

**Challney High School for Boys and
Community College**
(A company limited by guarantee)

ANNUAL REPORT AND FINANCIAL STATEMENTS

for the period ended
31 August 2012



Company Registration No 07559901

Challney High School for Boys and Community College

ADMINISTRATIVE DETAILS

Governors (Trustees)

H Abji (Chair) (appointed 10 March 2011) **
Dame Y Bevan (Executive Principal and
Accounting Officer) (appointed 10 March 2011)
**
V Galyer OBE (appointed 1 April 2011) **
S Haider (appointed 10 March 2011)
D Connor (appointed 1 April 2011)

Dame Y Bevan (appointed 10 March 2011 2011)*
H Abji (appointed 10 March 2011)*
S Haider (appointed 10 March 2011)*
A Ditta (appointed 5 July 2011)*
S Khan (appointed 5 July 2011)
N Kayani (appointed 5 July 2011)*
N Malik (appointed 5 July 2011)
M Bull (appointed 5 July 2011)
J Byrne (appointed 5 July 2011)*
Dr M Wasil (appointed 5 July 2011)*
T Thomas (appointed 5 July 2011)*
R Khan (appointed 5 July 2011, resigned 31
August 2012)

*Governors who are members of the Finance and Audit Committee

** Company member

Company Secretary

T C Kelly

Executive Principal

Dame Yasmin Bevan

Senior Management Team

Associate Principal
Stuart Moore
Assistant Head Teachers
K Bateman
C Burnell
P Evans
S Lydon
T Thomas
J Warren
P Williams
A Wood (Retired 30th April 2012)

Principal and Registered Office

Stoneygate Road
Luton
Beds
LU4 9TJ

Company Registration Number

07559901
(England and Wales)

Challney High School for Boys and Community College

ADMINISTRATIVE DETAILS

Independent Auditor

Baker Tilly UK Audit LLP
25 Farringdon Street
London
EC4A 4AB

Bankers

National Westminster Bank plc
Market Hill Branch
31 George Street
Luton
LU1 2YN

Challney High School for Boys and Community College

GOVERNORS' REPORT

The governors present their annual report together with the financial statements and auditor's report of the charitable company for the period ended 31 August 2012

Structure, Governance and Management

Constitution

The school 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 school.

The Academy was incorporated on 10 March 2011 and is governed by the rules and regulations set down in its Company Memorandum and Articles of Association dated 10 March 2011.

The governors act as trustees for charitable activities of Challney High School for Boys and Community College and are also the directors of the Charitable Company for the purposes of company law. The Charitable Company is known as Challney High School for Boys.

Details of the Governors who served throughout the year except as noted are included in the Reference and Administrative Details on page 1.

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.

Governors' indemnity

In accordance with normal commercial practice the school has purchased insurance to protect governors from claims arising from negligent acts, errors or omissions whilst on school business. The insurance provides cover up to £2,000,000 and the cost for the period 1 April 2011 to 31 August 2012 was £1,899.

Principal Activities

The school objects are

- 1 to advance for the public benefit education in the United Kingdom, in particular but without prejudice to the generality of the foregoing by establishing, maintaining, carrying on, managing and developing a school offering a broad and balanced curriculum and
- 2 to promote for the benefit of the inhabitants of Luton and the surrounding area the provision of facilities for recreation or other leisure time occupation of individuals who have need of such facilities by reason of their youth, age, infirmity or disablement, financial hardship or social and economic circumstances or for the public at large in the interests of social welfare and with the object of improving the condition of life of the said inhabitants.

Method of recruitment and appointment or election of governors

Members

The Members of the Academy Trust comprise

- the Executive Principal,
- the Chair of the Governors
- a representative from the school
- a representative from Denbigh High School, our partner school
- the Principal of the Chiltern Training Group

Challney High School for Boys and Community College

GOVERNORS' REPORT (continued)

Each of the persons above entitled to appoint members have the right from time to time by written notice to remove any member appointed by them and to appoint a replacement member to fill a vacancy whether resulting from such removal or otherwise

If any of the persons above entitled to appoint members

- in the case of an individual, die or become legally incapacitated,
- in the case of a corporate entity, cease to exist and are not replaced by a successor institution, or
- becomes insolvent or makes any arrangement or composition with their creditors generally, their right to appoint members under these the school's articles shall vest in the remaining members

Membership will terminate automatically if

- a member (which is a corporate entity) ceases to exist and is not replaced by a successor institution,
- a member (which is an individual) dies or becomes incapable by reason of mental disorder, illness or injury of managing and administering his own affairs,
- a member becomes insolvent or makes any arrangement or composition with that Member's creditors generally, or
- a member, being a governor, ceases to be a governor

The members may agree unanimously in writing to appoint such additional members as they think fit and may unanimously (save that the agreement of the member(s) to be removed shall not be required) in writing agree to remove any such additional members

Any member may resign provided that after such resignation the number of members is not less than three. A member shall cease to be one immediately on the receipt by the academy trust of a notice in writing signed by the person or persons entitled to remove him provided that no such notice shall take effect when the number of members is less than three unless it contains or is accompanied by the appointment of a replacement member

Governors

As detailed in the Memorandum and Articles, the academy trust should have the following Governors

- a 4 Community Governors,
- b 2 Staff Governors,
- c 1 Local Authority Governor
- d 4 Parent Governors
- e the Executive Principal,

Appointment of governors

The members appoint the Community Governors

The members appoint staff governors through such process as they may determine, provided that the total number of Governors (including the Executive Principal) who are employees of the academy trust does not exceed one third of the total number of Governors

The Executive Principal shall be treated for all purposes as being an ex officio Governor

Parent governors are elected by parents of registered pupils at the school. A parent governor must be a parent of a pupil at the school at the time when he is elected

Challney High School for Boys and Community College

GOVERNORS' REPORT (continued)

Any election of parent governors which is contested shall be held by secret ballot

The governors may appoint 3 co-opted governors

The Secretary of State may appoint such additional governors as he thinks fit if the Secretary of State has

- a) given the Governors a warning notice in accordance with Article 60 of our Articles of Association, and
- b) the Governors have failed to comply or secure compliance, with the notice to the Secretary of State's satisfaction within the compliance period

Policies and procedures adopted for the induction and training of governors

During the 17 month period under review the governors held four meetings. The training and induction provided for new governors will depend on their existing experience. Where necessary induction will provide training on charity and educational level financial matters. All new governors will be given a tour of the school and the chance to meet with staff and pupils. All governors are provided with copies of policies, procedures, minutes, financial statements budgets, plans and other documents that they will need to undertake their role as governors.

Organisational structure

The organisational structure consists of the academy trust, the governing body, the leadership team and the middle managers.

The governing body is responsible for the strategic direction and overall trust management. The Governing Body is responsible for setting general policy, adopting an annual plan and budget, monitoring the school by use of budgets and making major decisions about the direction of the school, capital expenditure and senior staff appointments.

The leadership team consists of the executive principal, an associate principal and seven assistant headteachers. The managers control the school at an executive level implementing the policies laid down by the governors and reporting back to them.

Risk management

The governors have assessed the major risks to which the school is exposed. The school has a risk register which records and summarises the main large-scale, offensive and systematic risks to the school. Risks are examined, particularly relating to teaching and learning, the provision of facilities and operations and its finances. They have systems, procedures and internal controls in order to minimise risk. The school considers it has an effective system of internal financial controls and this is explained in more details in the statement of internal financial control section.

Connected organisations, including related party relationships

We have formed a formal, soft federation with Denbigh High School in September 2008 (the headteacher is now also the Executive Principal and headteacher across the two schools, an Associate Principal has operational responsibility in each school and an overarching Joint Strategic Committee of Governors including Chairs of Governors from both schools is responsible for the federation).

This partnership allows increased capacity to support other schools in their pursuit of excellence through our roles as a member of Challenge Partners, a national organisation of schools, and our work as a National Teaching School.

Challney High School for Boys and Community College has a 50% investment in a new trading subsidiary, Challney Boys and Denbigh High School Limited to provide support and services to other schools and organisations.

Challney High School for Boys and Community College

GOVERNORS' REPORT (continued)

Challney High School for Boys and Community College is lead school for the Chiltern Training Group Initial Teacher Training Provider. This provision was graded outstanding by Ofsted in 2009.

Objectives and Activities

Our vision is to continue to be recognised as an outstanding school that demonstrates excellence in the academic achievements of our students through

- very high standards of teaching and learning
- the care and commitment we show to our students and the wider community
- working in partnership with parents
- strong ethical values in everything we do
- using new technologies to help young people learn more effectively
- sharing our good practice with other schools
- a strong commitment to the professional development of all our staff
- giving our young people a range of opportunities to become confident and responsible global citizens

On a daily basis our commitment towards this vision can be seen through

- strong, supportive and professional leadership at all levels
- high standards and expectations underpinned by care and support for each individual
- a clear focus on teaching, learning, achievement and standards that can be measured by results in tests and examinations
- well-kept buildings and other facilities
- our partnership work with others to improve our school as well as others
- the continued development of a global dimension to our work
- good communication that means we can
 - have an open dialogue with students, parents, staff and the wider community
 - involve everyone and help people understand what we are trying to achieve
 - make everyone aware of important issues

Our core value statement "High achievement and access for all are our shared responsibilities" reflects our belief that we must all work together and support one another as a teaching and learning community so that we are able to achieve the highest standards in all that we do.

Objectives, Strategies and Activities

The main objectives for the coming year include

- Continuing to raise attainment at all levels for key indicators
- Supporting behaviour for learning and safety of pupils
- All teaching to be consistently good and much of it outstanding
- Further developing partnerships, through our Teaching School Alliance
- Renewing school improvement strategies within the context of outcomes from the Challenge Partnership review

This has been a very successful year for Challney High School for Boys, with many positive developments taking place across the organisation.

Our work with our partner school, Denbigh High School, has continued to be a successful feature of the school and this year we launched the 'Chiltern Teaching School Alliance' (CTSA).

The CTSA provides a vehicle for our work with the Teaching Schools Alliance and Challenge Partners Hub and

Challney High School for Boys and Community College

GOVERNORS' REPORT (continued)

has been launched with its own brand identity and framework of governance

Our leadership of the Alliance has placed us at the forefront of educational developments and the cross-phase and cross-regional nature of the CTSA combined with the positive participation and engagement of everyone involved has led to its successful growth during this time

Our work in this area has also had an extremely positive impact on the raising of standards within our own school and others through the sharing and development of expertise and best practice. Most recently we have launched a new website with private members' area to further promote and support the work of the CTSA. Our self evaluation of progress during our first year as a Teaching School Alliance and Challenge Partner Hub has been submitted and was well received by the National College and Challenge Partners

The physical fabric of the organisation has continued to be well-maintained with many refurbishments to the existing facilities taking place during the past year. The technological infrastructure has also improved and our staff continue to embrace new technologies to improve teaching and learning and the day-to-day operations of the organisation. The management and reporting structures of leadership and governance have also improved during this time, as has the management of our facilities rentals with new systems for financial management and reporting

Our commitment to staff development has continued to be a strong feature of the organisation and we have leveraged our partnerships to provide additional capacity and professional development opportunities for our own staff as well as making a positive contribution to other organisations and system wide improvement

The success of the school has led to widespread recognition through national school awards, close links with business partners such as British Telecom and in 2011 being designated one of the first National Teaching Schools

This year we were presented with achievement awards by the Specialist Schools and Academies Trust (SSAT). The awards received by the school were for

- SSAT Awards for high attainment achieving 65% or more 5+ACEM, 65% or more 2+AC in science and 40% or more 1+AC in MFL (2011)
- SSAT School Achievement Awards for being in the top ten of schools nationally for adding value at 5+ACEM (2011)

We are particularly proud of -

- Teaching School status (2012)
- Royal Society Associate School (2012)
- Basic Skills Quality Mark (2012-2015)

Public Benefit

The trustees confirm that they have referred to the guidance contained in the Charity Commission's general guidance on public benefit when reviewing the school's objectives and aims and in planning future activities for the year. The trustees consider that the school's aims are demonstrably to the public benefit.

Achievements and Performance

The 17 month period 1 April 2011 to 31 August 2012 was the school's first period of operation with academy status and we continue to be a high achieving school and the pupils' progress and attainment at the school are outstanding

Challney High School for Boys and Community College

GOVERNORS' REPORT (continued)

The percentage of students gaining five or more GCSE passes at grades A*-C has steadily risen over the past decade. In January 2007 Ofsted judged Challney Boys to be "an outstanding school" and recognised that "the ethos of the school is centred on achievement and the quality of the students' learning experience"

Over 95% of students progress to higher and further education when they leave us and our value added score, which looks at the progress that students make between Key Stage 2 and Key Stage 4, repeatedly places us within the top 5% of all schools in the country

Challney High School for Boys' 2011 examination results

- 5+ A*-C GCSE & Equivalents including English & Maths 77%
- 5+ A*-C GCSE & Equivalents 93%
- 5+ A*-G GCSE & Equivalents 98%
- 3+ A*-A GCSE & Equivalents 40%
- A*-C English 82%
- A*-C Mathematics 80%
- 2+ A*-C Science 86%

Going concern

After making appropriate enquiries, the governing body 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 regarding the adoption of the going concern basis can be found in the Statement of Accounting Policies.

Financial Performance Indicators

	For the 17 month accounting period 1 April 2010 to 31 August 2012
Free school meals (FSM)	
School level FSM	29%
FSM band (20 - 35% Medium)	
Income (£/per pupil)	
Restricted Grants	£10,000
Expenditure (£/per pupil)	
Teaching and educational support staff costs	£6,132
Support staff costs (Clerical/Premises/Support)	£893

Financial Review

The school has a constructive obligation to fund any deficit allocated to its share of the Local Government Pension Fund. On conversion the opening balance was a deficit of £400k, this financial period our deficit increased by £217k which has resulted in a liability of £617k.

Challney High School for Boys and Community College

GOVERNORS' REPORT (continued)

Principal Risks and Uncertainties

Risk management is embedded in the work of the school. Details of the processes underpinning our approach to risk management are set out in the Statement of Internal Control. The principal risk facing the school is uncertainty over our future funding levels beyond 2012/13. Once our funding for 2013/14 is confirmed, we will embark on a strategic review that will evaluate how we can best deliver our core-business of raising attainment at all levels for key indicators.

Reserves Policy

The school's policy for reserves is linked to and part of its formal consideration of the school's going concern presumption. An appropriate level of reserves underlies the forecasts and cashflow projections that are used by the governing body to confirm that the school is a going concern and is able to meet its liabilities as they arise.

At the year end the reserves policy, actual reserves held and future business planning forecasts are used to confirm the going concern principle applies for at least 12 months from the date that the statutory accounts are approved by the board.

The school considered what level of reserves is appropriate to hold in order to demonstrate appropriate financial management, stewardship and sustainability. The governing body do this to provide assurance to all the school's stakeholders that the school is being managed in a prudent manner for the best interests of its beneficiaries. The governing body also want to provide confidence that there is a strong justification for the reserves held by the school and that they wish to be open and transparent on all aspects concerning the school's reserves policy. In doing this the school has considered the following areas:

The school's cashflow is strong due to the profile of its incoming resources. The receipt of core grant funding at the start of the financial year means that £882,000 of reserves is not required for working capital purposes.

Treasury Policy

The school regularly monitors cash flow and current account balances to ensure immediate financial commitments can be met (payroll and payments runs) and that the liquidity account has adequate balances to meet forthcoming commitments. In practice a working balance of between £300,000 and £600,000 is likely to be maintained.

Financial risk management

All schools are subject to a wide range of risks, many of which have financial implications. "Rainy day" funds are appropriate to be held as mitigation against the affect of such risks. The school has a formalised approach to risk management which identifies major risks that it faces, assesses their severity in terms of impact and likelihood, and identifies mitigating actions.

The financial risks that are mitigated by the holding of reserves include variability of income, variability of expenditure and the risks identified as serious, major or critical that have financial significance.

The school's policy for reserves is linked to and part of its formal consideration of the school's going concern presumption. The governors annually consider the level of reserves is appropriate for the school to hold in order to demonstrate appropriate financial management and sustainability.

The school periodically (at least annually) reviews interest rates and compares with other investment opportunities.

Challney High School for Boys and Community College

GOVERNORS' REPORT (continued)

Plans for Future Periods

The school will continue to further develop partnerships, through our Teaching School Alliance, such as the Challenge Partnership, which increase capacity and improve outcomes. Resources will be prioritised so that they are targeted effectively and have a demonstrable impact.

Improvements will continue to be made in extending the range of opportunities for our pupils through our partnership with Denbigh High School.

Auditors

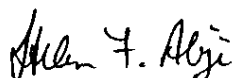
Baker Tilly UK Audit LLP has indicated its willingness to continue in office.

Statement as to disclosure of information to auditors

In so far as the governors are aware:

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

Approved by order of the Governing Board at its meeting on 5 December 2012 and signed on its behalf by



HELEN ABJI
Chair

Challney High School for Boys and Community College

GOVERNANCE STATEMENT

Scope of responsibility

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

The Governing Body has delegated the day-to-day responsibility to the Executive Principal, 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 Challney High School for Boys and the Secretary of State for Education. They are also responsible for reporting to the Governing Body any material weaknesses or breakdowns in internal control.

Governance

The information on governance included here supplements that described in the Governors' Report and in the Statement of Governors /Trustees Responsibilities. The Governing Body has formally met 4 times during the year. Attendance during the year at meetings of the governing body was as follows:

Governor	Meetings attended	Out of possible
H Abji (Chair)	4	4
Dame Y Bevan	4	4
A Ditta	3	4
S Haider	3	4
M Bull	3	4
N Kayani	1	4
N Malik	1	4
J Byrne (staff governor)	3	4
T Thomas (staff governor)	4	4
S Khan	1	4
R Khan	2	4
M Wasil	0	4

The Finance and Audit Committee is a sub-committee of the main governing body. Its purpose is to :

1. Ensure the governing body spend the school's income solely for the purposes set out in the school's governing documents and with absolute fairness between persons qualified to benefit from the charity.
2. Identify, assess, and mitigate risk both for the school as a whole and its operations and report to the governing body.
3. Provide guidance and assistance to the Executive Principal and the governing body in all matters relating to budgeting and finance.
4. Prepare the School's three year budget plan and review financial statements, including consideration of long term planning and resourcing.
5. Consider each year the School's Improvement Plan priorities and to present a three year budget plan to the governing body for approval.
6. Monitor all income and expenditure and to report on the financial situation to the Governing Body each term.
7. Determine the charging policy in the School.
8. Determine the performance management budget.
9. Ensure free provision of activities in school time (except some music tuition).
10. Annually recommend to the governing body the level of delegation to the Executive Principal for the day to day financial management of the School.
11. Annually recommend to the governing body the school's accounting policies.
12. Annually recommend to the governing body that the disposal of assets be delegated to the

Challney High School for Boys and Community College

GOVERNANCE STATEMENT

- Executive Principal on a day to day basis and that any disposals are noted at the next committee meeting
- 13 Monitor and report on how resources have been allocated for specific provision
 - 14 Vire funds as and when necessary and to report virements to the governing body at the next meeting
 - 15 Monitor expenditure and discuss any variation with those responsible for the appropriate budget(s)
 - 16 Monitor and report on any governor expenses
 - 17 Ensure the school has prepared annual financial statements to 31 August each year and the financial statements
 - 18 Ensure the audit of all funds, including gifts, relating to the school for presentation to the governing body
 - 19 Receive and where appropriate respond to periodic audit reports of public funds
 - 20 Review the internal and external financial statements and reports to ensure that they reflect best practice and report to the governing body
 - 21 Liaise with the external auditor the nature and scope of each forthcoming audit and to ensure that the external auditor has the fullest co-operation of staff
 - 22 Consider all relevant reports by the appointed external auditor, including reports on the school's accounts, achievement of value for money and the response to any management letters
 - 23 Review the effectiveness of the school's internal control system established to ensure that the aims, objectives and key performance targets of the school are achieved in the most economic, effective and environmentally preferable manner
 - 24 Ensure that the body's internal audit service meets, or exceeds, the standards specified by current government requirements and that it complies in all other respects with these requirements and meets agreed levels of service
 - 25 Consider internal audit reports, including value-for-money reports and the arrangements for their implementation

Attendance at Finance and Audit Committee meetings in the year is as follows

Governor	Meetings attended	Out of possible
Dame Y Bevan	4	4
H Abji	4	4
N Kayani	2	4
M Wasil	1	4
R Khan	0	4
J Byrne	4	4
T Thomas	3	4
A Ditta	3	4
S Haider	4	4

Challney High School for Boys and Community College

GOVERNANCE STATEMENT (continued)

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 ongoing process designed to identify and prioritise the risks to the achievement of school 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 Challney High School for Boys for the period ended 31 August 2012 and up to the date of approval of the annual report and financial statements.

Capacity to Handle Risk

The Governing Body has reviewed the key risks to which the school is exposed together with the operating, financial and compliance controls that have been implemented to mitigate those risks. The Governing Body is of the view that there is a formal ongoing process for identifying, evaluating and managing the school's significant risks that has been in place for the period ended 31 August 2012 and up to the date of approval of the annual report and financial statements. This process is regularly reviewed by the Governing Body.

The Risk and Control Framework

The school'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 twice termly financial reports which are reviewed and agreed by the Governing Body,
- regular reviews by the Finance 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 Governing Body has considered the need for a specific internal audit function and has decided not to appoint an internal auditor. However, the governors have appointed Mrs Shaheen Haider, governor, as Responsible Officer (RO). She has been supported in this role by Lorraine Thomas, who is Responsible Officer for Denbigh High School. The RO's role includes giving advice on financial matters and performing a range of checks on the school's financial systems. Termly, the RO reports to the Governing Body on the operation of the systems of control and on the discharge of the Governing Body's financial responsibilities. The RO function has been fully delivered in line with the EFA's requirements.

Challney High School for Boys and Community College

GOVERNANCE STATEMENT (continued)

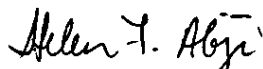
Review of Effectiveness

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


- The work of the Responsible Officer
- The work of the external auditor
- The financial management and governance self assessment process
- The work of the executive managers within the Academy Trust who have responsibility for the development and maintenance of the internal control framework

The Accounting Officer has been advised of the implications of the result of their review of the system of internal control by the Finance and General Purposes 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 Governing Body on 5 December 2012 and signed on its behalf by



HELEN ABJI
Chair



DAME YASMIN BEVAN
Accounting Officer

Challney High School for Boys and Community College

STATEMENT ON REGULARITY, PROPRIETY AND COMPLIANCE

As accounting officer of Challney High School for Boys Academy Trust I have considered my responsibility to notify the academy trust governing body and the Education Funding Agency of material irregularity, impropriety and non-compliance with EFA terms and conditions of funding, under the funding agreement in place between the academy trust and the Secretary of State. As my part of my consideration I have had due regard to the requirements of the Academies Financial Handbook.

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

I confirm that no instances of material irregular, impropriety or funding non-compliance have been discovered to date.



DAME YASMIN BEVAN
Accounting Officer

5 December 2012

Challney High School for Boys and Community College

STATEMENT OF GOVERNORS' RESPONSIBILITIES

The governors (who act as trustees for charitable activities of Challney High School for Boys and are also the directors of the Charitable Company for the purposes of company law) are responsible for preparing the Governors' Report and the financial statements in accordance with the Academies' Accounts Direction 2011/12 issued by the Education Funding Agency, United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) and applicable law and regulations.

Company law requires the governors to prepare financial statements for each financial year. Under company law the governors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the 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 governors are required to:

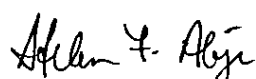
- select suitable accounting policies and then apply them consistently,
- observe the methods and principles in the Charities SORP,
- make judgments and estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures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

The governors 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 governors 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 the EFA/DfE have been applied for the purposes intended.

The governors are responsible for the maintenance and integrity of the corporate and financial information included on the 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 governing body on 5 December 2012 and signed on its behalf by



HELEN ABJI
Chair

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CHALLNEY HIGH SCHOOL FOR BOYS AND COMMUNITY COLLEGE

We have audited the financial statements of Challney High School for Boys and Community College for the year ended 31 August 2012 on pages 19 to 43 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 2011/12 issued by the Education Funding Agency

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

Respective responsibilities of governors and auditor

As explained more fully in the Statement of Governors' Responsibilities set out on page 16, the governors (who act as trustees for the charitable activities of the charitable company, and 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

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/private.cfm

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the charitable company's affairs as at 31 August 2012 and of its incoming resources and application of resources including its income and expenditure, for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice,
- have been prepared in accordance with the Companies Act 2006, and
- have been prepared in accordance with the Academies Accounts Direction 2011/12 issued by the Education Funding Agency

Opinion on other requirement of the Companies Act 2006

In our opinion the information given in the Governors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CHALLNEY HIGH SCHOOL FOR BOYS AND COMMUNITY COLLEGE (continued)

Matters on which we are required to report by exception

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

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

Baker Tilly UK Audit LLP

SUDHIR SINGH (Senior Statutory Auditor)

For and on behalf of BAKER TILLY UK AUDIT LLP, Statutory Auditor

25 Farringdon Street

London

EC4A 4AB

10 December 2012

Challney High School for Boys and Community College
STATEMENT OF FINANCIAL ACTIVITIES (INCLUDING INCOME AND
EXPENDITURE ACCOUNT AND STATEMENT OF TOTAL RECOGNISED GAINS
AND LOSSES)
for the period ended 31 August 2012

	Notes	Unrestricted funds £'000	Restricted general funds £'000	Restricted fixed asset funds £'000	Total 2012 £'000
INCOMING RESOURCES					
Income from generated funds					
Voluntary income	2	15	10	-	25
Voluntary income – transfer from local authority on conversion	2	376	(400)	3,934	3,910
Activities for generating funds	3	35	-	-	35
Investment income	4	2	-	-	2
Income from charitable activities					
Academy's educational operations	5	324	8 220	-	8 544
Total incoming resources		752	7 830	3 934	12 516
RESOURCES EXPENDED					
Cost of generating funds					
Costs of activities for generating funds		15	-	-	15
Charitable activities					
Academy's educational operations	7	264	7 159	265	7 688
Governance costs	8	-	41	-	41
Total resources expended	6	279	7 200	265	7 744
NET INCOMING RESOURCES BEFORE TRANSFERS		473	630	3,669	4 772
Gross transfers between funds	15	-	(27)	27	-
NET INCOME FOR THE PERIOD		473	603	3 696	4 772
OTHER RECOGNISED GAINS AND LOSSES					
Actuarial (losses) on defined benefit schemes	22	-	(220)	-	(220)
NET MOVEMENT IN FUNDS		473	383	3,696	4 552
RECONCILIATION OF FUNDS					
Total funds brought forward at 10 March 2011		-	-	-	-
TOTAL FUNDS CARRIED FORWARD AT 31 AUGUST 2012	15	473	383	3 696	4 552

All of the Academy Trust's activities derive from acquisitions during the above financial period

Challney High School for Boys and Community College

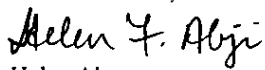
BALANCE SHEET

31 August 2012

Company Registration No 07559901

	Notes	2012 £'000	2012 £'000
FIXED ASSETS			
Tangible assets	12		3,696
CURRENT ASSETS			
Debtors	13	298	
Cash at bank and in hand		1,622	
		<u>1,920</u>	
CREDITORS Amounts falling due within one year	14	(447)	
		<u>1,473</u>	
NET CURRENT ASSETS			
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>5,169</u>
NET ASSETS EXCLUDING PENSION LIABILITY			<u>5,169</u>
Pension scheme liability	22		(617)
NET ASSETS INCLUDING PENSION LIABILITY			<u>4,552</u>
FUNDS OF THE ACADEMY TRUST			
RESTRICTED FUNDS			
Restricted fixed asset fund	15		3,696
Restricted general fund excluding pension scheme deficit	15		1,000
			<u>4,696</u>
Pension reserve			(617)
TOTAL RESTRICTED FUNDS			<u>4,079</u>
UNRESTRICTED FUNDS			
General fund			473
TOTAL UNRESTRICTED FUNDS	15		<u>473</u>
TOTAL FUNDS			<u>4,552</u>

The financial statements on pages 19 to 43 were approved by the governors and authorised for issue on 5 December 2012, and are signed on their behalf by


Helen Abji
Chair

Challney High School for Boys and Community College

CASH FLOW STATEMENT

for the period ended 31 August 2012

	Notes	2012 £'000
NET CASH FLOW FROM OPERATING ACTIVITIES	17	1,271
Returns on investments and servicing of finance	18	2
Capital expenditure	19	(27)
Cash transferred on conversion to an academy trust	19A	376
(DECREASE)/INCREASE IN CASH IN THE PERIOD	20	1,622
RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS		
NET FUNDS AT 10 MARCH 2011		-
NET FUNDS AT 31 AUGUST 2012		1,622

All of the cash flows are derived from acquisitions in the current financial period

Challney High School for Boys and Community College

ACCOUNTING POLICIES

Basis of Preparation

The financial statements have been prepared under the historical cost convention in accordance with applicable United Kingdom Accounting Standards, the Statement of Recommended Practice ('SORP 2005') 'Accounting and Reporting by Charities', the Academies Accounts Direction 2011/12 issued by the Education Funding Agency and Companies Act 2006. A summary of the principal accounting policies, which have been applied consistently, except where noted, is set out below.

Going Concern

The financial statements have been prepared under the going concern basis. No material uncertainties related to events or conditions cast a significant doubt on the ability of the company to continue as a going concern. The governors make this assessment in respect of a period of one year from the date of approval of the financial statements. Challney High School for Boys has secured funding of £5,065,102 from the EFA for the next academic year.

Incoming resources

All incoming resources are recognised when the Academy Trust has entitlement to the funds, certainty of receipt and the amount can be measured with sufficient reliability.

Grants receivable

Fixed asset 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. The general annual grant ('the GAG') from the DfE, which is intended to meet recurrent costs, is credited directly to the Statement of Financial Activities. Other grants from government agencies and other bodies are recognised in the period in which they are receivable to the extent the conditions of funding have been met. Where income is received in advance of entitlement of receipt its recognition is deferred and included in creditors as deferred income. Where entitlement occurs before income is received the income is accrued.

Donations

Donations are recognised on a receivable basis where there is entitlement, certainty of receipt and the amount can be reliably measured.

Other income

Other income including hire of facilities is recognised in the period it is receivable and to the extent the goods have been provided or the completion of the service.

Donated Services and gifts in kind

The value of donated services and gifts in kind provided to Challney High School for Boys are recognised at their open market value in the period in which they are receivable as incoming resources, where the benefit to the school can be reliably measured. An equivalent amount is included as expenditure under the relevant heading in the Statement of Financial Activities, except where the gift in kind was a fixed asset, in which case the amount is included in the appropriate fixed asset category and depreciated over the useful economic life, in accordance with the school's policies.

Interest receivable

Interest receivable is included in the Statement of Financial Activities on a receivable basis, and is stated inclusive of related tax credits.

Challney High School for Boys and Community College

ACCOUNTING POLICIES (continued)

Resources expended

All expenditure is recognised in the period in which a liability is incurred and has been classified under headings that aggregate all costs related to that category. Where costs cannot be directly attributed to particular headings they have been allocated to each activity cost category on a basis consistent with the use of resources, with central staff costs allocated on the basis of time spent, and depreciation charges on the portion of the asset's use. Other support costs are allocated based on the spread of staff costs.

Costs of generating funds are costs incurred in attracting voluntary income, and those incurred in trading activities that raise funds.

Governance costs include the costs attributable to the Academy Trust's compliance with constitutional and statutory requirements, including audit, strategic management and Governors' meetings and reimbursed expenses.

All resources expended are inclusive of irrecoverable VAT.

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 Governors.

Restricted General funds are resources subject to specific restrictions imposed by funders or donors, and include grants from the Education Funding Agency.

Restricted Fixed Assets Funds are resources which are to be applied to specific capital purposes imposed by the DfE where the asset acquired or created is held for a specific purpose.

Tangible fixed assets

Tangible fixed assets costing £5,000 or more are capitalised at cost 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 the related grants require the asset to be held for a specific purpose they are credited to a restricted fixed asset fund in the Statement of Financial Activities and carried forward in the Balance Sheet, with this amount being reduced over the useful economic life of the related asset on a basis consistent with the depreciation policy.

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
ICT equipment

Over 20 years straight line basis
4 years straight line basis

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.

Taxation

The Academy Trust is considered to pass the tests set out in Paragraph 1 Schedule 6 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 Chapter 3 Part 11 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.

Challney High School for Boys and Community College

ACCOUNTING POLICIES (continued)

Leased assets

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

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, are contracted out of the State Earnings-Related Pension Scheme ('SERPS'), and the assets are held separately from those of the Academy Trust

As described in note 22, the LGPS Obligation relates to the employees of the Academy Trust, who were the employees transferred as part of the conversion from the maintained school and new employees who were eligible to, and did, join the scheme in the period. The obligation in respect of employees who transferred on conversion represents their cumulative service at both the predecessor school and the Academy Trust at the balance sheet date

The TPS is an unfunded scheme and contributions are calculated so as to spread the cost of pensions over employees' working lives with the Academy Trust in such a way that the pension cost is a substantially level percentage of current and future pensionable payroll. The contributions are determined by the Government Actuary on the basis of quinquennial valuations using a prospective benefit method. As stated in Note 22, the TPS is a multi-employer scheme and the Academy Trust is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis. The TPS is therefore treated as a defined contribution scheme and the contributions recognised as they are paid each year

The LGPS is a funded scheme and the assets are held separately from those of the Academy Trust in separate trustee administered funds. Pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis using the projected unit 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 gains and losses on settlements and curtailments. They are included as part of staff costs. Past service costs are recognised immediately in the Statement of Financial Activities if the benefits have vested. If the benefits have not vested immediately, the costs are recognised over the period until vesting occurs. The expected return on assets and the interest cost are shown as a net finance amount of other finance costs or credits adjacent to interest. Actuarial gains and losses are recognised immediately in other gains and losses

Conversion to an Academy Trust

The conversion from a state maintained school to an academy trust, involved the transfer of identifiable assets and liabilities and the operation of the school for £nil consideration and has been accounted for under the acquisition accounting method

The assets and liabilities transferred on conversion from the maintained school Challney High School for Boys and Community College to an academy trust have been valued at their fair value being a reasonable estimate of the current market value that the governors would expect to pay in an open market for an equivalent item. Their fair value is in accordance with the accounting policies set out for Challney High School for Boys and Community College. The amounts have been recognised under the appropriate balance sheet categories, with a corresponding amount recognised in voluntary income as a gift/ as net expenditure in other resources expended in the SOFA and analysed under unrestricted, restricted general and restricted fixed asset funds. Further details of the transaction are set out in note 24

Challney High School for Boys and Community College

NOTES TO THE FINANCIAL STATEMENTS

for the period ended 31 August 2012

1	GENERAL ANNUAL GRANT (GAG)	
		2012
		£'000
a)	Results and carry forward for the period	
	GAG allocation for current period	7,535
		<hr/>
	TOTAL GAG AVAILABLE TO SPEND	7,535
	Recurrent expenditure from GAG	(6,626)
	Fixed assets purchased from GAG	(27)
		<hr/>
	GAG CARRIED FORWARD TO NEXT PERIOD	882
		<hr/>
	Maximum permitted GAG carry forward at end of current period (12% of allocation for current period)	904
		<hr/>
	GAG TO SURRENDER TO DfE (12% rule breached if result is positive)	(22)
		<hr/>
		no breach
b)	Use of GAG brought forward from previous period for recurrent purposes (of the amount carried forward each period, a maximum of 2% of GAG can be used for recurrent purposes. Any balance, up to a maximum of 12%, can only be used for capital purposes)	
	Recurrent expenditure from GAG in current period	6,626
	GAG allocation for current period	(7,535)
		<hr/>
	GAG brought forward from previous period in excess of 2%, used on recurrent expenditure in current period (2% rule breached if result is positive)	(909)
		<hr/>
		no breach

Challney High School for Boys and Community College

NOTES TO THE FINANCIAL STATEMENTS

for the period ended 31 August 2012

2 VOLUNTARY INCOME

	Unrestricted funds £ 000	Restricted funds £ 000	Restricted fixed asset funds £ 000	2012 Total £'000
Assets inherited from the local authority upon conversion	376	(400)	3,934	3,910
Other donations	15	10	-	25
	<u>391</u>	<u>(390)</u>	<u>3,934</u>	<u>3,935</u>

3 ACTIVITIES FOR GENERATING FUNDS

	2012 £'000
Trip income	35
	<u>35</u>

4 INVESTMENT INCOME

	2012 £ 000
Bank interest	2
	<u>2</u>

Challney High School for Boys and Community College

NOTES TO THE FINANCIAL STATEMENTS

for the period ended 31 August 2012

5 CHARITABLE ACTIVITIES - FUNDING FOR ACADEMY'S EDUCATIONAL OPERATIONS			
	Unrestricted funds £ 000	Restricted funds £'000	Total 2012 £'000
DfE/EFA REVENUE GRANTS			
General annual grant (GAG) (note 1)	-	7,535	7,535
Other DfE/EFA grants	9	215	224
	<u>9</u>	<u>7,750</u>	<u>7,759</u>
OTHER GOVERNMENT GRANTS			
Partnerships for school-Academies	-	111	111
Academies capital maintenance fund	-	108	108
Other government grants	-	104	104
Local Authority grants	25	-	25
Special educational projects	-	147	147
	<u>25</u>	<u>470</u>	<u>495</u>
OTHER INCOME			
Chiltern training group – salary and overhead reimbursement	212	-	212
Provision of leisure facilities	46	-	46
Other income	32	-	32
	<u>290</u>	<u>-</u>	<u>290</u>
TOTAL	<u>324</u>	<u>8,220</u>	<u>8,544</u>

Challney High School for Boys and Community College

NOTES TO THE FINANCIAL STATEMENTS

for the period ended 31 August 2012

6 RESOURCES EXPENDED

	Staff costs £'000	Non pay expenditure Premises £'000	Other costs £'000	Total 2012 £'000
Costs of generating funds	-	-	15	15
Academy's educational operations				
Direct costs	5,042	-	579	5,621
Allocated support costs	734	871	462	2,067
	<u>5,776</u>	<u>871</u>	<u>1,056</u>	<u>7,703</u>
Governance costs including allocated support costs	1	-	40	41
	<u>5,777</u>	<u>871</u>	<u>1,096</u>	<u>7,744</u>
Net incoming resources for the period				2012 £'000
Fees payable to Baker Tilly UK Audit LLP and its associates for				
- audit				10
- other services				8
				<u>18</u>

Challney High School for Boys and Community College

NOTES TO THE FINANCIAL STATEMENTS

for the period ended 31 August 2012

7 CHARITABLE ACTIVITIES – ACADEMY'S EDUCATIONAL OPERATIONS

2012

£ 000

DIRECT COSTS

Teaching and educational support staff costs	5,042
Educational supplies	113
Examination fees	105
Staff development	16
Educational consultancy	82
Other direct costs	263

5 621

ALLOCATED SUPPORT COSTS

Support staff costs	734
Depreciation	265
Recruitment and support	44
Maintenance of premises and equipment	462
Cleaning	122
Rent and rates	21
Insurance	89
Security and transport	17
Catering	208
Bank interest and charges	1
Other support costs	104

2,067

7,688

8 GOVERNANCE COSTS

2012

£'000

Legal and professional fees	22
Auditors' remuneration	
Audit of financial statements	18
Statutory accounts preparation	
Support costs	1

41

Challney High School for Boys and Community College

NOTES TO THE FINANCIAL STATEMENTS

for the period ended 31 August 2012

9 STAFF COSTS

2012
£'000

Staff costs during the period were

Wages and salaries	4,777
Social security costs	385
Pension costs	505
	<hr/>
	5,667

Supply teacher costs	110
	<hr/>
	5,777
	<hr/> <hr/>

The average number of persons (including senior management team) employed by the Academy Trust during the period was as follows

	2012 No
Teachers	52
Administration and support	42
Management	7
	<hr/>
	101
	<hr/> <hr/>

The number of employees whose emoluments within the 17 month period fell within the following bands was

	2012 No
£60,001 - £70,000	12
£70,001 - £80,000	6
£80,001 - £90,000	2
£90,001 - £100,000	1
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All of the above employees participated in the Teachers' Pension Scheme. During the period ended 31 August 2012, pension contributions for these staff amounted to £190,473

Challney High School for Boys and Community College

NOTES TO THE FINANCIAL STATEMENTS

for the period ended 31 August 2012

10 GOVERNORS REMUNERATION AND EXPENSES

Principal and staff governors only receive remuneration in respect of services they provide undertaking the roles of Principal and staff members under their contracts of employment and not in respect of their services as governors. The value of the Principal's remuneration was £43,882 in 2012.

In respect of their role as members of staff Governors received aggregate remuneration of £128,502.

During the period ended 31 August 2012, travel and subsistence expenses totalling £41 were reimbursed to governors.

Related party transactions involving the governors are set out in note 23.

11 GOVERNORS' AND OFFICERS' INSURANCE

In accordance with normal commercial practice the Academy Trust has purchased insurance to protect governors and officers from claims arising from negligent acts, errors or omissions occurring whilst on Academy Trust business. The insurance provides cover up to £500,000 on any one claim and the cost for the period ended 31 August 2012 was £1,899.

The cost of this insurance is included in the total insurance cost.

Challney High School for Boys and Community College

NOTES TO THE FINANCIAL STATEMENTS

for the period ended 31 August 2012

12 TANGIBLE FIXED ASSETS

	<i>Freehold land and buildings £'000</i>	<i>Fixtures fittings and equipment £'000</i>	<i>Total £'000</i>
Cost			
Transfer on conversion (note 24)	3,900	34	3,934
Additions	-	27	27
	<hr/>	<hr/>	<hr/>
31 August 2012	3,900	61	3,961
	<hr/>	<hr/>	<hr/>
Depreciation			
Charged in the period	248	17	265
	<hr/>	<hr/>	<hr/>
31 August 2012	248	17	265
	<hr/>	<hr/>	<hr/>
Net book value			
31 August 2012	3,652	44	3,696
	<hr/>	<hr/>	<hr/>

13 DEBTORS

	2012 £'000
Prepayments	54
Other debtors	244
	<hr/>
	298
	<hr/>

Challney High School for Boys and Community College

NOTES TO THE FINANCIAL STATEMENTS

for the period ended 31 August 2012

14	CREDITORS Amounts falling due within one year	2012 £'000
	Trade creditors	331
	Other creditors	27
	Accruals and deferred income	89
		<hr/>
		447
		<hr/>
	Deferred income	£'000
	Resources deferred in the period	69
		<hr/>
	Deferred income at 31 August 2012	69
		<hr/>
	Deferred income relates to grant income for the 2012-13 academic year received in advance	

Challney High School for Boys and Community College

NOTES TO THE FINANCIAL STATEMENTS

for the period ended 31 August 2012

15 FUNDS

	<i>Incoming resources £ 000</i>	<i>Resources expended £ 000</i>	<i>Gains losses and transfers £ 000</i>	<i>At 31 August 2012 £'000</i>
RESTRICTED				
GENERAL FUNDS				
General Annual Grant (GAG) (excluding pension reserve	7,535	(6,626)	(27)	882
Pension reserve	(400)	3	(220)	(617)
General Annual Grant (GAG)	7,135	(6,623)	(247)	265
Start Up Grant				
Other DfE/EFA grants	215	(215)	-	-
Partnerships for school- Academies	111	(111)	-	-
Academies capital maintenance fund	108	-	-	108
Other government grants	104	(104)	-	-
Special educational needs projects	147	(147)	-	-
Community College	10	-	-	10
	7 830	(7,200)	(247)	383
RESTRICTED FIXED ASSET FUNDS				
Inherited fixed assets	3,934	(265)	-	3 669
Capital expenditure from GAG	-	-	27	27
	3,934	(265)	27	3,696
TOTAL RESTRICTED FUNDS	11,764	(7,465)	(220)	4 079
UNRESTRICTED FUNDS				
Unrestricted funds	752	(279)	-	473
TOTAL UNRESTRICTED FUNDS	752	(279)	-	473
TOTAL FUNDS	12,516	(7,744)	(220)	4,552

Challney High School for Boys and Community College

NOTES TO THE FINANCIAL STATEMENTS

for the period ended 31 August 2012

15 FUNDS (*continued*)

The General Annual Grant (GAG) represents the core funding for the educational activities of the school that has been provided to the academy via the Education Funding Agency by the Department for Education. The General Annual Grant Fund has been set up because the GAG must be used for the normal running costs of the academy. The academy is allowed to carry forward up to 12% of the current GAG, and of the carried forward amount, up to 2% of GAG can be used for general purposes at the discretion of the academy, but any balance over 2% must be used for capital purposes.

The pension reserve fund separately identifies the pension deficit inherited from the local authority upon conversion to academy status and is where all the pension scheme movements are recognised.

The other material restricted general funds represent incoming resources for the following specific purposes:

- a) Pupil premium grant, allocated to schools with pupils that are known to be eligible for free school meals to raise attainment for pupils from low income families
- b) Funding allocated to pupils with statements of special educational needs

Partnerships for Schools – Academies Capital Maintenance Fund. This was a capital grant allocation for the replacement of windows to the value of £111,440.

The Inherited Fixed Assets Fund has been set up to recognise the tangible assets gifted to the academy upon conversion by the local authority which represent the school site inherited from the local authority including the freehold land and buildings and all material items of plant and machinery included therein. Depreciation charged on those inherited assets is allocated to the fund.

Challney High School for Boys and Community College

NOTES TO THE FINANCIAL STATEMENTS

for the period ended 31 August 2012

16	ANALYSIS OF NET ASSETS BETWEEN FUNDS	Unrestricted funds £'000	Restricted general £'000	Restricted fixed asset funds £'000	Total funds £'000
	Tangible fixed assets	-	-	3,696	3,696
	Current assets	473	1,447	-	1,920
	Current liabilities	-	(447)	-	(447)
	Pension scheme liability	-	(617)	-	(617)
		<hr/>	<hr/>	<hr/>	<hr/>
	TOTAL NET ASSETS AT 31 AUGUST 2012	473	383	3,696	4,552
		<hr/>	<hr/>	<hr/>	<hr/>

Challney High School for Boys and Community College

NOTES TO THE FINANCIAL STATEMENTS

for the period ended 31 August 2012

17	RECONCILIATION OF NET INCOME TO NET CASH INFLOW FROM OPERATING ACTIVITIES		2012 £'000
	Net income		4,772
	Cash impact of transfer on conversion (note 24)		(3,910)
	Depreciation (note 12)		265
	Interest receivable		(2)
	FRS 17 pension finance income (note 22)		(3)
	(Increase) in debtors		(298)
	Increase in creditors		447
			<hr/>
	NET CASH INFLOW FROM OPERATING ACTIVITIES		1,271 <hr/>
18	RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		
	Interest received		2
			<hr/>
	NET CASH INFLOW FROM RETURNS ON INVESTMENT AND SERVICING OF FINANCE		2 <hr/>
19	CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT		
	Purchase of tangible fixed assets		(27)
			<hr/>
	NET CASH OUTFLOW FROM CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT		(27) <hr/>
19A	CASH TRANSFERRED ON CONVERSION TO AN ACADEMY		
	Cash balance transferred on conversion (note 24)		376
			<hr/>
	NET CASH INFLOW FROM CASH ON CONVERSION TO AN ACADEMY		376 <hr/>
20	ANALYSIS OF CHANGES IN NET FUNDS		
		At 10 March 2011 £'000	Cash flows £ 000
	Cash in hand and at bank	-	1 622
		<hr/>	<hr/>
		-	1 622
		<hr/>	<hr/>

Challney High School for Boys and Community College

NOTES TO THE FINANCIAL STATEMENTS

for the period ended 31 August 2012

21 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 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 pension schemes the Teachers' Pension Scheme England and Wales (TPS) for academic and related staff, and the Local Government Pension Scheme (LGPS) for non-teaching staff, which is managed by Bedford Borough Council Both are 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 2004 and of the LGPS 31 March 2010

Teachers' Pension Scheme

The TPS is an unfunded defined benefit scheme Contributions on a "pay-as-you-go" basis are credited to the Exchequer under arrangements governed by the Superannuation Act 1972 A notional asset value is ascribed to the scheme for the purpose of determining contribution rates

The pensions cost is normally assessed no less than every four years in accordance with the advice of the Government Actuary The assumptions and other data that have the most significant effect on the determination of the contribution levels are as follows

Latest actuarial valuation (under the new provisions)	31 March 2004
Actuarial method	Prospective benefits
Investment returns per annum	6.5 per cent per annum
Salary scale increases per annum	5.0 per cent per annum
Notional value of assets at date of last valuation	£162,650 million

Proportion of members' accrued benefits covered by the notional value of the assets	98.88%
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Following the implementation of Teacher's Pension (Employer' Supplementary Contribution) Regulations 2000, the Government Actuary carried out a further review on the level of employer contributions For the period from 1 September 2011 to 31 August 2012 the employer contribution was 14.1 per cent The employee rate was 6.4% for the same period

Under the definitions set out in Financial Standards (FRS 17) Retirement Benefits, the TPS is a multi-employer pension scheme The Academy Trust is unable to identify its share of the underlying assets and liabilities of the scheme

Accordingly, the Academy Trust has taken the exemption in FRS 17 and 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 and the implications for the Academy Trust in terms of the anticipated rates

Challney High School for Boys and Community College

NOTES TO THE FINANCIAL STATEMENTS

for the period ended 31 August 2012

22 PENSION AND SIMILAR OBLIGATIONS (continued)

Local Government Pension Scheme

The LGPS is a funded defined-benefit scheme, with the assets held in separate trustee-administered funds. The total contribution made for the period ended 31 August 2012 was £237,000, of which employer's contributions totalled £176,000 and employees' contribution totalled £61,000. The agreed rates for future years are 20.9 per cent for employers and between 5.5 and 7.5 per cent for employees dependent on differing salary bands.

Principal actuarial assumptions

	2012 %
Rate of increase in salaries	4.5
Rate of increase for pensions in payment	2.2
Discount rate	4.1
Inflation (CPI)	2.1

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

	2012 years
Retiring today	
Males	21.6
Females	23.2
Retiring in 20 years	
Males	23.6
Females	25.6

Challney High School for Boys and Community College

NOTES TO THE FINANCIAL STATEMENTS

for the period ended 31 August 2012

22 PENSION AND SIMILAR OBLIGATIONS (continued)

Local Government Pension Scheme (continued)

The Academy Trust's share of the assets and liabilities in the scheme and the expected rates of return were

	Expected return at 31 August 2012 %	Fair value at £'000
Equities	5.5	574
Bonds	3.5	187
Property	3.7	99
Other assets	2.8	242
TOTAL MARKET VALUE OF ASSETS		1,102
Present value of scheme liabilities - Funded		(1,719)
(DEFICIT) IN THE SCHEME		(617)

The actual return on scheme assets was £30,000

Amounts recognised in the statement of financial activities	2012 £'000
Current service cost (net of employee contributions)	152
Total operating charge	152
Analysis of pension finance income/(costs)	
Expected return on pension scheme assets	85
Interest on pension liabilities	(106)
Pension finance (costs)	(21)

Challney High School for Boys and Community College

NOTES TO THE FINANCIAL STATEMENTS

for the period ended 31 August 2012

22 PENSION AND SIMILAR OBLIGATIONS (continued)

Local Government Pension Scheme (continued)

The actuarial gains and losses for the current period are recognised in the SOFA. The cumulative amount of actuarial gains and losses recognised in the statement of recognised gains and losses since the adoption of FRS 17 is £220,000

Movements in the present value of defined benefit obligations were as follows:	2012 £'000
At 1 April 2011	(1 235)
Current service cost	(152)
Interest cost	(106)
Employee contributions	(61)
Actuarial gain/(loss)	(165)
	<hr/>
At 31 August 2012	(1,719)
	<hr/>
Movements in the fair value of Academy Trust's share of scheme assets:	
At 1 April 2011	835
Expected return on assets	85
Actuarial (loss)	(55)
Employer contributions	176
Employee contributions	61
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At 31 August 2012	1,102
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The estimated value of employer contributions for the year ended 31 August 2013 is £117,000

Challney High School for Boys and Community College

NOTES TO THE FINANCIAL STATEMENTS

for the period ended 31 August 2012

22 PENSION AND SIMILAR OBLIGATIONS (continued)

Local Government Pension Scheme (continued)

The five-year history of experience adjustments is as follows.

	2012 £'000
Present value of defined benefit obligations	(1,719)
Fair value of share of scheme assets	1,102
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Deficit in the scheme	(617)
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Experience adjustments on share of scheme assets Amount £'000	(55)
Experience adjustments on scheme liabilities Amount £'000	(165)

23 RELATED PARTIES

Owing to the nature of the Academy Trust's operations and the composition of the board of governors being drawn from local public and private sector organisations, it is inevitable that transactions will take place with organisations in which a member of the board of governors may have an interest. All transactions involving such organisations are conducted at arm's length and in accordance with the Academy Trust's financial regulations and normal procurement procedures.

Transactions totalling £17,280 relating to Teaching Schools took place with Challney Boys and Denbigh High Schools Ltd. A balance of £20,736 was outstanding at the year end.

Challney High School for Boys and Community College

NOTES TO THE FINANCIAL STATEMENTS

for the period ended 31 August 2012

24 CONVERSION TO AN ACADEMY TRUST

On 1 April 2011 Challney High School for Boys and Community College converted to academy trust status under the Academies Act 2010 and all the operations and assets and liabilities were transferred to Challney High School for Boys and Community College from Luton Local Authority for £nil consideration

The transfer has been accounted for using the acquisition method. 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 net income/expended in the Statement of Financial Activities as voluntary income.

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

	TOTAL £'000	Voluntary income expended analysis:		
		Unrestricted Funds £'000	Restricted General Fund £'000	Restricted Fixed Asset Funds £'000
Tangible fixed assets				
Freehold land and buildings	3,934	-	-	3,934
School budget surplus from Bedford Local Authority	376	376	-	-
LGPS pension deficit	(400)	-	(400)	-
Net assets	3,910	376	(400)	3,934

The above net assets include £376,145 that were transferred as cash

25 SIGNIFICANT SHAREHOLDING

Challney High School has a 50% investment in Denbigh High School and Challney High School Limited, a company limited by guarantee

The activities of this company have been referred to in further detail in the Governors' Report

The governors consider that the market value of this investment is nil

26 FINANCIAL COMMITMENTS

Operating leases

At 31 August the Academy Trust had annual commitments under non-cancellable operating leases as follows

	2012 £'000
Other	
Expiring within two and five years	15
Expiring in more than five years	1