Number: **10689247****THE CHALLENGE ACADEMY TRUST****BALANCE SHEET****As at 31 August 2023**

	Note	2023 £000	2022 £000
Fixed assets			
Tangible assets	12	107,965	106,110
Current assets			
Stock	13	1	5
Investments	14	2,025	-
Debtors	15	3,137	3,040
Cash at bank and in hand		9,053	9,838
		14,216	12,883
Creditors: amounts falling due within one year	16	(10,083)	(8,596)
Net current assets		4,133	4,287
Total assets less current liabilities		112,098	110,397
Creditors: amounts falling due after more than one year	17	(212)	(188)
Net assets excluding pension liability		111,886	110,209
Defined benefit pension scheme liability	22	-	(1,398)
TOTAL NET ASSETS		111,886	108,811
Funds of the academy trust:			
Restricted funds			
Fixed asset fund	18	107,965	106,110
Restricted income fund	18	(149)	997
Pension reserve	18	-	(1,398)
Total restricted funds		107,816	105,709
Unrestricted income funds	18	4,070	3,102
TOTAL FUNDS		111,886	108,811

The financial statements on pages 37-70 were approved by the trustees and authorised for issue on 14 December 2023 and are signed on their behalf by:

DocuSigned by:

Howard Platt

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H Platt
Trustee

THE CHALLENGE ACADEMY TRUST
STATEMENT OF CASH FLOWS
for the year ended 31 August 2023

	Note	2023	2022
		£000	£000
Cash flows from operating activities			
Net cash provided by operating activities	23	517	666
Cash flows from investing activities	25	(1,327)	718
Cash flows from financing activities	24	25	167
		<hr/>	<hr/>
Change in cash and cash equivalents in the reporting period		(785)	1,551
		<hr/>	<hr/>
Cash and cash equivalents at 1 September		9,838	8,287
		<hr/>	<hr/>
Cash and cash equivalents at 31 August	26/27	9,053	9,838
		<hr/> <hr/>	<hr/> <hr/>

THE CHALLENGE ACADEMY TRUST
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 August 2023

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 2022 to 2023 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

THE CHALLENGE ACADEMY TRUST
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 August 2023
(continued)

Grants - continued

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.

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

THE CHALLENGE ACADEMY TRUST
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 August 2023
(continued)

Transfer on conversion - continued

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.

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.

THE CHALLENGE ACADEMY TRUST
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 August 2023
(continued)

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.

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 for 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,

THE CHALLENGE ACADEMY TRUST
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 August 2023
(continued)

Liabilities - continued

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.

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 15. 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 16 and 17. 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

THE CHALLENGE ACADEMY TRUST
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 August 2023
(continued)

Financial Instruments - continued

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

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

THE CHALLENGE ACADEMY TRUST
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 August 2023

(continued)

Pensions Benefits – continued

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 22, will impact the carrying amount of the pension liability. Furthermore, a roll forward approach which projects results from the latest full actuarial valuation performed at 31 March 2019 has been used by the actuary in valuing the pensions liability at 31 August 2023. 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 Trust has not recognised the asset that is reported in the actuary's FRS102 pension valuation report.

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

THE CHALLENGE ACADEMY TRUST
NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 August 2023

(continued)

Foreign currency translation - continued

with all resulting exchange differences being taken to income in the period in which they arise.

2 Donations and capital grants

	Unrestricted Funds £000	Restricted Funds £000	Total 2023 £000	Total 2022 £000
Capital grants	-	3,277	3,277	5,393
Other donations	-	103	103	31
Total	-	3,380	3,380	5,424

3 Funding for the Academy Trust's educational operations

	Unrestricted Funds £000	Restricted Funds £000	Total 2023 £000	Total 2022 £000
DfE/ESFA grants				
General Annual Grant (GAG)	-	44,283	44,283	40,850
Pupil Premium	-	1,807	1,807	1,659
Recovery Premium & School Led	-	735	735	551
Teacher Pay & Pension Grants	-	436	436	571
16-19 Discretionary Bursary	-	315	315	167
UIFSM	-	110	110	105
Other DfE/ESFA grants	-	1,724	1,724	1,006
ITT Bursaries Grant	-	64	64	101
	-	49,474	49,474	45,010
Other Government grants				
Local authority grants	-	2,232	2,232	1,800
Special educational projects	-	491	491	424
	-	2,723	2,723	2,224
Other grants	-	63	63	-
Exceptional government funding				
Coronavirus exceptional support	-	-	-	94
	-	52,260	52,260	47,328

THE CHALLENGE ACADEMY TRUST
NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 August 2023

(continued)

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

The academy trust was eligible to claim additional funding in the previous 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 funding for mass testing, vaccinations and associated costs. These costs are included in notes 6 and 7 below as appropriate.

4 Other trading activities

	Unrestricted Funds £000	Restricted Funds £000	Total 2023 £000	Total 2022 £000
Hire of facilities	306	-	306	256
Catering income	922	-	922	425
Trips income	-	865	865	422
Other income	724	-	724	785
	<u>1,952</u>	<u>865</u>	<u>2,817</u>	<u>1,888</u>
Total	1,952	865	2,817	1,888

5 Investment income

	Unrestricted Funds £000	Restricted Funds £000	Total 2023 £000	Total 2022 £000
Short term deposits	1	-	1	1
	<u>1</u>	<u>-</u>	<u>1</u>	<u>1</u>

6 Expenditure

	Staff Costs £000	Non-Pay Expenditure		Total 2023 £000	Total 2022 £000
		Premises £000	Other £000		
Expenditure on raising funds	413	-	572	985	575
Academy's educational operations:					
Direct costs	37,987	3,793	10,579	52,359	48,371
Allocated support costs	5,075	516	987	6,578	7,070
	<u>43,475</u>	<u>4,309</u>	<u>12,138</u>	<u>59,922</u>	<u>56,016</u>

THE CHALLENGE ACADEMY TRUST
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 August 2023
(continued)

6 Expenditure - continued

Net income/(expenditure) for the period includes:

	2023	2022
	£000	£000
Operating lease rentals	114	114
Depreciation	3,775	3,915
Impairments to tangible fixed assets	79	530
(Gain)/Loss on disposal of fixed assets	-	-
Fees payable to auditor for:		
• audit	32	28
	<u> </u>	<u> </u>

Included within expenditure are the following transactions:

	Total	Individual items above	
	£000	£5,000	Reason
	£000	£000	
Unrecoverable debts	2	-	-
	<u> </u>	<u> </u>	<u> </u>

7 Charitable activities

	Total	Total
	2023	2022
	£000	£000
Direct costs – educational operations	52,359	48,371
Support costs – educational operations	6,578	7,070
	<u> </u>	<u> </u>
	<u>58,937</u>	<u>55,441</u>

Analysis of support costs

	Educational	Total	Total
	operations	2023	2022
	£000	£000	£000
Support staff costs	5,075	5,075	5,063
Depreciation	453	453	426
Impairment	9	9	58
Technology costs	86	86	88
Premises costs	516	516	379
Other support costs	189	189	936
Governance costs	250	250	120
	<u> </u>	<u> </u>	<u> </u>
Total support costs	<u>6,578</u>	<u>6,578</u>	<u>7,070</u>

THE CHALLENGE ACADEMY TRUST
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 August 2023
(continued)

8 Staff

a. Staff costs

Staff costs during the period were:

	Total 2023 £000	Total 2022 £000
Wages and salaries	32,018	28,630
Social security costs	3,128	2,839
Operating costs of defined benefit pension schemes	7,335	8,924
Apprenticeship levy	144	128
	42,625	40,521
Supply staff costs	841	1,017
Staff restructuring costs	9	40
Total	43,475	41,578
Staff restructuring costs comprise:		
Redundancy payments	-	19
Severance payments	9	21
	9	40

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

Included in staff restructuring costs is a non-statutory/non-contractual severance payment totalling £9,066 (2022 - £20,995). The payment of £9,066 was made on 31 May 2023.

c. Staff numbers

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

	2023 No.	2023 FTE	2022 No.	2022 FTE
Teachers	470	420	448	399
Administration and support	511	352	459	311
Management	59	58	57	56
Total	1,040	830	964	766

THE CHALLENGE ACADEMY TRUST
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 August 2023
(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:

	2023	2022
	No.	No.
£60,001 - £70,000	15	18
£70,001 - £80,000	18	7
£80,001 - £90,000	9	5
£90,001 - £100,000	2	3
£100,001-£110,000	4	-
£110,001-£120,000	1	-
£120,001-£130,000	-	1
£130,001-£140,000	-	1
£140,001-£150,000	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 £1,825,255 (2022 - £1,829,513).

9 Central Services

The Trust has provided the following central services to its academies during the year:

- Human Resources
- Recruitment
- Staff welfare schemes
- Academy Improvement Services
- Educational support services
- Curriculum support services
- Trust wide initiatives e.g. Literacy
- Continuing Professional Development
- Financial services
- Legal services
- Insurance
- IT services
- Health & Safety services
- Capital project management services
- Procurement services
- Governor support services including local governing body support to all academies
- Subscriptions to educational resources

THE CHALLENGE ACADEMY TRUST
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 August 2023
(continued)

9 Central Services - continued

The Trust charges for these services by a 3.75% levy (2022 – 3.75%) on the school budget allocation. The school budget allocation does not include any high needs funding, pupil premium, universal infant free school meal or any other additional funding stream including self-generated income. The actual amounts charged during the year were as follows:

	Total 2023 £000	Total 2022 £000
Appleton Thorn Primary School	13	-
Beamont Collegiate Academy	223	211
Bridgewater High School	347	321
Broomfields Junior School	58	54
Great Sankey Primary School	53	48
Meadowside Community Primary & Nursery School	53	47
Padgate Academy	140	133
Penketh High School	199	175
Penketh South Community Primary School	34	31
Priestley College	394	327
Sir Thomas Boteler Church of England High School	163	138
	1,677	1,485
	1,677	1,485

10 Related Party Transactions – Trustees’ remuneration and expenses

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

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

For the year to 31st August 2023:

A Moorcroft (CEO and Trustee)

Remuneration £145,001 - £150,000 (2022 - £130,001 - £135,000)

Employer’s pension contribution paid £35,001 - £40,000 (2022 - £30,001 - £35,000)

11 Trustees and officers’ insurance

In accordance with normal commercial practice the academies are members of the Risk Protection Arrangement for academy trusts. The Trust cover under the arrangement has purchased assurance 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. 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 2023
(continued)

12 Tangible fixed assets

	Freehold Land & Buildings £000	Leasehold Land & Buildings £000	Improvem ents to Buildings £000	Assets Under Construc tion £000	Furniture & Equipment £000	Computer Equipment £000	Motor Vehicles £000	Total £000
Cost or valuation								
At 1 September 2022	12,305	93,882	7,435	3,491	4,415	2,464	8	124,000
Transfers from local authority conversion	-	2,531	-	-	3	5	-	2,539
Additions	-	-	1,089	1,278	334	469	-	3,170
Impairments	-	(86)	-	-	-	(85)	-	(171)
Transfers between assets categories	-	4,769	-	(4,769)	-	-	-	-
At 31 August 2023	<u>12,305</u>	<u>101,096</u>	<u>8,524</u>	<u>-</u>	<u>4,752</u>	<u>2,853</u>	<u>8</u>	<u>129,538</u>
Accumulated depreciation								
At 1 September 2022	2,210	8,298	1,694	-	4,142	1,542	4	17,890
Charge for the year	459	1,936	742	-	163	473	2	3,775
Impairments	-	(7)	-	-	-	(85)	-	(92)
Disposals	-	-	-	-	-	-	-	-
At 31 August 2023	<u>2,669</u>	<u>10,227</u>	<u>2,436</u>	<u>-</u>	<u>4,305</u>	<u>1,930</u>	<u>6</u>	<u>21,573</u>
Net book value								
At 31 August 2023	<u><u>9,636</u></u>	<u><u>90,869</u></u>	<u><u>6,088</u></u>	<u><u>-</u></u>	<u><u>447</u></u>	<u><u>923</u></u>	<u><u>2</u></u>	<u><u>107,965</u></u>
At 31 August 2022	<u><u>10,095</u></u>	<u><u>85,584</u></u>	<u><u>5,741</u></u>	<u><u>3,491</u></u>	<u><u>273</u></u>	<u><u>922</u></u>	<u><u>4</u></u>	<u><u>106,110</u></u>

The trust completed the extension at Bridgewater High School in November 2022. The costs during construction were disclosed in Assets under Construction and have now been transferred to Leasehold Land and Buildings.

The Trust receives School Condition Allocation funding which is to be focussed on poor building condition, compliance, energy efficiency and health and safety issues. Some expenditure in the year will be on areas where there is an amount not fully written off through depreciation. The net book value of those items is then treated as an impairment.

THE CHALLENGE ACADEMY TRUST
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 August 2023
(continued)

13 Stock

	2023 £000	2022 £000
Uniform	-	4
Catering	1	1
	<u>1</u>	<u>5</u>

14 Investments

	2023 £000	2022 £000
Fixed Term Bank Deposits	<u>2,025</u>	<u>-</u>

The Trust has invested cash in a number of 12-month fixed term deposits and some accounts with a notice period of between 90 and 120 days.

15 Debtors

	2023 £000	2022 £000
Trade debtors	75	589
VAT recoverable	755	971
Other debtors	405	388
Prepayments and accrued income	1,902	1,092
	<u>3,137</u>	<u>3,040</u>

THE CHALLENGE ACADEMY TRUST
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 August 2023
(continued)

16 Creditors: Amounts Falling Due Within One Year	2023	2022
	£000	£000
Trade creditors	1,957	1,946
Other taxation and social security	1,553	1,434
ESFA creditor	86	102
Salix loan	56	55
Other creditors	211	304
Accruals and deferred income	6,220	4,755
	<u>10,083</u>	<u>8,596</u>
Deferred income	£000	
Deferred income at 1 September 2022	3,907	
Released from previous years	(2,209)	
Resources deferred in the year	3,753	
	<u>5,451</u>	
Resources deferred in the period		

At the balance sheet date, the academy trust was holding monies in advance as detailed:

	£000
Devolved Formula Capital	435
School Condition Allocation Funding	3,779
Other capital grants	101
Other DfE grants	36
High Needs Funding – September 2022 to March 2023	740
UIFSM	76
Payments for educational trips from September 2022	95
Income from contracted services	74
Other grants	45
Other income e.g. lettings	70
	<u>5,451</u>

Included within Creditors: Amounts falling due within one year are loans from Salix Finance Ltd. Details of the loans are disclosed in Note 17, Creditors: Amounts falling due in greater than one year.

THE CHALLENGE ACADEMY TRUST
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 August 2023
(continued)

17 Creditors: Amounts Falling Due in Greater Than One Year

	2023	2022
	£000	£000
Salix loan	212	188
Total	212	188

The Trust has 8 loans from Salix Finance Ltd through the Salix Energy Efficiency Fund. The loans have all been to undertake work to improve energy efficiency. The loans are all interest free with the expectation that energy savings will fund the repayments. Each loan is repaid by two equal instalments per annum over the term of the loan.

The details of the loans are:

Loan	Duration (Years)	Amount Advanced £000	Annual Repayment £000	Outstanding at 31 Aug 2023 £000	Due within one year £000	Due in greater than one year £000
1	8	174	22	11	11	-
2	8	14	2	4	2	2
3	8	25	3	7	3	4
4	7	88	13	75	13	62
5	8	41	5	36	5	31
6	6	65	11	54	10	44
7	7.5	63	9	59	9	50
8	7.5	23	3	22	3	19
Total				268	56	212

THE CHALLENGE ACADEMY TRUST
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 August 2023
(continued)

18 Funds

	Balance at 1 September 2022 £000	Income £000	Expenditure £000	Gains, losses and transfers £000	Balance at 31 August 2023 £000
Restricted general funds					
General Annual Grant (GAG)	(2,335)	44,283	(45,464)	107	(3,409)
Pupil Premium	-	1,807	(1,807)	-	-
Catch-Up Premium	89	-	(89)	-	-
Recovery Premium	32	735	(767)	-	-
Pension Reserve	(1,398)	-	(553)	1,951	-
Other grants and donations	-	6,403	(6,403)	-	-
Transfer on conversion	3,211	49	-	-	3,260
	<u>(401)</u>	<u>53,277</u>	<u>(55,083)</u>	<u>2,058</u>	<u>(149)</u>
Restricted fixed asset funds					
Transfer on conversion	95,735	2,539	(2,376)	-	95,898
DfE/ESFA capital grants	5,923	1,638	(1,067)	(478)	6,016
Other government grants	3,909	1,639	(132)	-	5,416
Other grants	3	-	(2)	-	1
Capital expenditure from GAG	200	-	(155)	-	45
Capital expenditure from reserves	340	-	(122)	371	589
	<u>106,110</u>	<u>5,816</u>	<u>(3,854)</u>	<u>(107)</u>	<u>107,965</u>
Total restricted funds	<u>105,709</u>	<u>59,093</u>	<u>(58,937)</u>	<u>1,951</u>	<u>107,816</u>
Total unrestricted funds	<u>3,102</u>	<u>1,953</u>	<u>(985)</u>	<u>-</u>	<u>4,070</u>
Total funds	<u><u>108,811</u></u>	<u><u>61,046</u></u>	<u><u>(59,922)</u></u>	<u><u>1,951</u></u>	<u><u>111,886</u></u>

THE CHALLENGE ACADEMY TRUST
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 August 2023
(continued)

18 Funds - continued

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

	Balance at 1 September 2021 £000	Income £000	Expenditure £000	Gains, losses and transfers £000	Balance at 31 August 2022 £000
Restricted general funds					
General Annual Grant (GAG)	(2,292)	40,850	(40,959)	66	(2,335)
Pupil Premium	-	1,659	(1,659)	-	-
Catch-Up Premium	219	-	(130)	-	89
Recovery Premium	-	551	(519)	-	32
Pension Reserve	(21,502)	-	(3,008)	23,112	(1,398)
Other grants and donations	-	4,554	(4,554)	-	-
Transfer on conversion	3,211	-	-	-	3,211
	<u>(20,364)</u>	<u>47,614</u>	<u>(50,829)</u>	<u>23,178</u>	<u>(401)</u>
Restricted fixed asset funds					
Transfer on conversion	98,456	-	(2,721)	-	95,735
DfE/ESFA capital grants	5,440	2,104	(1,507)	(114)	5,923
Other government grants	651	3,289	(31)	-	3,909
Other grants	5	-	(2)	-	3
Capital expenditure from GAG	307	-	(155)	48	200
Capital expenditure from reserves	369	-	(29)	-	340
	<u>105,228</u>	<u>5,393</u>	<u>(4,445)</u>	<u>(66)</u>	<u>106,110</u>
Total restricted funds	<u>84,864</u>	<u>53,007</u>	<u>(55,274)</u>	<u>23,112</u>	<u>105,709</u>
Total unrestricted funds	<u>2,210</u>	<u>1,467</u>	<u>(575)</u>	<u>-</u>	<u>3,102</u>
Total funds	<u><u>87,074</u></u>	<u><u>54,474</u></u>	<u><u>(55,849)</u></u>	<u><u>23,112</u></u>	<u><u>108,811</u></u>

THE CHALLENGE ACADEMY TRUST
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 August 2023
(continued)

18 Funds – continued

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

	Balance at 1 September 2021 £000	Income £000	Expenditure £000	Gains, losses and transfers £000	Balance at 31 August 2023 £000
Restricted general funds					
General Annual Grant (GAG)	(2,292)	85,133	(86,423)	173	(3,409)
Pupil Premium	-	3,466	(3,466)	-	-
Catch-Up Premium	219	-	(219)	-	-
Recovery Premium	-	1,286	(1,286)	-	-
Pension Reserve	(21,502)	-	(3,561)	25,063	-
Other grants and donations	-	10,957	(10,957)	-	-
Transfer on conversion	3,211	49	-	-	3,260
	<u>(20,364)</u>	<u>100,891</u>	<u>(105,912)</u>	<u>25,236</u>	<u>(149)</u>
Restricted fixed asset funds					
Transfer on conversion	98,456	2,539	(5,097)	-	95,898
DfE/ESFA capital grants	5,440	3,742	(2,574)	(592)	6,016
Other government grants	651	4,928	(163)	-	5,416
Other grants	5	-	(4)	-	1
Capital expenditure from GAG	307	-	(310)	48	45
Capital expenditure from reserves	369	-	(151)	371	589
	<u>105,228</u>	<u>11,209</u>	<u>(8,299)</u>	<u>(173)</u>	<u>107,965</u>
Total restricted funds	<u>84,864</u>	<u>112,100</u>	<u>(114,211)</u>	<u>25,063</u>	<u>107,816</u>
Total unrestricted funds	<u>2,210</u>	<u>3,420</u>	<u>(1,560)</u>	<u>-</u>	<u>4,070</u>
Total funds	<u><u>87,074</u></u>	<u><u>115,520</u></u>	<u><u>(115,771)</u></u>	<u><u>25,063</u></u>	<u><u>111,886</u></u>

THE CHALLENGE ACADEMY TRUST
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 August 2023

(continued)

18 Funds – continued

Total funds analysis by academy

Fund balances at 31 August were allocated as follows:

	Total 2023 £000	Total 2022 £000
Appleton Thorn Primary School	29	-
Beamont Collegiate Academy	1,135	1,255
Bridgewater High School	961	647
Broomfields Junior School	175	183
Great Sankey Primary School	432	402
Meadowside Community Primary & Nursery School	192	154
Padgate Academy	394	244
Penketh High School	(1,270)	(1,176)
Penketh South Community Primary School	51	38
Priestley College	2,237	2,705
Sir Thomas Boteler Church of England High School	(334)	(453)
Central Trust Reserves	(81)	100
	<hr/>	<hr/>
Total before fixed assets and pensions reserves	3,921	4,099
Restricted Fixed Asset Fund	107,965	106,110
Pension Reserve	-	(1,398)
	<hr/>	<hr/>
Total funds	<u>111,886</u>	<u>108,811</u>

Penketh High School joined the Trust with an historic deficit of £832,000. The academy had a decreasing student roll which affected the academy's financial position. The academy undertook a number of restructuring programmes completing in August 2021 matching staffing levels to the number of students on roll. In the financial year ending August 2022, the academy returned its first surplus since joining the Trust. The academy is now in a different situation than before. Having achieved a Good Ofsted judgement in March 2020, the academy has been able to build on that and, since September 2021, the academy has admitted over PAN (Published Admission Number) at Year 7. However, the academy now faces a different challenge due to unexpected local population growth, and, at the request of the Local Authority, also admitted in year to the other year groups. The academy is now facing a period of rapid growth which brings with it added financial issues due to the lagged funding methodology. The academy also has an ageing building which is due to be replaced after being identified under the Priority School Building Programme. Whilst awaiting the new building, there could be a stifling of the growth in student numbers. The design for the new school has been approved by the Department for Education and it is hoped that work will commence in 2024 to build the new school.

Since joining the Trust, Sir Thomas Boteler Church of England High School has increased numbers through in year admissions and an improved reputation has seen an increase in student numbers. 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

THE CHALLENGE ACADEMY TRUST
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 August 2023

(continued)

18 Funds – continued

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. In October 2021, an Ofsted judgement of Good was the outcome from a long-awaited inspection. This has had a direct impact on student recruitment with the academy being full at Year 7. The academy recorded a revenue surplus in the year for the first time. The academy is on track to clear the deficit at the end of the next financial year.

The central trust has invested in new systems and, due to the forthcoming growth, invested in new roles to help develop the services it offers the academies. The roles were in advance of the new academies joining in 2024.

Analysis of net assets between funds

Fund balances at 31 August 2023 are represented by:

	Unrestricted Funds £000	Restricted General Funds £000	Restricted Fixed Asset Funds £000	Total Funds £000
Tangible fixed assets	-	-	107,965	107,965
Current assets	4,070	10,146	-	14,216
Current liabilities	-	(10,083)	-	(10,083)
Non-current liabilities	-	(212)	-	(212)
Pension scheme liability	-	-	-	-
Total net assets	4,070	(149)	107,965	111,886

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

	Unrestricted Funds £000	Restricted General Funds £000	Restricted Fixed Asset Funds £000	Total Funds £000
Tangible fixed assets	-	-	106,110	106,110
Current assets	3,102	9,781	-	12,883
Current liabilities	-	(8,596)	-	(8,596)
Non-current liabilities	-	(188)	-	(188)
Pension scheme liability	-	(1,398)	-	(1,398)
Total net assets	3,102	(401)	106,110	108,811

THE CHALLENGE ACADEMY TRUST
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 August 2023
(continued)

19 Capital commitments

	2023 £000	2022 £000
Contracted for, but not provided in the financial statements	4,128	Nil
Authorised but not contracted for	5,052	568

20 Commitments under operating leases

Operating leases

At 31 August 2023 the total of the Academy Trust's future minimum lease payments under non-cancellable operating leases was:

	2023 £000	2022 £000
Other		
Due within one year	114	179
Due between two and five years inclusive	266	383
	380	614

21 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.

22 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 2022. Contributions amounting to £782,900 were payable to the schemes at 31 August 2023 (2022 - £712,979) and are included within creditors.

THE CHALLENGE ACADEMY TRUST
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 August 2023
(continued)

22 Pension and similar obligations - continued

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 every four years. The aim of the review is to specify the level of future contributions. Actuarial scheme valuations are dependent on assumptions about the value of future costs, design of benefits and many other factors. The latest actuarial valuation of the TPS was carried out as at 31 March 2020. The valuation report was published by the Department for Education on 30 October 2023. The key elements of the valuation and subsequent consultation were:

- employer contribution rates set at 28.68% 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 £262,000 million, and notional assets (estimated future contributions together with the notional investments held at the valuation date) of £222,200 million giving a notional past service deficit of £39,800 million
- the SCAPE rate, set by HMT, is used to determine the notional investment return. The current SCAPE rate is 1.7% above the rate of CPI, and is based on the Office for Budget Responsibility's forecast for long-term GDP growth.

The next valuation result is due to be implemented from 1 April 2027.

The employer's pension costs paid to TPS in the period amounted to £4,924,544 (2022 - £4,598,080).

A copy of the valuation report and supporting documentation is on the Teachers' Pensions website (<https://www.teacherspensions.co.uk/news/employers/2023/10/valuation-result.aspx>).

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

THE CHALLENGE ACADEMY TRUST
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 August 2023
(continued)

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 2023 was £2,446,923 (2022 - £2,037,741) of which employers contributions totalled £1,905,432 (2022 - £1,567,173) and employees contributions totalled £541,491 (2022 - £470,568). 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 and on 21 July 2022, The Department for Education reaffirmed its commitment to the guarantee, with a parliamentary minute published on GOV.UK.

Principal Actuarial Assumptions

	2023	2022
Rate of increase in salaries	3.7%	3.9%
Rate of increase for pensions in payment/inflation	3.0%	3.2%
Discount rate for scheme liabilities	5.2%	4.25%
Inflation assumption (CPI)	3.0%	3.2%
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:

	2023	2022
Retiring today		
Males	20.2	21.2
Females	24.0	23.8
Retiring in 20 years		
Males	20.9	22.1
Females	24.9	25.5

THE CHALLENGE ACADEMY TRUST
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 August 2023
(continued)

22 Pension and similar obligations - continued

Sensitivity Analysis

	2023	2022
	£000	£000
Change in assumption		
0.1% decrease in Real Discount Rate	708	820
Mortality assumption – 1 year increase	1,338	1,453
0.1% increase in the Salary Increase Rate	67	83
0.1% increase in the Pension Increase Rate (CPI)	654	742

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

	2023	2022
	£000	£000
Equities	18,587	17,116
Bonds	11,796	11,178
Property	5,004	4,541
Cash	358	2,096
Total Market Value of Assets	35,745	34,931

The actual return on scheme assets was £1,276,000 (2022 - £2,805,000)

	2023	2022
	£000	£000
Current service cost	(2,370)	(4,186)
Past service cost	(3)	(14)
Interest income	1,540	610
Interest cost	(1,607)	(986)
Total amount recognised in the SOFA	(2,440)	(4,576)

THE CHALLENGE ACADEMY TRUST
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 August 2023
(continued)

22 Pension and similar obligations – continued

Changes in the present value of defined benefit obligations were as follows:	2023	2022
	£000	£000
At 1 September	36,329	57,768
Conversion of academy trusts	418	-
Transferred in on existing academies joining the trust	-	-
Current service cost	2,400	4,186
Interest cost	1,599	986
Employee Contributions	539	450
Actuarial (gain)/loss	-	-
Benefits paid	(626)	(548)
Losses or gains on curtailments	-	-
Past service cost	3	14
Change in demographic assumptions	(560)	(222)
Change in financial assumptions	(8,787)	(26,393)
Other experience	2,166	88
	<hr/>	<hr/>
At 31 August	33,481	36,329
	<hr/> <hr/>	<hr/> <hr/>
Changes in fair value of academy's share of scheme assets	2023	2022
	£000	£000
At 1 September	34,931	36,266
Conversion of academy trusts	259	-
Transferred in on existing academies joining the trust	-	-
Interest income	1,528	610
Actuarial gain/(loss)	(2,326)	(3,415)
Employer contributions	1,918	1,568
Employee contributions	539	450
Benefits paid	(626)	(548)
Other experience remeasurements	(478)	-
Notional asset not being recognised	(2,264)	-
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At 31 August	33,481	34,931
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THE CHALLENGE ACADEMY TRUST
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 August 2023
(continued)

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

	2023	2022
	£000	£000
Net income/(expenditure) for the reporting period (as per the statement of financial activities)	1,124	(1,375)
Adjusted for:		
Depreciation	3,775	3,915
Impairments	79	530
Fixed assets transferred on entry to the Trust	(2,539)	-
Capital grants from DfE and other capital income	(3,277)	(5,393)
Interest receivable	(1)	(1)
Defined benefit pension scheme cost less contributions payable	485	2,632
Defined benefit pension scheme finance cost	71	376
(Increase)/decrease in stocks	4	-
(Increase)/decrease in debtors	353	(1,098)
Increase/(decrease) in creditors	443	1,080
	<hr/>	<hr/>
Net cash provided by / (used in) Operating Activities	517	666
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24 Cash Flows from financing activities

	2023	2022
	£000	£000
Repayment of Salix Loan	(61)	(27)
Cash inflows from new Salix Loans	86	194
	<hr/>	<hr/>
	25	167
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25 Cash flows from investing activities

	2023	2022
	£000	£000
Dividends, interest and rents from investments	1	1
Transfers to fixed term deposit investments	(2,025)	-
Capital grants from DfE/ESFA	4,143	5,548
Payments for the purchase of fixed assets	(3,446)	(4,831)
	<hr/>	<hr/>
	(1,327)	718
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THE CHALLENGE ACADEMY TRUST
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 August 2023
(continued)

26 Analysis of cash and cash equivalents

	2023	2022
	£000	£000
Cash in hand and at bank	9,053	9,838

27 Analysis of changes in net debt

	Balance at 1 September 2022 £000	Cash flows £000	New Salix Loans £000	Other non-cash changes £000	Balance at 31 August 2023 £000
Cash	9,838	(785)	-	-	9,053
Salix loans due within one year	(55)	61	(12)	(50)	(56)
Salix loans due after more than one year	(188)	-	(74)	50	(212)
Total	9,595	(724)	(86)	-	8,785

28 Contingent Liabilities

The Trust had no contingent liabilities.

29 Related party transactions

Owing to the nature of the academy trust and the composition of the board of trustees being drawn from local public and private sector organisations, transactions may take place with organisations in which the trustees have an interest. All transactions involving such organisations are conducted 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, all the academies within the Trust received income for the provision of high needs education and purchased services from the Local Authority under Service Level Agreements.

THE CHALLENGE ACADEMY TRUST
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 August 2023
(continued)

29 Related party transactions - continued

Type of transaction	Total incurred during period £000	Outstanding at 31 August £000
Education Delivery	2,205	Nil
Other income	1,690	52
Purchase of Services	1,267	172

Priestley Education & Training Trust (PETT) – S Yates (trustee of the Trust) is a trustee in this charitable trust. The trust helps provide support to past and present students of Priestley College. 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 £2,225 (2022 - £4,279). PETT refund the College periodically after the College has offset any income received due to fundraising by staff and students during the year. The balance outstanding at 31 August 2023 was a debtor of £355 (2022 - £117 included in Other Creditors) which is included in Other Debtors.

30 Agency arrangements

The Trust distributes the ESFA discretionary 16-19 bursary to students as an agent for the ESFA. The Trust disbursed £315,432 (2022 - £166,902) in the year. The bursary for the year was fully disbursed and the underspend from the previous year also used.

31 Academy trust with a newly converted academy

On 1st April 2023, Appleton Thorn Primary School converted to academy status under the Academies Act 2010 and all the operations and assets and liabilities were transferred to The Challenge Academy Trust from Warrington Borough Council for £nil consideration.

The transfer has been accounted for as a combination that is in substance a gift. The assets and liabilities transferred were valued at their fair value and recognised in the balance sheet under the appropriate headings with a corresponding net amount recognised as a net gain in the Statement of Financial Activities as Donations – Transfer from local authority on conversion.

THE CHALLENGE ACADEMY TRUST
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 August 2023
(continued)

31 Academy trust with a newly converted academy- continued

The following table sets out the fair values of the identifiable assets and liabilities transferred and an analysis of their recognition in the SOFA.

	Unrestricted Funds £000	Restricted General Funds £000	Restricted Fixed Asset Fund £000	Total 2023 £000
Tangible fixed assets				
Leasehold land and buildings	-	-	2,531	2,531
Other tangible fixed assets	-	-	8	8
Current assets				
Cash – representing budget surplus on LA (Local Authority) funds	-	49	-	49
Non-current liabilities				
LGPS pension deficit	-	(159)	-	(159)
Net assets	<u>-</u>	<u>(110)</u>	<u>2,539</u>	<u>2,429</u>

32 Transfer of existing academies into the Trust

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

33 Events after the end of the reporting period

In November, Priestley College had a section 5 Ofsted inspection which resulted in a Good judgement.

The Advisory Board to the Regional Department for Education Directors approved, in November, the application for Dallam Primary School to convert to an academy and The Sutton Academy to transfer and join the Trust. Subject to the due diligence and legal process, the school and academy will join the Trust during the financial year ending 31 August 2024.