

**Challenger Multi Academy Trust
(A Company Limited by Guarantee)**

Annual Report

and

Financial Statements

for the Year Ended 31 August 2019

Company Registration Number:
09270040 (England and Wales)

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Challenger Multi Academy Trust

Reference and Administrative Details

Members

Sally Dicketts (appointed 1 March 2019)
The Challenger Trust
Jeremy Parrish
Frank Green

Trustees

Sarah Brown (appointed 9 January 2019)
Peter Knell
Stephen Chamberlain (resigned 31 October 2019)
Andrew Urbanek (resigned 31 December 2018)
Frank Green
Zarna Banerjee (appointed 31 January 2019)
John Revill (appointed 9 January 2019, resigned 16 December 2019)
Sally Dicketts (resigned 28 February 2019)
Nick Palazzo-Corner (appointed 20 June 2019, resigned 9 December 2019)
Emma Reade (appointed 20 June 2019, resigned 7 November 2019)

Senior Management Team

Chief Executive Officer
Chief Financial Officer
Director of Education
Director of LLTC
Finance and Operations Manager

Stephen Chamberlain
Jesse White (appointed 3 December 2018)
Kate Holland (resigned 31 August 2019)
John Kane (resigned 31 January 2019)
Becky Welton (appointed 5 November 2018)

Company Name

Challenger Multi-Academy Trust

Principal and Registered Office

Kempston Challenger Academy
Hill Rise
Kempston
Bedford
MK42 7EB

Company Registration Number

09270040

Independent Auditor

Crowe U.K. LLP
St Brides House
Salisbury Square
London
EC4Y 8EH

Bankers

Lloyds Bank PLC
Chepstow Branch
7 Manor Way
Chepstow
Monmouthshire
NP16 5HZ

Solicitors

Veale Wasbrough Vizards LLP
Orchard Court
Orchard Lane
Bristol
BS1 5WS

Trustees' Report

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

During the year, the Trust operated seven schools across Bedfordshire and Essex:

- **Lancot School** based in Dunstable in Bedfordshire, which converted as a fast track academy on 1st September 2015, when it joined the Trust. Prior to this, the school had been judged by Ofsted to have 'Serious Weaknesses'. **It was judged to be 'Good' in all areas by Ofsted in July 2018.**
- **Kempston Challenger Academy (KCA)**, based in Kempston, opened in September 2016 as a merger of the Robert Bruce Middle School ('RBMS') and the Hastingsbury Business and Enterprise College ('HBEC'), it joined the Trust in September 2015. The academy became a full secondary provision in September 2018 and was **judged to be 'Good' in all areas by Ofsted in September 2018.**
- **Daubeney Academy (DA)**, also based in Kempston, joined on 1 September 2016 as an existing middle school academy with a 'Good' Ofsted rating from May 2016. It is now a small secondary 11-16 school.
- **The Deanes School**, based in Thundersley, near Southend in Essex, joined in October 2016 as a sponsored academy. It had historically been at significant risk of closure with strong local competition and a 'Requires Improvement' Ofsted rating. The Deanes caters for 11-16 year olds. **The academy was inspected in September 2019 under the new framework and was given a 'Requires Improvement' rating but with 'Good' for behaviour and 'Good' for personal Development**
- **Hadleigh Junior School**, based in Hadleigh, near Southend has pupils aged from 7-11 and joined as an existing academy in March 2017. It currently holds a 'Good' Ofsted rating obtained in December 2013.
- **The Westborough School** which is based in Southend, Essex and has pupils from age 3-11, joined as an existing academy in July 2017. It also joined as a good, but 'coasting' school.
- **Springfield Lower School**, based in Kempston, joined CMAT in November 2017 as a 'requires improvement' convertor school. It is now a full age primary school and is now called **Springfield Primary School (SP).**
- The three academies in Kempston are now working together under new leadership as **The Kempston Challenger Federation.**

The Trust's academies had a combined pupil roll of 2,980 in the October 2019 term's school census. Total capacity is 3,989.

The financial statements have been prepared in accordance with the accounting policies on page 33 of this document, and comply with the charitable company's Articles of Association, the Academies Accounts Direction issued by the ESFA, the Companies Act 2006 and Charities SORP (FRS102). The financial results for the Trust presented in these accounts for the year to 31 August 2019 and the financial position at 31 August 2019 only include the central trust activities and the individual academies.

STRUCTURE, GOVERNANCE AND MANAGEMENT

Constitution

The Challenger Multi Academy Trust (the 'Trust') is a company limited by guarantee, incorporated on 17 October 2014, with no share capital (registration no. 9270040) and an exempt charity. The charitable company's memorandum and articles of association are the primary governing documents of the multi-academy trust. The trustees of The Challenger Multi Academy Trust Limited are also the directors of the charitable company for the purposes of company law.

Details of the trustees who were in office at 31 August 2019 and who served during the year are included in the Reference and Administration Details on page 3.

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/they are members, or within one year after he/she/they cease to be a member, such amount as may be required, not exceeding £10, for the debts and liabilities contracted before he/she/they cease to be a member.

Trustees' Indemnities

The Trustees are directors of the charitable company for the purposes of the Companies Act 2006 and Trustees for the purposes of charity legislation. Trustees of the company are covered by the Trust's insurance policy under their Trustees indemnity policy.

Method of Recruitment and Appointment or Election of Trustees

The members of the Trust are: the subscribers to the Memorandum and Articles of Association of the Trust. The trustees include up to 4 persons who may be appointed as trustees by the Trust; the chairman of Trustees; and any additional members as set out in article 16. Any potential new trustees are interviewed by The Trust by the Chief Executive, to ensure suitability and relevant experience relevant to the interests of the Trust. The term of office is 4 years and thereafter they may be re-appointed.

Policies and Procedures Adopted for the Induction and Training of Trustees

An induction programme is in place for new Trustees which enables them to gain an understanding of the ethos, values and strategic direction of the Trust, as well as the responsibilities of charity trustees. Trustees are also required to visit the academies and participate in governance training programmes.

Organisational Structure

The Challenger Board meets on a regular basis throughout the year and receives regular reports from the Chief Executive and Chief Financial Officer. Financial matters including the audit are considered as part of the main board agenda items.

CMAT joined Challenge Partners which provides peer assessment and challenge between schools and academies. During 2018/2019 the trust restructured its senior leadership functions and created three Executive Head roles from within the trust who have responsibilities for secondary, primary and special provision across the trust as well as wider elements with the trust improvement plan.

The Executive is made up of the members listed on page 3. It is responsible for implementing the policies laid down by the Trustees and reporting back to them. Each academy has its own Local Governing Body as set out in the Memorandum and Articles of Association and their accountabilities/responsibilities are set out in the ARCI framework. They act as a critical friend to the head teacher and senior leaders and are responsible for monitoring, challenging and supporting them in raising standards in areas at the academy

Since our last report, further steps have been taken by CMAT in order to reach this standard across all areas of its responsibility

Including:

- Appointed a new Chairman, Frank Green CBE who has extensive experience in both Multi Academy Trusts as a former Chief Executive of one of the top seven MATs in the country (as identified by Ofsted) and more broadly in education as the former National Commissioner for Schools (NSC)
- Recruited three new members to the Board of Trustees through the Academy Ambassadors with extensive experience in finance and business at national and international level and experience of serving as trustees on trust boards
- Development of integrated and inclusive mechanisms across the Trust and in our academies for strategic, educational, business and financial planning.
- Strengthening of governance structures between the Board and local governing bodies through the implementation of a cohesive and effective model of governance and enables the trust's educational, business and financial plans to be effective.
- Identification, management and monitoring the risks that go with the potential growth in the number of schools joining the Trust as well as increased numbers of staff and pupils/students - be these risk financial, governance, educational, health and safety or personnel related. The trustees have also started to explore how partnerships with other local trusts may help to mitigate risks and also provide opportunities for growth.

The trust has a Lead Officer for Governance and Policy Development, Julie Brasier who is responsible with the CEO for leading the work of LGB clerks for each academy ensuring that the trust's Key Performance Indicators and mission, vision and values are reflected in the setting of agenda items etc.

Related Parties and other Connected Charities and Organisation

CMAT procured services totalling £1,800 during the period from Pop-Up Foundation Limited - a company in which Stephen Chamberlain (Chief Executive Officer of the Trust) has been a director since March 2018. These services related to the delivery and development of residential programmes in France for CMAT pupils and linking CMAT academies to other schools and education provisions internationally that are

focused on developing learning outside the classroom in sustainable communities. This was delivered at cost on a non-profit basis.

Arrangements for setting pay and remuneration for key management personnel

Trustees do not receive any remuneration for their role.

The pay of Key Management Personnel noted on page 3 (Executive Group) is determined by the Board. The levels of pay are assessed in accordance with the prevailing market rates and performance by the individuals.

Trade union facility time

No Challenger Multi-Academy Trust employees were relevant union officials during their CMAT working time from 1 September 2018 – 31 August 2019.

OBJECTIVES AND ACTIVITIES

Objects, Aims and Objectives

The principal object and activity of the charitable company is to advance for the public benefit education in the United Kingdom, in particular by establishing, maintaining, carrying on and developing an academy offering a broad curriculum.

Objectives, Strategies and Activities

The main objectives of the Trust during the year ended 31st August 2019 are summarised below. The Trust's main strategy is encompassed in its mission statement which is:

Mission: Our mission is to create a family of outstanding schools where every young person has the opportunity to participate in engaging and active learning experiences that prepare them for the future and helps them aspire to achieve excellent educational outcomes.

Vision: For all members of our community to embrace challenges in developing their learning and expect excellence from themselves, each other, their schools and communities.

- Values
- Leadership
- Service
- Creativity
- Aspiration
- Excellence

What we create:

- Successful learners, always with an eye on personal improvement.
- Effective contributors, with a clear vision of the future and their contribution to it.
- Confident individuals, able to face change and challenge with good character and optimism.

- Responsible citizens –always willing to take and make opportunities for development

What makes us different:

- A focus on & commitment to 'Learning Outside the Classroom'.
- The development and measurement of Leadership & Character as part of the
- 'Challenger Diploma'.

Our Approach to School Improvement

The Trust now has five Key Indicators of Performance (KPIs) under pinned by a range of objectives. The fifth KPI has been added for 2019/20. The five KPIs are:

KPI 1: Ensure the best possible educational outcomes at academies within the trust. KPI

2: Develop the quality of leadership, learning & teaching within the trust.

KPI 3: Develop the challenger diploma to promote leadership, and the behaviour, safety & well-being of our learners.

KPI 4: Grow the size of the trust in line with the CMAT strategic plan

KPI 5: Ensure the long term sustainability of the Trust in order to continue to deliver a great education for our children

All our academies will work within our ethos and values using self-evaluation and review supported by a bespoke team of educational professionals and partnerships to assure the governors and the Trust that each academy is operating effectively.

Our school improvement strategy has six key strands;

1. Effective Leadership and Governance
2. High Quality Teaching and Learning
3. Supportive and Engaging Learning Environments
4. Curriculum for the Future
5. Community Engagement
6. The Challenger Diploma

Public Benefit

In setting the Trust's objectives and planning its activities, the Trustees have given careful consideration to the Charity Commission's general guidance on public benefit. The principal activity of the Trust is to advance, for the public benefit, education in the United Kingdom by establishing, maintaining, operating and developing schools offering a broad and balanced curriculum.

The trust has been part of the DfE's MAT Development Programme worked in partnership with the STEP Academy Trust. As a result a new operating model was developed which is now become embedded in the way the trust delivers on its mission vision and values.

Strategic Report

ACHIEVEMENTS AND PERFORMANCE

The trust has seen significant achievements this year in both outcomes and opportunities for young people. Across all the primary academies within the trust there is a four-year trend of significant improvement in outcomes:

1. EYFS GLD

- Lancot Challenger Academy has improved from 73%-76% between 2016 & 2019 (3% improvement)
- Springfield Primary School from 69%-76% between 2016-2019 (7% improvement)
- The Westborough School from 62% -73% between 2016 & 2019 (11% improvement)

This is an improvement average of 7% overall for CMAT academies over the last four years in Good Levels of Development in Early Years Foundation Stage and at 75% GLD for the trust is 4% better than the national average of 71% in 2018.

2. Phonics

- Lancot Challenger Academy has improved from 76%-92% between 2016 & 2019 (16% improvement)
- Springfield Primary School from 60%-86% between 2016-2019 (26% improvement)
- The Westborough School from 62% -73% between 2016 & 2019 (11% improvement)

This is an improvement average of 18% overall for CMAT academies over the last four years in Phonics and at 84% for the trust is 2% higher than the national average of 82% in 2018. Improvements at Lancot and Springfield are significantly faster than improvement nationally over the same period.

3. Key Stage 1

- Lancot Challenger Academy has improved from 72%-75% in Reading, 44%-73% in Writing and 72%-82% in maths between 2016 & 2019
- Springfield Primary School has improved from 60%-76% in Reading, 62%-63% in Writing and 61%-75% in maths between 2016 & 2019
- The Westborough School dipped slightly from 70%-69% in reading but improved in Writing 60%-64% and in maths 67%-73% between 2016 & 2019

For 2019 KS1 results CMAT academies exceeded the national average in maths at 77% (National 76%) and is just below national in Reading at 73% (National 75%) and Writing at 66% (National 69%)

This represents an average 2% improvement in Reading, 11% improvement in

writing and 8% improvement in maths between 2016 and 2019 across CMAT academies. Lancot Challenger Academy outcomes in RWM exceeded the national figures for all three areas in 2019.

4. Key Stage 2

- Lancot Challenger Academy has improved from 19%-68% RWM between 2016 & 2019 (49% improvement)
- Westborough School has improved from 46%-57% between 2016-2019 (11% improvement)
- Hadleigh Junior School from 51% -62% between 2016 & 2019 (11% improvement)

Overall there has been a 23% improvement in Key Stage 2 results across all 4 CMAT primary academies between 2016 and 2019

5. Secondary Key Stage 4

Average Progress 8 across both secondary academies from the provisional 2019 data = -0.3. This is an improvement on -0.6 in 2018. CMAT average result here is well below national (0.0).

Kempston Challenger Academy

KCA Progress 8 score of -0.2 reflects a significant improvement from 2017 (-0.7) but is slight lower than 2018 (-0.1) and significantly closer to the national average.

The Attainment 8 score has moved from 38.9 to 39.6 which is still below national (46.5) but improving. The English and Maths Basics (Grade 4-9) has risen to 48% (2% improvement/National 64%) and Grades 5-8 to 25% (3% improvement/National 43%). The new curriculum model is aspiration in terms of EBacc Subjects with 42% of the cohort completing a full Ebacc suite of qualifications compared to the national figure of 32% with the average point score of 3.36 getting closer to the national of 4.04

The Deanes

The Progress 8 score of -0.9 reflects the significant challenge the school continues to face in terms of high mobility, small cohorts and the demands of the new curriculum. The score remains the same as in 2018 but if the small cohort of students who were either persistently absent, unable to attend due to medical issues or were under the care of youth justice are removed the score rises to -0.6

The Attainment 8 score has improved from 32.7 to 36.4 which is still below national (46.5) but improving. The English and Maths Basics (Grade 4-9) has risen to 49% (12% improvement/National 64%) but Grades 5-8 dropped from 22% to 15% (National 43%) reflecting the fact that this cohort had a high proportion of low prior attaining students.

1. Kempston Challenger Academy Post 16 Results

At KS5 the pass rate in Year 13 in 2019 is 98%. This is a significant improvement

from 90% in 2018, 88% in 2017 and 82% in 2016 when the academy opened.

Key Performance Indicators

Recent Ofsted reports indicate the positive impact that the trust's strategies for schools improvement and wider mission, vision and values are impacting positively on raising standards. Ofsted reports from 2018 and 2019 state:

- The Challenger Multi-Academy Trust (CMAT) has provided a suitable degree of support and challenge to help the school achieve its good overall effectiveness.

Leaders, managers and governors have successfully transformed this previously underperforming school when it opened into one which is now effective, particularly over the last 12 months. This is a school that continues to improve.

- The support of CMAT has contributed to the school's rapid improvement. This has included working with the school's leaders to present achievement data in a more user friendly way and making it a more helpful tool for raising standards, and providing effective coaching for the headteacher.
- CMAT's decision to replace the governing body with new members has improved this aspect of the school's leadership. Governors have carried out an audit of their existing skills, and are seeking to appoint someone with experience of diversity as a result of this.
- The trust's chief executive officer (CEO) and local governing body (LGB) provide an appropriate level of challenge and support to school leaders. The trust has made good use of external support to aid improvement.
- The Challenger Multi-Academy Trust provides an appropriate balance of support and challenge to senior leaders. The trust has ensured that it has used its central staff and external consultants to provide support to develop leaders' skills and improve the quality of teaching, learning and assessment. For example, external consultants have validated assessments and provided helpful advice for teachers of English, mathematics and science. The trust has used an external consultant to provide support for the LGB, enabling it to be increasingly effective in its role.
- The recently appointed chair of the trust board brings a wealth of relevant experience to the role. He has quickly gained an accurate view of the improvements made by the school, the challenges that it still faces, and the support needed to maintain the rate of improvement. The CEO of the trust visits the school regularly to check on senior leaders' progress towards achieving their priorities and the targets set by the trust. He has also supported new senior leaders as they have grown into their roles.
- Leaders, the LGB and staff share the trust's vision and ambition for the school. Leaders and the chair of the LGB are clear about how their improvement plans will achieve the trust's aims.

The trustees continue to develop the Key Performance Indicators of the Trust. Educational standards are challenging but realistic targets have been established and agreed at each of the academies.

Broad KPIs for 2019/20 are:

- At least 75% of Early Years Foundation Stage children achieve a good level of development (National 71%)
- At least 68% of pupils meet national Key Stage 2 expectations in reading, writing and maths (National 65%)
- 55% of pupils achieve 9-4 grades in English and Maths GCSE (National 64%).
- Secondary academies average a Progress 8 score of at least between -0.25-+0.25.
- Positive Post-16 value added in all secondary academies.
- Outcomes demonstrate that gaps in achievement and progress for Pupil Premium, SEND and other vulnerable groups are closing rapidly. 100% of pupils and students are engaged in activities that count towards achieving the Challenger Diploma at various levels.

The trust has furthered strengthened Finance and Operations by the appointment of a new Chief Financial Officer and Finance and Operations Manager to assist in improving these aspects of the work of the trust and to help ensure further savings and efficiencies, strengthen financial accountability and to support the trust through challenging circumstances. Both are highly skilled, qualified accountants with relevant experience at a large professional services firm.

Kempston Challenger Federation

CMAT operates three academies in close proximity in the Bedfordshire town of Kempston. They are: **Kempston Challenger Academy (Secondary** - formerly Robert Bruce Middle School & Hastingsbury Business and Enterprise College), **Daubeney Academy (Secondary** - formerly Daubeney Middle School) and **Springfield Academy (Primary** - formally Springfield Lower School). In order to ensure the financial stability and efficiency of all three schools as they begin to grow their pupils numbers the trust has formed a federation across the three schools for September 2019. The rationale for this is:

- The total number of students across the two secondary academies for 2018/19 indicates there are sustainable pupil numbers working through over the next few years and if, maintained provide a sound basis for Key Stage 4 and Key Stage 5 provision in the town. As KCA has small numbers working through in KS3 it is vital that retention at Daubeney helps to sustain Daubeney and provide the foundations for uptake and breadth at KS4 and post 16:

The proposal accepted by the CMAT board was to:

- Establish and market a Kempston Federation of the three academies under a new 'CMAT Kempston Academies Federation' as an all through model;
- Develop an all through curriculum model across the three academies that can be marketed as an innovative and unique EYFS to post-16 provision underpinned by the CMAT Character/learning outside the classroom USP;
- Establish an Executive leadership model for the Federation with three Headteachers/Heads of School with a CMAT Executive Leader;

- Establish a Federation Executive Governing Board to support the strategic leadership of the Federation;
This proposal ensures that:
- Both KCA and Daubeney are sustainable in the short/medium term;
- The federation will increase capacity within the two academies to achieve higher standards, providing: improved teaching and learning;
- There is a more structured way for the academies to collaborate, learn from each other and share best practice;

To support this the trust has recruited a highly experienced and skilled Executive Principal to lead the new Federation who also has experience in a large MAT. Each academy now has a Head of School who are line managed by the new Executive Principal. New posts in addition to Specialist Leaders of Education and Lead Practitioners have also been created to allow curriculum work and equality of opportunity across the academies.

The trust has developed a number of significant educational opportunities for children and young people at our academies. Notable successes this year have included:

- **Character Development:** The further development of the Challenger Diploma at all our academies linked into individual rewards programmes and the ethos of the academies. Over the last two years our academies have received visits from former Minister of State, Lord Nash to see the diploma activities and the financial entrepreneurship programme being delivered at primary level and from Secretary of State for Education, Nicky Morgan, MP to see the success of the Daubeney 'Colours' programme and attend a work shop on 'Character and Self-Esteem' linked to mental health and well-being delivered in partnership with the Icarus Trust. This year Lancot Challenger Academy received a visit from restaurateur and TV presenter Prue Leith who spent a day at the academy looking at how Character education has been embedded at the school but also, by meeting with CMAT Ambassadors from across the Bedford cluster how this is a key feature of success in all CMAT academies. This has been recognised as a strength by Ofsted in reports in 2018 and in 2019 and exemplifies the impact this approach can have on personal development, social and moral capital and inclusion:

'The ethos of the trust is to develop 'learning outside the classroom'. Leaders have ensured that the 'Challenger Diploma' provides pupils with structured opportunities for activities that support the development of challenge, motivation, achievement and teamwork. Pupils have opportunities to pursue and develop their personal interests through a range of overseas trips, sports activities, musical and drama performances and cultural visits.' **Ofsted 2018**

'The school's work supports pupils to be self-confident and to develop strength of character. This is well exemplified by the fortnightly 'challenger' lessons. Leaders know it is difficult for some pupils to stay after school, but they want everyone to have lots of interesting experiences. Leaders therefore timetable these innovative sessions during the school day. In these sessions, pupils learn about topics such as mountain biking, sign language and archery. In other lessons, assemblies and events, pupils find out about many different features of society and the world. There are plenty of things for pupils to get

involved with. For example, there are theatre trips and yoga classes, and trips to France and to the Himalayas. Pupils get the opportunity to debate ideas, to hear from visitors and to learn a wide range of new skills, including first aid'.

Ofsted 2019

The second CMAT Character Awards were held and saw teachers, support staff and pupils from all seven academies brought together to celebrate the character attributes of:

- Nurture- those who support others;
- Working together- those who thrive as part of a team;
- Success- those who persistently demonstrate courage and resilience
- Aspire-those who embrace challenge and have high aspirations

This was a highly successful evening and exemplified to our stakeholders the values of the trust.

The trust also introduced the first programme of Action Research in the classroom. Led by Seb Sagnia, staff from all seven academies supported by Frederika Roberts and paralympian Elizabeth Wright, authors of 'Character toolkit for Teachers' began a programme of research into the impact of how character attributes in the classroom could improve outcomes for pupils. The research was then edited and published in a document and launched at an event held at Westminster City School in front of representatives from a range of trusts, the Chartered College of Teaching, the DfE Character Education Working Party, Challenge Partners and others. Research topics included:

- Will 5 minutes singing at the beginning of the school day increase a child's mental wellbeing?
 - What is the effect of teaching encouragement on children effectiveness in carrying out group problem solving activities?
 - Can regular character education activities improve emotional literacy skills and the understanding of character strengths in early years children?
 - Will teaching Year 7 about resilience during citizenship lessons increase their levels of resilience?
 - Can confidence in mathematics be improved by embedding character education in the teaching and learning of the subject?
- Expeditions Programme: The CMAT Expeditions programme saw three cross academy leadership expedition programmes to France, Italy and the Himalayas where children undertook individual and group leadership challenges in skiing, dog mushing, abseiling, white-water rafting, bushcraft and a trek across the Himalayas.

Our second Himalayas trip again saw Year 11 students from The Deanes in Essex and sixth form students from Kempston Challenger Academy, Bedford undertake a two week expedition to India and including not only the trek across the Himalayas and visits to iconic world heritage sites such as the Taj Mahal but also visits to local villages and orphanages as part of the leadership and service challenge. Evaluations show that all these trips have had a significant

impact on the future aspirations of all the participating students.

- **Leadership and Management:** The trust has introduced a Leadership Programme for students from Year 5-13 that is accredited by the Chartered Management Institute (CMI), ASDAN and World Leadership Academy. Upon completion in the sixth form, students can achieve the 'CMI Award in Team Leading' (Year 12) and the 'CMI Award in First Line Management' which leads toward Chartered Manager status with CMI.
- **Curriculum:** The trust has been innovative in supporting new approaches to the curriculum. This has been particularly notable at Lancot where, following on from the 'Shelved' project in 2018 which saw every child in the academy write a book for the new Lancot Digital Library, a whole series of additional "WOW" events such as 'This is Me', 'London Calling' and 'Work of HeART' involved pupils in highly creative and innovative curriculum projects which underline the new focus in the Ofsted framework on the curriculum and its aspirations.
- **Other activities that worked across the Trust** were collaboration in the Peter Jones Foundation Enterprise project; The Brilliant Club and Lancot's Curriculum Design work.

Going Concern

The Trustees have considered both the short and longer term financial projections and other risks that may affect the Trust. They have considered the key risks that could negatively impact the going concern of the Trust and have considered the budget and forecast, cash flow projections and financial recovery plan over the period to December 2020. It is recognised that Challenger Multi Academy Trust remains in a recovery phase after the restructuring during 2018/19. A key element of the restructuring is the reduction necessary in staff costs across the Trust. From 1 January 2019 the Trust began delivering the targeted savings, which equate to over £1m annually. This plan is set to return the Trust to a sustainable financial position, running a surplus by 2022/23. However, during 2019/20 the Trust is forecasting a deficit position which has been reported in the budget submitted to the ESFA, albeit representing a reduced deficit position from the 2018/19 actual outturn.

As outlined in 'Principal Risks and Uncertainties' the key area of uncertainty is pupil numbers. The Trust is forecasting moderate growth in pupil numbers over the next 5 years, however, if the Trust's pupil numbers were to decrease, this would present a significant challenge financially.

The Board have considered several factors when forming their conclusion as to whether the use of the going concern basis is appropriate when preparing these financial statements. These include:

- Regularly reviewing the 5 year recovery plan to ensure the Trust remains on target with its financial targets.
- Recognising that significant savings have already been implemented and the Trust is in a healthier financial position than 12 months earlier.
- Reviewing the current cash balance and both long- and short-term forecasts
- Recognising that the Trust has the support from the Education and Skills

Funding Agency as demonstrated by the loan repayment delay to September 2021.

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.

FINANCIAL REVIEW

Financial report for the year

The Trust's total incoming resources for the year to 31 August 2019 amounted to £18,655,888 which was primarily from ESFA and local authority pupil funding as well as grant funding for school improvement, start-up and environment improvement. The Trust held fund balances, including fixed assets of £42,579,121 (2018: £46,060,029) at 31 August 2019. As at 31 August 2019, the Trust held unrestricted reserves of £629,715 (2018: £510,113). Full results for the year are shown on page 33.

The results for the year have been significantly impacted by restructuring costs of £677,845 (2018: £2500), which were incurred as part of a financial recovery plan to secure the long-term financial stability of the Trust. The Trust has begun to realise the targeted staff costs savings, of around £1million annually, and is planned to deliver a financial surplus by 2022/23.

When considering the Trust's underlying revenue reserves position at 31 August 2019, removing the impact of movements in pension liabilities, which do not require full settlement in the short term, and fixed assets held by the Trust, the Trust had deficit revenue reserves of £2,453,337 at 31 August 2019 (2018: deficit of £1,031,343).

Underlying Reserves table		
	2019	2018
	£	
Total Reserves	42,579,121	46,060,029
Less: fixed asset restricted fund	(53,706,458)	(53,501,372)
Add: Pension reserve	8,674,000	6,410,000
Total revenue reserves exc pension	(2,453,337)	(1,031,343)
Being:		
Restricted revenue reserves	(3,083,052)	(1,541,456)
Unrestricted revenue reserves	629,715	510,113
Total	(2,453,337)	(1,031,343)

Reserves Policy

The Trust is largely funded by grants from the Department for Education, the use of which is regulated by its Funding Agreement. The Trust's total reserves of £42,579,121 comprise unrestricted revenue funds of £629,715, restricted revenue funds of (3,083,052), pension reserve of (£8,674,000), and restricted fixed asset funds of £53,706,458 at 31 August 2019. The Trustees have set a target of holding free reserves equating to £250,000-£500,000 which represents over 3 months of central Trust expenditure, in order to provide sufficient working capital to cover delays

between spending and receipt of funding and to provide resources to deal with unexpected emergencies. Central Trust reserves are then available for supporting existing academy deficits and unexpected cash flow requirements at the academies and within the central Trust. Alongside this, the Trust continues to adopt the approach of reducing and removing acquired structural deficits at academies in a short timeframe post acquisition. Currently, free reserves do not represent the targeted level, largely as a result of the early stage development of the Trust and the financial difficulty the Trust entered in to. However, as outlined in 'Going Concern', the Trust is following a 5 year recovery plan to improve its financial position including unrestricted reserves.

The local government pension scheme liabilities are recognised in the accounts as a significant deficit within restricted funds of £8,674,000. However, this does not mean there is an immediate liability for the total amount, rather the balance reflects the potential for increases in employer contributions in future years.

Investment Policy

The trustees are required to approve any financial investments prior to purchase. As the Trust is still in a period of recovery, there are currently no financial investments. Any future investments entered in to will enable the Trust to make good use of surplus funds, whilst maintaining adequate account balances to meet cash flow fluctuations. The principal consideration will be the minimisation of risk.

Principal Risks and Uncertainties

The Trust's principal risks have been identified and a risk register developed to mitigate these risks. The Finance, Risk and Audit Committee review the risk register on a regular basis.

The Trust continues to develop and embed the system of internal controls, including financial, operational and risk management designed to protect the assets and reputation of its academies and to assess new academies joining the Trust.

The key risks identified at present are as follows:

- **Safeguarding** – Executive Senior Management and the Trustees are very focussed on the importance of safeguarding. The Trust operates carefully controlled processes in relation to staff selection, child protection training and policies, health and safety and discipline. We continue to regularly review these aspects at each of our academies and hold safeguarding audits where deemed necessary via an accredited external body. The Trust is reviewing when to commence a programme of additional health and safety reviews at its academies, with a view to implementing the British Safety Council 5* programme at an appropriate stage of the Trust's development.

Financial stability and growth – whilst the trustees consider that the Trust remains a going concern, the Trust is still in a recovery phase as referred to in the Strategic Report. Pupil number projections, a key determinant for income, show overall growth in September 2020 and increasing numbers over the next 3-5 years. The Trust also continues to seek acquisitions to grow the number of academies in the MAT as this will increase the available economies of scale

and provide access to additional funding. The Trust is expanding its operations to cover additional sites and additional provision and is conscious of the need to maintain a strong focus on its core standards and to continue to develop educational standards. This risk is mitigated in several ways, including the development of a well-defined expansion plan with clear objectives and responsibilities and ensuring appropriate management and delivery resources are in place when required.

- Reputational risk – the Trust has demonstrated with successful Ofsted inspections that the approach to school improvement and our wider mission, vision and values is effective in raising standards and aspirations. However, with an increasing level of competition in its current markets, reputation is a key factor in the future success of the MAT. Safeguarding, quality of service and results and parental and pupil feedback are very important parts of this reputation. Adverse publicity is likely to impact the rate of growth of the Trust in terms of pupil numbers, acquiring further academies and financial performance.

Charity Fundraising

Fundraising at Challenger Multi Academy Trust is an important but modest part of the operation of the Trust, comprising less than 0.5% of total income. Fundraising is usually undertaken by volunteer groups of parents or through school activities such as a Christmas Fair. There are no professional fundraising organisations used and so no monitoring processes are required. The Trust has not subscribed to the Fundraising Regulator but adheres to the Code of Fundraising Practice when undertaking fundraising activity. There were no complaints received by the Trust in relation to fundraising activity.

PLANS FOR FUTURE YEARS

As a result of the restructuring of the central function of the Trust, a number of roles have been created with existing senior leaders. The central staff has been thinned to the CEO, CFO, and a senior financial officer with cross Trust functions held by senior leaders within the existing schools and the creation of the Kempston Federation. The Chief Executive, Stephen Chamberlain, left the Trust on 31 October 2019 after 5 years, to take up a similar role in another, larger Trust. The Trust has appointed a new Chief Executive, Roy Blackwell, who joins in January 2020. Roy Blackwell joins us after a distinguished spell as Chief Executive of the United Westminster and Greycoat Foundation.

In the interim the Chair, Frank Green, has stepped aside and taken on the role of Chief Executive and Accounting Officer until Roy Blackwell joins us. Peter Knell has taken over the role of Chairman in the meantime.

The vision of the Trust remains the same, but we are seeking to strengthen the Trust by building stronger links with other Trusts with a similar vision to our own, in addition to seeking other individual partner schools to join.

AUDITOR

In so far as the Trustees are aware:

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

The Trustees' Report, incorporating the Strategic Report, was approved by the trustees on 18 December 2019 and signed for and on their behalf by:



Peter Knell
Chair of Board

18 December 2019

Governance Statement

Scope of Responsibility

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

The Board has delegated the day-to-day responsibility to the Chief Executive, 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 Challenger Multi Academy Trust and the Secretary of State for Education. They are also responsible for reporting to the Board 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 has formally met 8 times during the year in full session. Attendance during the year at meetings of the Board was as follows. During 2018/19 the Board subsumed the role of standards committee and finance, risk and audit committee.

Trustee	Meetings attended	Out of a possible
Zarna Banerjee	5	5
Sarah Brown	4	5
Peter Knell	7	8
Stephen Chamberlain	8	8
Nick Palazzo-Corner	0	2
Andrew Urbanek	1	3
Sally Dicketts	0	4
Frank Green	8	8
Emma Reade	0	2
John Revill	2	5

Governance review

The Board continues to assess the skill set of its existing Trustees and the need to increase the number of Trustees to ensure the right balance of skills and experience are in place to sustain the planned growth. Part of this evaluation includes regular assessment of training needs for Trustees and the addition of sub-committees as the Trust expands.

In addition the Board regularly reviews its own effectiveness and the quality of data it

receives. To improve both elements, during 19/20 the Board is implementing a standard board pack for each school to complete on a termly basis which will include the key educational data and the trends within CMAT schools. This will enable the board to quicker identify areas of concern and put in a remedial action plan.

Review of Value for Money

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

The Accounting Officer considers how the Trust's use of its resources has provided good value for money during each academic year, and reports to the board of Trustees where value for money can be improved, including the use of benchmarking data where available. The Accounting Officer for the Trust has delivered improved value for money during the year by:

- Using an approved Curriculum Led Financial Planning Tool to keep staffing structures under review and deploy staff efficiently to support an improved curriculum, or to target areas of the curriculum in need of development;
- Focusing on individual pupils: managing the differing needs of pupils, such as those requiring one to one support, and those requiring more stretch and challenge;
- Engaging with other educational providers and experts to share delivery or good practice, and to drive up standards for the least cost developing shared services across the Trust;
- Exploring possibilities to develop the Challenger Diploma model across all Challenger academies;
- Developing a single reporting model for financial governance across the Trust that allows strong oversight by the Trustees and Accounting Officer;
- Appraising and negotiating services and contracts to get the best mix of quality and effectiveness for the least cost such as ICT and HR and benchmarking these where appropriate;
- Running Cluster or Trust wide tender processes where appropriate to reduce overall costs;
- Taken opportunities to work collaboratively with others to reduce and share administration and procurement costs and to explore where staffing across academies can reduce costs and achieve economies of scale; and
- Reviewing controls and managing risks: implementing a new purchase order system to improve the financial controls for spending.

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 Trust for the year ended 31 August 2019 and up to the date of approval of the annual report and financial statements.

Capacity to Handle Risk

The Trustees have 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 governing body is of the view that there is a formal on-going process for identifying, evaluating and managing the Trust's significant risks that has been in place for the year ended 31 August 2019 and up to the date of approval of the annual report and financial statements. This process is reviewed in detail once a year by the Trustees.

The Risk and Control Framework

The 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 regular financial reports which are reviewed and agreed by the Accounting Officer and the governing body;
- regular reviews by the Board 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 trustees have considered the need for a specific internal audit function and during 2018/19 tendered and appointed an internal auditor who commenced work in August 2019 with a specifically agreed scope and program to ensure key risk and processes are reviewed in further depth on a rotational basis. All internal and external audit reports will be shared with the Board.

Review of Effectiveness

As Accounting Officer, the Chief Executive 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 Chief Financial Officer, who was appointed in December 2018 to reduce the costs of the Trust's central resources and further enhance the internal control framework;
- the work of the external auditor;
- the financial management and governance self-assessment process; and
- the work of the executive managers within the academy Trust who have responsibility for the development and maintenance of the internal control framework.

Approved by order of the members of the governing body on 18 December 2019 and signed on its behalf by:



Peter Knell
Chair of CMAT Board



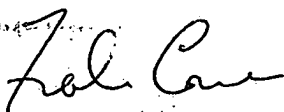
Frank Green, CBE
Chief Executive/Accounting Officer

Statement on Regularity, Propriety and Compliance

As accounting officer of Challenger Multi Academy Trust I have considered my responsibility to notify the academy trust board of trustees and the Education & Skills Funding Agency (ESFA) of material irregularity, impropriety and non-compliance with terms and conditions of all funding received by the academy trust, under the funding agreement in place between the academy trust and the Secretary of State for Education. As part of my consideration I have had due regard to the requirements of the Academies Financial Handbook 2018.

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

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



Frank Green, CBE
Accounting Officer

18 December 2019

Statement of Trustees' Responsibilities

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 Academies Accounts Direction published by the Education & Skills Funding Agency, United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) and applicable law and regulations.

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

- select suitable accounting policies and then apply them consistently
- observe the methods and principles in the Charities SORP 2015 and the Academies Accounts Direction 2018 to 2019
- make judgments and accounting estimates that are reasonable and prudent
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charitable company will continue in business

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

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

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

Approved by order of the members of the board of trustees on 18 December 2019 and signed on its behalf by:

A handwritten signature in black ink, appearing to read "Peter Knell". The signature is written in a cursive, slightly stylized font.

Peter Knell
Chair of Board

18 December 2019

Independent Auditor's Report to the Members of The Challenger Multi Academy Trust

Opinion

We have audited the financial statements of The Challenger Multi Academy Trust for the year ended 31 August 2019 which comprise the Statement of Financial Activities (incorporating income and expenditure accounts), the Balance sheet, the Cash Flow Statement and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

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 2019 and of its income and expenditure, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including the Academies' Accounts Direction 2018 to 2019 issued by the Education Funding Agency; and
- have been prepared in accordance with the requirements of the Companies Act 2006;

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 Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the charitable company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

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

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 auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, 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 we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. 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 matter prescribed by the Companies Act 2006

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

- the information given in the trustees' report, which includes the directors' report and the strategic report prepared for the purposes of company law, for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report included within the trustees' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In light of the knowledge and understanding of the charitable company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report included within the trustees' report. We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

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

Responsibilities of trustees

As explained more fully in the trustees' responsibilities statement, 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 charitable company'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 charitable company or to cease operations, or have no realistic alternative but to do so.

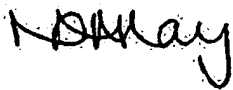
Auditor's responsibilities for the audit of the financial statements

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

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

Use of our report

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 company's members as a body, for our audit work, for this report, or for the opinions we have formed.



Nicola May

Senior Statutory Auditor

For and on behalf of

Crowe U.K. LLP

Statutory Auditor

London

Date: 21 December 2019

Independent Reporting Accountant's Assurance Report on Regularity to The Board of Challenger Multi Academy Trust and the Education Funding Agency for the year ended 31 August 2019

In accordance with the terms of our engagement letter dated 28 August 2018 and further to the requirements of the Education & Skills Funding Agency (ESFA) as included in the Academies Accounts Direction 2018 to 2019, we have carried out an engagement to obtain limited assurance about whether the expenditure disbursed and income received by Challenger Multi Academy Trust during the period 1 September 2018 to 31 August 2019 have been applied to the purposes identified by Parliament and the financial transactions conform to the authorities which govern them.

This report is made solely to Challenger Multi Academy Trust and ESFA in accordance with the terms of our engagement letter. Our work has been undertaken so that we might state to Challenger Multi 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 Challenger Multi Academy Trust and ESFA, for our work, for this report, or for the conclusion we have formed.

Respective responsibilities of Challenger Multi Academy Trust's accounting officer and the reporting accountant

The accounting officer is responsible, under the requirements of Challenger Multi Academy Trust's funding agreement with the Secretary of State for Education dated 26 August 2015 and the Academies Financial Handbook, extant from 1 September 2018, for ensuring that expenditure disbursed and income received is applied for the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

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

Approach

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

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

Our engagement includes examination, on a test basis, of evidence relevant to the regularity and propriety of the academy trust's income and expenditure. The work undertaken to draw to our conclusion includes a review of the design and implementation of the Academy's internal controls and review processes on regularity, supported by detailed tests on samples of costs incurred by the academy and specific transactions identified from our review.

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 period 1 September 2018 to 31 August 2019 has not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.

Crowe U.K. LLP

Crowe U.K. LLP

Statutory Auditor

London

Date: 21 December 2019

Statement of Financial Activities for the Year Ended 31 August 2019

(including Income and Expenditure Account)

	Note	Unrestricted Funds £	Restricted General Funds £	Restricted Fixed Asset Funds £	2019 Total £	2018 Total £
Income and endowments from:						
Donations and capital grants	3	39,652	10,000	1,532,088	1,581,740	108,703
Transfer from local authority on conversion		-	-	-	-	3,734,350
Charitable activities:						
Funding for the Trust's educational operations	4	-	15,590,546	-	15,590,546	16,457,847
Other trading activities	5	1,482,643	-	-	1,482,643	1,279,253
Investments	6	959	-	-	959	511
Total		1,523,254	15,600,546	1,532,088	18,655,888	21,580,663
Expenditure on:						
Raising Funds	7	1,403,652	-	-	1,403,652	1,171,951
Charitable Activities:						
Academy trust educational operations	7,8	-	18,034,629	1,266,515	19,301,144	20,041,358
Total	7	1,403,652	18,034,629	1,266,515	20,704,796	21,213,309
Net income/ (expenditure)		119,602	(2,434,082)	265,573	(2,048,908)	367,354
Transfers between funds	17	-	-	-	-	-
Other recognised gains / (losses)						
Actuarial (losses)/gains on defined benefit pension schemes	26	-	(1,432,000)	-	(1,432,000)	1,272,000
Net movement in funds:		119,602	(3,866,082)	265,573	(3,480,908)	1,639,354
Reconciliation of funds						
Total funds brought forward	17	510,113	(7,951,456)	53,501,372	46,060,029	44,420,675
FUNDS CARRIED FORWARD		629,715	(11,817,538)	53,766,945	42,579,121	46,060,029

All activities derive from continuing operations during the above two financial periods.

Balance Sheet
as at 31 August 2019

Company registration number: 09270040

		<u>2019</u>		<u>2018</u>	
	Note	£	£	£	£
Fixed assets					
Intangible assets	12		66,151		
Tangible assets	13		53,246,965		53,501,372
Current assets					
Debtors	14	474,841		458,209	
Cash at bank and in hand		<u>1,180,131</u>		<u>715,178</u>	
		1,654,971		1,173,387	
Liabilities					
Creditors: Amounts falling due within one year	15	<u>(1,505,575)</u>		<u>(1,554,730)</u>	
Net current assets			<u>149,397</u>		<u>(381,343)</u>
Creditors: Amounts falling after more than one year	16		<u>(2,209,392)</u>		<u>(650,000)</u>
Total assets less current liabilities			51,253,121		52,470,029
Net assets excluding pension liability			<u>51,253,121</u>		<u>52,470,029</u>
Defined benefit pension scheme liability			<u>(8,674,000)</u>		<u>(6,410,000)</u>
Total net assets			<u>42,579,121</u>		<u>46,060,029</u>
Funds of the academy trust					
Restricted funds					
Fixed asset fund	17		53,766,946		53,501,372
Restricted income fund	17		<u>(3,143,539)</u>		<u>(1,541,456)</u>
Pension reserve	17		<u>(8,674,000)</u>		<u>(6,410,000)</u>
Total restricted funds			<u>41,949,406</u>		<u>45,549,916</u>
Unrestricted income funds	17		<u>629,715</u>		<u>510,113</u>
Total funds			<u>42,579,121</u>		<u>46,060,029</u>

These financial statements were approved by the Board on 18th December 2019 and are signed on their behalf by:



Frank Green
Chief Executive Officer

**Statement of Cash Flows,
for the Year Ended 31 August 2019**

	Notes	<u>2019</u> £	<u>2018</u> £
Cash flows from operating activities			
Net cash provided by (used in) operating activities	22	(1,999,934)	(724,161)
Cash flows from investing activities	24	1,559,392	650,000
Cash flows from financing activities	23	905,495	(119,308)
Change in cash and cash equivalents in the reporting period		<u>464,953</u>	<u>(193,469)</u>
Cash and cash equivalents at 1 September 2018		715,178	908,647
Cash and cash equivalents at 31 August 2019	25	<u>1,180,131</u>	<u>715,178</u>

Notes to the Financial Statements for the Year Ended 31 August 2019

1. Accounting Policies

A summary of the principal accounting policies adopted (which have been applied consistently, except where noted), judgements and key sources of estimation uncertainty, is set out below.

Basis of Preparation

The financial statements of The Challenger Multi Academy Trust, which is a public benefit entity under FRS102, have been prepared under the historical cost convention in accordance with the Financial Reporting Standard which is applicable in the UK and Republic of Ireland (FRS102), 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 (FRS102) (Charities SORP (FRS102)), the Academies Accounts Direction 2018 to 2019 issued by the ESFA, the Charities Act 2011 and the Companies Act 2006.

The Challenger Multi Academy Trust meets the definition of a public benefit entity under FRS102.

Going Concern

The Trustees have considered both the short and longer term financial projections and other risks that may affect the Trust. They have considered the key risks that could negatively impact the going concern of the Trust and have considered the budget and forecast, cashflow projections and financial recovery plan over the period to December 2020. It is recognised that Challenger Multi Academy Trust remains in a recovery phase after the restructuring during 2018/19. A key element of the restructuring is the reduction necessary in staff costs across the Trust. From 1 January 2019 the Trust began delivering the targeted savings, which equate to over £1m annually. This plan is set to return the Trust to a sustainable financial position, running a surplus by 2022/23. However, during 2019/20 the Trust is forecasting a deficit position which has been reported in the budget submitted to the ESFA, albeit representing a reduced deficit position from the 2018/19 actual outturn.

As outlined in 'Principal Risks and Uncertainties' the key area of uncertainty is pupil numbers. The Trust is forecasting moderate growth in pupil numbers over the next 5 years, however, if the Trust's pupil numbers were to decrease, this would present a significant challenge financially.

The Board have considered several factors when forming their conclusion as to whether the use of the going concern basis is appropriate when preparing these financial statements. These include:

- Regularly reviewing the 5 year recovery plan to ensure the Trust remains on target with its financial targets.
- Recognising that significant savings have already been implemented and the Trust is in a healthier financial position than 12 months earlier.
- Reviewing the current cash balance and both long- and short-term forecasts.
- Recognising that the Trust has the support from the Education and Skills Funding Agency as demonstrated by the loan repayment delay to September 2021.

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.

Critical accounting judgements and key sources of estimation uncertainty

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. No 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 have been identified.

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 26, will impact the carrying amount of the pension liability.

Furthermore a roll forward approach which projects results from the latest full actuarial valuation performed at 31 March 2016 has been used by the actuary in valuing the pensions liability at 31 August 2019. Any differences between the figures derived from the roll forward approach and a full actuarial valuation would impact on the carrying amount of the pension liability.

Income

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

Grants

Grants receivable 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 year is shown in the relevant funds on the balance sheet. Where income is received in advance of entitlement of receipt its recognition is deferred and included in creditors as deferred income. Where the entitlement occurs before income is received, the income is accrued.

General Annual Grant in particular is recognised in full in the year for which it is receivable and any unspent amount is reflected in the restricted fund. Any abatement in respect of the period is deducted from income and recognised as a liability.

Notes to the Financial Statements for the Year Ended 31 August 2019

1. ACCOUNTING POLICIES (continued)

Capital grants are recognised in full when there is an unconditional entitlement to the grant. Unspent amounts of capital grant are reflected in the balance 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 Trust which amounts to a donation is recognised in the statement of financial activities in the year in which it is receivable.

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

The value of donated services and gifts in kind provided to the Trust is recognised in the statement of financial activities as incoming resources and resources expended at their estimated value to the Trust in the period in which they are receivable and where the benefit is both quantifiable and measurable. This is with the exception of 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 Trust's policies.

Transfer on conversion

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

Interest receivable

Interest receivable is included within the statement of financial activities on a receivable basis.

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.

Notes to the Financial Statements for the Year Ended 31 August 2019

1. ACCOUNTING POLICIES (continued)

Intangible Fixed Assets

Intangible assets costing £5,000 or more are capitalised and recognised when future economic benefits are probable and the cost or value of the asset can be measured reliably. Intangible assets are initially recognised at cost and are subsequently measured at cost net of amortisation and any provision for impairment.

Amortisation is provided on intangible fixed assets at rates calculated to write off the cost of each asset on a straight-line basis over its expected useful life, as follows:

Purchased computer software	3 years
-----------------------------	---------

Tangible Fixed Assets

Assets costing £5,000 or more are capitalised as tangible fixed assets and are carried at cost, net of depreciation and any provision for impairment.

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

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

Freehold & leasehold buildings	50 years
Fixtures, fittings and equipment	3 years
Computer hardware	3 years

Assets in the course of construction are included at cost. Depreciation on these assets is not charged until they are brought into use.

A review for impairment of a fixed asset is carried out if events or changes in circumstances indicate that the carrying value of any fixed asset may not be recoverable. Shortfalls between the carrying value of fixed assets and their recoverable amounts are recognised as impairments. Impairment losses are recognised in the Statement of Financial Activities.

Liabilities

Liabilities are recognised when there is an obligation at the balance sheet date as a result of a past event, it is probable that a transfer of economic benefit will be required in settlement, and the amount of the settlement can be estimated reliably. Liabilities are recognised at the amount that the academy trust anticipates it will pay to settle the debt or the amount it has received as advanced payments for the goods or services it must provide.

Provisions

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

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

Leased assets

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

Notes to the Financial Statements for the Year Ended 31 August 2019

1. ACCOUNTING POLICIES(continued)

Financial instruments

The Challenger Multi Academy Trust has financial assets and financial liabilities of a kind that qualify as basic financial instruments. Basic financial instruments are initially recognised at transaction value and subsequently measured at amortised cost using the effective interest method. Financial assets held at amortised cost comprise cash and bank and in hand, together with trade and other debtors. Financial liabilities held at amortised cost comprise trade and other creditors.

Financial assets - trade and other debtors are basic financial instruments and are debt instruments measured at amortised cost as detailed in note 14. Prepayments are not financial instruments.

Cash at bank - is classified as a basic financial instruments 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 note 15. Taxation and social security are not included in the financial instruments disclosure definition. Deferred income is not deemed to be a financial liability, as the cash settlement has already taken place and there is an obligation to deliver services rather than cash or other financial instrument.

At the balance sheet date the Trust held financial assets at amortised cost of £1,370,482 (2018: £1,052,752) and financial liabilities at amortised cost of £904,187 (2018: £1,206,820).

Taxation

The Challenger Multi Academy Trust is considered to pass the tests set out in Paragraph 1 Schedule 6 of the Finance Act 2011 and therefore it meets the definition of a charitable company for UK corporation tax purposes. Accordingly, the Trust is potentially exempt from taxation in respect of income or capital gains received within categories covered by Chapter 3 Part 11 of the Corporation Tax Act 2011 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 Academies Enterprise Trust are provided by the Teacher's Pension Scheme (TPS) and the Local Government Pension Scheme (LGPS). These are defined benefit schemes.

Teachers' Pension Scheme

The TPS is an unfunded scheme and contributions are calculated so as to spread the cost of pensions over employees' working lives with the 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 26, the TPS is a multi-employer scheme and the 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.

Local Government Pension Scheme

The LGPS is a funded scheme and the assets are held separately from those of the 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 defined benefit liability/asset is also recognised in the Statement of Financial Activities and comprises the interest cost on the defined benefit obligation and interest income on the scheme assets, calculated by multiplying the fair value of the scheme assets at the beginning of the period by the rate used to discount the benefit obligations. The difference between the interest income on the scheme assets and the actual return on the scheme assets is recognised in other gains and losses.

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

Fund Accounting

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

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

Restricted general funds comprise all other restricted funds received and include grants with restrictions imposed by the funder/donor and include grants from the ESFA and Department for Education.

2. Events after the end of the reporting period

There were no significant events after the reporting period that affect the ability of users to evaluate the accounts.

3. Donations and capital grants

	Unrestricted Funds £	Restricted Funds £	2019 £	2018 £
Capital grants	-	1,532,088	1,532,088	55,765
Donations	39,652	10,000	49,652	52,938
	<u>39,652</u>	<u>1,542,088</u>	<u>1,581,740</u>	<u>108,703</u>

The income from donations and capital grants was £1,581,740 (2018: £108,703) of which £39,652 was unrestricted (2018: £52,938) and £1,532,088 was restricted fixed asset funds (2018: £55,765).

4. Funding for the Academy Trust's educational operations

	Unrestricted Funds £	Restricted Funds £	TOTAL 2019 £	Total 2018 £
DfE / ESFA grants				
General Annual Grant (GAG)	-	13,288,093	13,288,093	13,012,097
Start Up grants	-	16,333	16,333	41,333
Pupil premium	-	994,430	994,430	1,044,243
Other DfE / ESFA grants	-	291,678	291,678	423,886
	<u>-</u>	<u>14,590,534</u>	<u>14,590,534</u>	<u>14,521,559</u>
Other Government grants				
Local authority grants	-	757,241	757,241	1,416,914
LA Pupil Premium	-	53,325	53,325	59,921
Special educational projects	-	-	-	-
Other government grants	-	122,070	122,070	149,768
	<u>-</u>	<u>932,636</u>	<u>932,636</u>	<u>1,626,603</u>
Other income from the academy trust's educational operations				
	-	67,376	67,376	309,685
	<u>-</u>	<u>15,590,546</u>	<u>15,590,546</u>	<u>16,457,847</u>

The income from funding for the Academy Trust's educational operations was £15,590,546 (2018: £16,457,847) of which £15,590,546 was restricted (2018: £16,457,847).

5. Other trading activities

	Unrestricted Funds £	Restricted Funds £	TOTAL 2019 £	Total 2018 £
Letting income	104,973	-	104,973	110,829
Sports Centre income	572,452	-	572,452	543,199
Catering income	223,230	-	223,230	200,094
School trips	164,994	-	164,994	139,974
Uniforms	5,752	-	5,752	6,467
Music	8,743	-	8,743	6,571
Other income	402,499	-	402,499	272,120
	<u>1,482,643</u>	<u>-</u>	<u>1,482,643</u>	<u>1,279,253</u>

Other income consists of sales of other goods and services of £36,856 (2018: £33,957); Insurance claims of £217,910 (2018: £20,000); Supply teacher insurance income of £0 (2018: £13,092); Staff services - consultancy income of £16,353 (2018: £47,886); and other income of £131,380 (2018: £164,436).

The income from other trading activities was £1,482,643 (2018: £1,279,253) of which £1,482,643 was unrestricted (2018: £1,279,253).

6. Investment Income

	Unrestricted Funds £	Restricted Funds £	2019 £	2018 £
Bank Interest	959	-	959	511
	<u>959</u>	<u>-</u>	<u>959</u>	<u>511</u>

The investment income was £959 (2018: £511) of which £959 was unrestricted (2018: £511).

7. Expenditure

	Staff costs £	Non Pay Expenditure Premises £	Other £	Total 2019 £	Total 2018 £
Expenditure on raising funds					
• Direct and allocated support costs	468,821	64,173	870,658	1,403,652	1,171,951
Academy's educational operations					
• Direct costs	11,398,088	18,780	746,195	12,163,062	13,141,870
• Allocated support costs	2,893,814	2,309,419	1,934,848	7,138,082	6,899,488
	<u>14,760,723</u>	<u>2,392,372</u>	<u>3,551,701</u>	<u>20,704,796</u>	<u>21,213,309</u>

The expenditure on raising funds was £1,403,652 (2018: £1,171,951) of which £1,403,652 was unrestricted (2018: £1,171,951).

Net (income)/expenditure for the year includes:

	2019 £	2018 £
Operating lease rentals	80,829	-
Depreciation	802,579	706,664
Impairment	2,548	600,256
Fees payable to auditor	41,900	79,165

Included within expenditure are the following transactions:

	Total £	Individual items above £5,000 Amount (£) Reason
Ex-gratia payments	11,770	11,770 Retention payment

8. Charitable activities

	2019 £	2018 £
Direct costs - educational operations	12,163,062	13,141,870
Support costs - educational operations	7,138,082	6,899,488
	<u>19,301,144</u>	<u>20,041,358</u>

The expenditure on charitable activities was £19,301,144 (2018: £20,041,358) of which £nil was unrestricted (2018: £nil), £18,485,335 was restricted (2018: £18,734,348) and £815,809 was restricted fixed assets (2018: £1,306,920).

Analysis of support costs

Support staff costs	2,893,814	2,165,025
Depreciation	802,579	706,664
Amortisation	13,230	-
Impairment	2,458	600,256
Technology costs	244,647	338,534
Premises costs	1,504,382	878,289
Other support costs	1,629,206	2,114,674
Governance costs	47,765	96,046
Total support costs	<u>7,138,082</u>	<u>6,899,488</u>

9. Staff costs

a. Staff costs during the period were:

	2019 £	2018 £
Wages and salaries	10,740,588	11,458,878
Social security costs	1,077,830	1,087,727
Pension costs	1,893,744	1,944,333
	13,712,162	14,490,938
Agency staff costs	370,715	262,762
Staff restructuring costs	677,845	2,500
	14,760,723	14,756,201
Staff restructuring costs comprise:		
Redundancy payments	616,345	-
Severance payments	61,500	2,500
	677,845	2,500

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

Included in staff restructuring costs are non-statutory/non-contractual severance payments totalling £54,000 (2018: £2,500). Individually the payments were £19,000, £12,000, £10,000, £7,000, £6,000.

c. Staff numbers

The average number of persons employed by the Academy Trust during the year ended 31 August 2019 was as follows:

	2019 No.	2018 No.
Teachers	164	179
Administration and support	254	329
Management	36	40
	454	548

d. Higher paid staff

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

	2019 No.	2018 No.
£60,001-£70,000	9	4
£70,001-£80,000	1	3
£80,001-£90,000	1	1
£130,001-£140,000	1	1

e. Key management personnel

The key management personnel of the academy trust comprise the trustees and the senior management team as listed on page 3. 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 £439,849 (2018: £496,098)

10. Related Party Transactions - Trustees' remuneration and expenses

One or more trustees has been paid remuneration or has received other benefits from employment with the academy trust. The principal and other staff trustees only receive remuneration in respect of services they provide undertaking the roles of principal and staff members under their contracts of employment.

The value of trustees' remuneration and other benefits was as follows:

S Chamberlain (Chief Executive Officer)

Remuneration £135,000-140,000 (2018: £135,000-£140,000)

Employer's pension contributions paid £20,000-£25,000 (2018: £20,000-£25,000)

During the period ended 31 August 2019 £988 was reimbursed to trustees for travel and subsistence expenses (2018: £782).

Other related party transactions involving the trustees are set out in note 29.

11. Trustees' and Officers' Insurance

In accordance with normal commercial practice the Trust has purchased insurance to protect governors and officers from claims arising from negligent acts, errors or omissions occurring whilst on Trust business. The insurance provides cover up to £5,000,000 on any one claim and the cost for the year ended 31st August 2019 was not separately identifiable (2018: Not separately identifiable)
The cost of this insurance is included in the total insurance cost.

12. Intangible Fixed Assets

	Software Development	TOTAL INTANGIBLE ASSETS
	£	£
COST:		
At 1 September 2018	-	-
Additions	79,380	79,380
At 31 August 2019	79,380	79,380
DEPRECIATION:		
At 1 September 2018	-	-
Charge in year	13,230	13,230
At 31 August 2019	13,230	13,230
NET BOOK VALUE:		
At 31 August 2019	66,151	66,151
At 31 August 2018	-	-

13. Tangible Fixed Assets

	Assets Under Construction	Freehold land & buildings	Leasehold Land & Buildings	Furniture & Equipment	Computer Equipment	TOTAL FIXED ASSETS
	£	£	£	£	£	£
COST:						
At 1 September 2018	-	44,910,674	9,776,134	179,352	124,178	54,990,338
Additions	-	-	47,850	459,893	40,429	548,172
Impairment	-	-	-	-	-	-
At 31 August 2019	-	44,910,674	9,823,984	639,245	164,607	55,538,510
DEPRECIATION:						
At 1 September 2018	-	1,180,599	223,079	59,169	26,119	1,488,966
Charge in year	-	537,869	119,734	99,728	45,248	802,579
Impairment	-	-	-	-	-	-
At 31 August 2019	-	1,718,468	342,813	158,897	71,367	2,291,545
NET BOOK VALUE:						
At 31 August 2019	-	43,192,206	9,481,171	480,348	93,240	53,246,965
At 31 August 2018	-	43,730,075	9,553,055	120,183	98,059	53,501,372

14. Debtors

	2019 £	2018 £
Trade debtors	36,241	31,453
VAT recoverable	196,260	76,584
Other debtors	3,840	23,827
Prepayments and accrued income	238,501	326,345
	<u>474,841</u>	<u>458,209</u>

15. Creditors: Amounts falling due within one year

	2019 £	2018 £
Trade creditors	540,865	656,709
Taxation and social security	240,110	256,397
Other creditors	307,084	490,327
Loans due for repayment	12,889	-
Accruals and deferred income	404,628	151,297
	<u>1,505,575</u>	<u>1,554,730</u>

Deferred income

	2019 £	2018 £
Deferred income at 1 September 2018	91,513	53,762
Released from previous years	(91,513)	(53,762)
Resources deferred in the year	<u>361,278</u>	<u>91,513</u>
Deferred income at 31 August 2019	<u>361,278</u>	<u>91,513</u>

At the balance sheet date the academy trust was holding funds received in advance for UIFSM and Devolved Formula Capital.

16. Creditors: Amounts falling due after more than one year

	2019 £	2018 £
DfE Loan	2,128,975	650,000
Salix Loans	80,417	-
	<u>2,209,392</u>	<u>650,000</u>

Loans totalling £2,128,975 from the ESFA have been provided at zero interest and are repayable at £25,000 per month, commencing September 2021.

Salix Loans in respect of projects at 3 academies totalling £93,887 were received during the year. These loans interest free and are repayable in twice yearly instalments over 5 years beginning in Sept 2019 and March 2020 respectively.

17. Funds

The income funds of the Trust comprise the following balances of grants to be applied for specific purposes.

	Balance at 1 September 2018 £	Income £	Expenditure £	Gains, losses and transfers £	Balance at 31 August 2019 £
Restricted general funds					
General Annual Grant (GAG)	(1,701,436)	13,288,093	(14,731,557)	-	(3,144,900)
Start Up Grant	-	16,333	(14,972)	-	1,361
Pupil Premium	-	1,047,755	(1,047,755)	-	-
Transfer on conversion	-	-	-	-	-
Other grants	159,980	1,248,365	(1,408,345)	-	-
Pension reserve	(6,410,000)	-	(832,000)	(1,432,000)	(8,674,000)
	(7,951,456)	15,600,546	(18,034,629)	(1,432,000)	(11,817,539)
Restricted fixed asset funds					
Transfer on conversion	53,269,959	-	(657,603)	-	52,612,356
DfE/ESFA capital grants	-	1,532,088	(563,664)	-	968,424
Capital expenditure from GAG	231,413	-	(45,248)	-	186,165
	53,501,372	1,532,088	(1,266,515)	-	53,766,945
Total restricted funds	45,549,916	17,132,634	(19,301,144)	(1,432,000)	41,949,406
Total unrestricted funds	510,113	1,523,254	(1,403,652)	-	629,715
Total funds	46,060,029	18,655,888	(20,704,796)	(1,432,000)	42,579,121

The specific purposes for which the funds are to be applied are as follows:

General Annual Grant (GAG) must be used for the normal running costs of the Trust's academies.

Restricted fixed asset funds consist of tangible fixed assets (£53,246,965), intangible fixed assets (£66,151), and unspent capital grants (£453,829).

Other restricted funds comprise funds received from the DfE, ESFA, Local Authorities and other government bodies to reimburse expenditure incurred by the Trust in its ordinary operational activities.

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

	Balance at 1 September 2017 £	Income £	Expenditure £	Gains, losses and transfers £	Balance at 31 August 2018 £
Restricted general funds					
General Annual Grant (GAG)	(293,163)	13,012,097	(14,236,659)	(183,711)	(1,701,436)
Start Up Grant	-	41,333	(41,333)	-	-
Pupil Premium	-	1,104,164	(1,104,164)	-	-
Transfer on conversion	-	(698,584)	698,584	-	-
Other grants	201,000	2,316,845	(2,357,865)	-	159,980
Pension reserve	(5,988,999)	-	(1,693,001)	1,272,000	(6,410,000)
	(6,081,162)	15,775,855	(18,734,438)	1,088,289	(7,951,456)
Restricted fixed asset funds					
Transfer on conversion	50,071,828	4,432,934	(1,234,803)	-	53,269,959
DfE/ESFA capital grants	-	55,765	(55,765)	-	-
Capital expenditure from GAG	-	-	(16,352)	247,765	231,413
Private sector capital sponsorship	-	-	-	-	-
	50,071,828	4,488,699	(1,306,920)	247,765	53,501,372
Total restricted funds	43,990,666	20,264,554	(20,041,358)	1,336,054	45,549,916
Total unrestricted funds	430,009	1,316,109	(1,171,951)	(64,054)	510,113
Total funds	44,420,675	21,580,663	(21,213,309)	1,272,000	46,060,029

Analysis of academies by fund balance

Fund balances at 31 August 2019 were allocated as follows:

	Total 2019 £	Total 2018 £
Lancot School	(61,018)	80,494
Kempston Challenger Academy	(956,263)	(602,792)
Daubeney Academy	(256,724)	(45,781)
The Deanes	(945,461)	(288,103)
Hadleigh Junior School	(71,512)	(59,674)
The Westborough School	377,643	369,211
Springfield Academy	229,192	122,435
Central Services	(829,681)	(607,134)
Total before fixed assets and pension reserve	(2,513,824)	(1,031,345)
Restricted fixed asset fund	53,766,945	53,501,372
Pension reserve	(8,674,000)	(6,410,000)
Total	42,579,121	46,060,027

The academy trust is carrying a net deficit of £2,513,824 on restricted general funds (excluding pension reserve) plus unrestricted funds. As outlined in the strategic report this is due to the financial difficulties the Trust faces, however, significant steps to address this have taken place and the Trust continues to follow a 5 year recovery plan. The Trust is taking the following action to return to surplus:

Restructuring:

We carried out a large formal restructuring programmes across the trust in 2018/19 as we sought to re-balance the make up of our schools and central provision, and align it to the current, and expected future provision of education across the organisation.

In 2019/20 we will have significantly reduced our cost base and whilst we do not expect to post a surplus, we expect a significant decrease in the deficit and a surplus to follow in the next 3 years as our pupil numbers grow. We have worked closely with the Department for Education who are supportive of this turnaround plan and, as disclosed in the Strategic report, have agreed to the delayed repayment of the loan in order to facilitate this recovery. We will be continue to work closely with each school to ensure that the hard work in achieving the surplus does not detract in an appropriate level of re-investment and support to the schools, and our children.

The restructuring also applied to our central services which will also result in a significant reduction in cost over the next 12 months and we expect to generate a surplus centrally.

Pupil numbers: Based on a review of planning assumptions from the local authorities, and planning assumption around secondary places in particular, we are expecting a steady increase across most of our schools over the next five years. This is particularly noticeable at the Deanes, where a reversed previous statutory proposal to close prompted a very significant fall in numbers. The school is now recovering its numbers rapidly, with a full cohorts joining in year 7, and a higher number of in year additions. We are confident that the positive pupil number trajectory will continue and help us address several of our larger school based deficits.

Analysis of academies by cost

Expenditure incurred by each academy during the year was as follows:

	Teaching and educational support staff costs £	Other support staff costs £	Educational supplies £	Other costs (excluding depreciation) £	Total 2019 £	Total 2018 £
Lancot School	1,313,364	195,775	18,640	336,044	1,863,823	1,825,102
Kempston Challenger Academy	2,810,687	536,627	227,647	336,512	3,911,472	4,499,724
Daubeney Academy	1,435,914	284,473	81,252	196,559	1,998,198	2,011,108
The Deanes	2,042,266	988,911	307,112	719,860	4,058,148	4,323,200
Hadleigh Junior School	1,024,664	206,018	61,944	141,150	1,433,776	1,543,981
The Westborough School	1,742,171	426,273	112,798	237,024	2,518,266	2,793,545
Springfield Academy	1,069,931	198,771	59,667	499,230	1,827,599	1,408,370
Central Services	268,938	215,940	129,340	320,293	934,512	1,500,014
Academy Trust	11,707,935	3,052,788	998,400	2,786,672	18,545,794	19,905,044

18. Analysis of Net Assets between Funds

Fund balances at 31 August 2019 are represented by:

	Unrestricted Fund £	Restricted General Funds £	Restricted Fixed Asset Funds £	Total Funds £
Intangible fixed assets	-	-	66,151	66,151
Tangible fixed assets	-	-	53,246,965	53,246,965
Current assets	629,715	571,427	453,829	1,654,971
Current liabilities	-	(1,505,575)	-	(1,505,575)
Non-current liabilities	-	(2,209,392)	-	(2,209,392)
Pension scheme liability	-	(8,674,000)	-	(8,674,000)
Total net assets	629,715	(11,817,539)	53,766,945	42,579,121

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

	Unrestricted Fund £	Restricted General Funds £	Restricted Fixed Asset Funds £	Total Funds £
Intangible fixed assets	-	-	-	53,501,372
Tangible fixed assets	-	-	53,501,372	53,501,372
Current assets	510,113	663,274	-	1,173,387
Current liabilities	-	(1,554,730)	-	(1,554,730)
Non-current liabilities	-	(650,000)	-	(650,000)
Pension scheme liability	-	(6,410,000)	-	(6,410,000)
Total net assets	510,113	(7,951,456)	53,501,372	46,060,029

19. Capital commitments

	2019 £	2018 £
Contracted for, but not provided in the financial statements	58,665	-

20. Commitments under operating leases

Operating leases

At 31 August 2019 the total of the Academy Trust's future minimum lease payments under non-cancellable operating leases was:

	2019 £	2018 £
Amounts due within one year	70,029	80,829
Amounts due between one and five years	78,360	125,507
Amounts due after five years	-	-

21. Members' Liability

Each member of the charitable company undertakes to contribute such amount as may be required (such amount not exceeding £10) to the assets of the company in the event of it being wound up while he or she is a member, or within one year after he or she ceases to be a member, for the payment of the Trust's debts and liabilities contracted before he or she ceases to be a member and of the costs, charges and expenses of winding up and for the adjustment of the rights of contributories amongst themselves.

22. Reconciliation of net income/(expenditure) to net cash flow from operating activities

	2019 £	2018 £
Net income/(expenditure) for the reporting period (as per the statement of financial activities)	(2,048,908)	367,354
Adjusted for:		
Depreciation (note 13)	802,579	706,664
Amortisation of intangibles (note 12)	13,230	-
Impairment of fixed assets (note 13)	-	600,256
Interest receivable (note 5)	(959)	(511)
Assets transferred from local authority (note 29)	-	(4,432,934)
Cash transferred from local authority	-	-
Capital grants from DfE and other capital income	(1,532,088)	-
Defined benefit pension scheme obligation inherited	-	840,000
Movement in connection with defined benefit pension scheme cost	832,000	853,000
(Increase) in debtors	(16,633)	83,259
Increase in creditors	(49,156)	258,751
Net cash provided by / (used in) operating activities	<u>(1,999,934)</u>	<u>(724,161)</u>

23. Cash Flows from Financing Activities

	2019 £	2018 £
Repayments of borrowing	-	-
Cash inflows from new borrowing	<u>1,559,392</u>	<u>650,000</u>
Net cash provided by / (used in) financing activities	<u>1,559,392</u>	<u>650,000</u>

24. Cash Flows from Investing Activities

	2019 £	2018 £
Dividends, interest and rents from investments	959	511
Proceeds from sale of tangible fixed assets	-	-
Purchase of tangible fixed assets	(548,172)	(119,819)
Purchase of intangible fixed assets	(79,380)	-
Capital grants from DfE/ESFA	1,532,088	-
Capital funding received from sponsors and others	-	-
Net cash provided by / (used in) investing activities	<u>905,495</u>	<u>(119,308)</u>

25. Analysis of cash and cash equivalents

	At 31 August 2019	At 31 August 2018
Cash in hand and at bank	1,180,131	715,178
Notice deposits (less than 3 months)	-	-
Total cash and cash equivalents	<u>1,180,131</u>	<u>715,178</u>

26. Pensions 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 and Essex County Council. Both are multi-employer defined benefit schemes.

The latest actuarial valuation of the TPS related to the period ended 31 March 2016 and of the LGPS 31 March 2016.

Contributions amounting to £215,966 were payable to the schemes at 31 August 2019 (2018: £234,468) and are included within creditors.

Teachers' Pension Scheme

The Teachers' Pension Scheme (TPS) is a statutory, contributory, defined benefit scheme, governed by the Teachers' Pension Scheme Regulations 2014. Membership is automatic for full-time teachers in academies and, from 1 January 2007, automatic for teachers in part-time employment following appointment or a change of contract, although they are able to opt out.

The Teachers' Pension Scheme (TPS) is a statutory, contributory, defined benefit scheme, governed by the Teachers' Pensions Regulations 2010 (as amended) and the Teachers' Pension Scheme Regulations 2014 (as amended). Members contribute on a 'pay as you go' basis with contributions from members and the employer being credited to the Exchequer. Retirement and other pension benefits are paid by public funds provided by Parliament.

The employer contribution rate as set by the Secretary of State following scheme valuations undertaken by the Government Actuary's Department. The most recent actuarial valuation of the TPS was prepared as at 31 March 2016 and the Valuation Report, which was published in March 2019, confirmed that the employer contribution rate for the TPS would increase from 16.4% to 23.6% from 1 September 2019. Employers are also required to pay a scheme administration levy of 0.08% giving a total employer contribution rate of 23.8%.

The 31 March 2016 Valuation Report was prepared in accordance with the benefits set out in the scheme regulations and under the approach specified in the Directions, as they applied at 5 March 2019. However the assumptions were considered and set by the Department for Education prior to the ruling in the 'McCloud/Sergeant' case.

This case has required the courts to consider cases regarding the implementation of the 2015 reforms to Public Service Pensions including the Teachers' Pensions. On 27 June 2019 the Supreme Court denied the government permission to appeal the Court of Appeal's judgement that transitional reforms introduced to the reformed pension schemes in 2015 gave rise to unlawful age discrimination. The government is respecting the Court's decision and has said it will engage fully with the Employment Tribunal as well as employer and member representatives to agree how the discriminations will be remedied.

The TPS is subject to a cost cap mechanism which was put in place to protect taxpayers against unforeseen changes in scheme costs. The Chief Secretary to the Treasury, having in 2018 announced that there would be a review of this cost cap mechanism, in January 2019 announced a pause to the cost-cap mechanism following the Court of Appeal's ruling in the McCloud/Sargeant case and until there is certainty about the value of pensions to employees from April 2015 onwards.

In view of the above rulings and decisions the assumptions used in the 31 March 2016 Actuarial Valuation may become inappropriate. In this scenario a valuation prepared in accordance with revised benefits and suitably revised assumptions would yield different results than those contained in the Actuarial Valuation. Until a remedy to the discrimination conclusion has been determined by the Employment Tribunal it is not possible to conclude on any financial impact or future changes to the contribution rates of the TPS. Accordingly no provision for any additional past benefit pension costs is included in these financial statements.

The employer's pension costs paid to TPS in the period amounted to £1,135,438 (2018: £1,178,253). A copy of the valuation report and supporting documentation is on the Teachers' Pensions website.

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

26. Pensions and similar obligations (continued)

Local Government Pension Scheme

The LGPS is a funded defined benefit pension scheme, with the assets held in separate trustee-administered funds. The total contribution made for the year ended 31 August 2019 was £1,046,000 (2018: £956,000), of which employer's contributions totalled £860,000 (2018: £759,000) and employees' contributions totalled £186,000 (2018: £197,000). The agreed contribution rates for future years are variable based on pay.

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.

The following figures are a summary of the figures for the seven academies within the Trust at 31 August 2019.

Principal Actuarial Assumptions

	At 31 August 2019	At 31 August 2018
Rate of increase in salaries	2.5%-3.7%	2.7% - 3.3%
Rate of increase for pensions in payment / inflation	2.2%	2.3% - 2.4%
Discount rate for scheme liabilities	1.9%	2.7% - 2.8%

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

	At 31 August 2019	At 31 August 2018
<i>Retiring today</i>	<i>years</i>	<i>years</i>
Males	20.7-21.3	22.3-22.4
Females	23.2-23.6	24.5-24.8
<i>Retiring in 20 years</i>		
Males	21.7-23.0	24.0-24.5
Females	24.7-25.4	26.2-27.1

Sensitivity Analysis

	At 31 August 2019	At 31 August 2018
	£000	£000
Discount rate +0.1%	(359)	(303)
Discount rate -0.1%	367	303
Mortality assumption - 1 year increase	527	392
Mortality assumption - 1 year decrease	(508)	(392)
CPI rate +0.1%	322	370
CPI rate -0.1%	(313)	(368)
Salary increase rate +0.1%	45	46
Salary increase rate -0.1%	(43)	(46)

The Academy Trust's share of the assets of the scheme were:

	Fair value at 31 August 2019	Share	Fair value at 31 August 2018	Share
	£	%	£	%
Equities	4,011,000	66	3,089,000	61
Gilts	171,000	3	132,000	3
Corporate bonds	638,000	11	511,000	10
Property	529,000	9	456,000	9
Cash and other liquid assets	228,000	4	582,000	11
Alternative assets	303,000	5	222,000	4
Other managed funds	159,000	3	95,000	2
Total market value of assets	6,039,000	100	5,087,000	100

The actual return on the scheme assets in the year was £296,000 (2018: £245,000)

26. Pensions and similar obligations (continued)
Local Government Pension Scheme (continued)

Amounts recognised in the Statement of Financial Activities

	2019 £	2018 £
Current service cost (net of employee contributions)	(1,153,000)	(1,442,000)
Past service cost	(366,000)	
Interest cost	(171,000)	(170,000)
Admin expenses	(2,000)	
Total amount recognised in the SOFA	<u>(1,692,000)</u>	<u>(1,612,000)</u>

Changes in the present value of defined benefit obligations were as follows:

	2019 £	2018 £
At 1 September	11,497,000	9,847,000
Conversion of academy trusts	-	887,000
Current service cost	1,153,000	1,442,000
Past service cost including curtailments	366,000	-
Interest cost	319,000	281,000
Employee contributions	186,000	197,000
Actuarial (gain)/loss	1,580,000	(1,138,000)
Plan introductions, benefit changes and settlements	<u>(388,000)</u>	<u>(19,000)</u>
At 31 August	<u>14,713,000</u>	<u>11,497,000</u>

Changes in the fair value of academy trust's share of scheme assets:

	2019 £	2018 £
At 1 September	5,087,000	3,858,000
Conversion of academy trusts	-	47,000
Interest income	148,000	111,000
Return on assets less interest	146,000	134,000
Actuarial gain / (loss)	-	-
Employer contributions	860,000	759,000
Employee contributions	186,000	197,000
Plan introductions, benefit changes and settlements	<u>(388,000)</u>	<u>(19,000)</u>
At 31 August	<u>6,039,000</u>	<u>5,087,000</u>

On 26 October 2018 the High Court ruled that equalisation for the effect of unequal Guaranteed Minimum Pensions (GMPs) is required. The ruling confirmed that trustees have a duty "to equalise benefits for men and women so as to alter the result which is at present produced in relation to GMPs". According to HM Treasury, any impact of GMPs is unlikely to be material to the pension valuation and therefore no allowance for GMP equalisation has been made in the FRS102 LGPS pension liability for this year. Full GMP indexation will be applied to the LGPS pension liability once changes to the LGPS have been formally announced.

27. Central Services

The academy trust has provided the following services to its academies during the year:

- * estate services
- * human resources
- * financial services
- * legal services
- * educational support services
- * others as arising

The trust charges for these services based on a 6% charge on GAG income in each academy.

The actual amounts charged during the year were as follows:

	2019 £	2018 £
Lancot School	84,116	83,748
Kempston Challenger Academy	190,677	214,568
Daubeney Academy	88,088	99,517
The Deanes	142,254	137,867
Hadleigh Junior School	70,827	66,681
The Westborough School	123,628	134,579
Springfield Primary School	91,024	69,281

28. Agency arrangements

The academy trust distributes 16-19 bursary funds to students as an agency for the ESFA. In the accounting period ended 31 August 2019 the academy trust received £11,042 (2018: £14,092) and distributed all of this amount from the fund during the year. There is no amount included in creditors as repayable to the ESFA.

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 in accordance with the requirements of the AFH and with the academy trust's financial regulations and normal procurement procedures relating to connected and related party transactions. The following related party transactions took place in the financial period.

Pop-Up Foundation Limited - A company in which Stephen Chamberlain (Chief Executive Officer of the Trust) has been a director since March 2018:

CMAT procured services totalling £1,800 during the period related to the delivery and development of residential programmes in France for CMAT pupils and linking CMAT academies to other schools and education provisions internationally that are focused on developing learning outside the classroom in sustainable communities. This was delivered at cost on a non-profit basis.