

Registered number: SC162021
Charity number: SC024256

HARMENY EDUCATION TRUST LIMITED
(A Company Limited by Guarantee)

TRUSTEES' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2023

HARMENY EDUCATION TRUST LIMITED
(A Company Limited by Guarantee)

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**REFERENCE AND ADMINISTRATIVE DETAILS OF THE CHARITABLE COMPANY, ITS TRUSTEES AND
ADVISERS
FOR THE YEAR ENDED 31 MARCH 2023**

Trustees

Jennifer Scott - Chair
Ann Jacob-Chandler
Anna Vaughan
Dr Gareth Gettinby
Dr John Halliday
Ian Forbes
Michael Bell
Rachel Caughey
Taliah Drayak
Sarah Summers

Company registered number

SC162021

Charity registered number

SC024256

Registered office and principal trading address

Harmeny School
Mansfield Road
Balerno
Midlothian
EH14 7JY

Company secretary

Declan Walsh

Chief executive

Neil Squires

Senior Management team

Declan Walsh, Head of Finance
Sean McCahill, Head of HR
Helen Goad, Head of Care
Mandy Shiel, Head of Education

Independent auditor

French Duncan LLP Trading as AAB
Chartered Accountants & Statutory Auditor
133 Finnieston Street
Glasgow
G3 8HB

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**REFERENCE AND ADMINISTRATIVE DETAILS OF THE CHARITABLE COMPANY, ITS TRUSTEES AND
ADVISERS (CONTINUED)**
FOR THE YEAR ENDED 31 MARCH 2023

Bankers

The Royal Bank of Scotland
239 St John's Road
Edinburgh
EH12 7XA

Solicitors

Morton Fraser LLP
Quartermile Two
2 Lister Square
Edinburgh
EH3 9GL

HARMENY EDUCATION TRUST LIMITED
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TRUSTEES' REPORT
FOR THE YEAR ENDED 31 MARCH 2023

The Trustees (who are also Directors for the purposes of Company Law) present their annual report together with the audited financial statements of the charitable company for the year 1 April 2022 to 31 March 2023. The Annual Report serves the purposes of both a Trustees' report and a directors' report under company law. The Trustees confirm that the Annual Report and financial statements of the charitable company comply with the current statutory requirements, the requirements of the charitable company's governing document and the provisions of the Statement of Recommended Practice (SORP) applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS102) (effective 1 January 2019).

Objectives and activities

The company was incorporated on 6 December 1995 and is a registered Scottish charity. The assets and liabilities of its predecessor organisation, Harmeny School, were transferred to the company on 21 December 1995 by Save the Children, who had responsibility for running the school from 1958 until that date.

Harmeny is one of seven grant aided schools in Scotland. A proportion of operating income comes from a block maintenance grant from the Scottish Government with the balance of costs being charged out in fees to local authorities.

The principal activity of the company is to advance the education and care of children and young people in Scotland with additional support needs on a residential and day basis.

Harmeny School

The school provides specialist education and care services on a day and all year round residential basis, for children of primary up to early secondary age. As a Grant Aided Special School, we work with children who have complex social, emotional and behavioural needs. Services are provided on both a national and regional basis, with children being referred by local authorities throughout the whole of Scotland. The school is registered with the Care Inspectorate for up to 32 residential places and also provides day places for up to 8 children.

Harmeny Outdoors, which is part of Harmeny School, provides a range of adventurous and environmental activities, which are fully integrated into the curriculum, for all children who attend Harmeny.

Strategic plan and performance management

The Trust's three-year Strategic Plan (August 2020 - July 2023) includes the following overarching strategic aim:

“Harmeny will extend its services to include continuing care and learning for children and young people up to the age of 18, establish and implement our therapeutic practice model (The Harmeny Way), and further improve our profile and influence nationally, thus helping even more children and young people reach their full potential.”

A regular review of activities detailed in the Strategic Plan is carried out by the Trustees and management team in order to measure the success of the Trust in achieving their set objectives. A summary of achievements in relation to goals set for the financial year to March 2023 is contained within the section entitled 'Review of Significant Achievements and Performance'.

The priorities for the year 2023-24 are outlined within the section entitled 'Plans for future periods'.

Overall measurement of the performance of the school is assessed by way of reports resulting from external reviews carried out by the Care Inspectorate and Education Scotland, as well as through Harmeny's own internal quality assurance systems including progress on each child's personal plans.

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FOR THE YEAR ENDED 31 MARCH 2023

Achievements and performance

Harmeny School

The charity continued to make significant achievements during the financial year 2022-23.

Managing Covid-19 and Cost of Living Crisis

Coming out of the Covid pandemic, along with the impact of the cost of living crisis, proved to be challenging from a staff retention perspective, with a significant number of care staff deciding to move on – a common trend across the Scottish residential education sector. However, we responded to this robustly through developing a 'Care Action Plan', focusing on the key areas of recruitment and induction; care staffing rota and cover, management, culture and practice. A recruitment campaign proved highly successful, with the care vacancies being filled, and a new induction programme received excellent feedback from new starts.

High Quality Services

We continued to provide high quality education and care services for children with complex additional support needs from primary through to early secondary age, with a continued healthy rate of referrals, evidencing the ongoing demand for our services. We saw an increase in parental placement requests within our Day Service and updated our Day Service leaflet to help parents and carers better understand the process of referral. Around four pupils, at any one time, were supported to sustain placements within local primary or secondary schools, whilst remaining at Harmeny on a residential only basis.

We kept in regular touch with the Care Inspectorate and Education Scotland who indicated they were pleased with the quality of care and learning children continued to receive. We received an unannounced Care Inspection in June 2023 with very favourable feedback received alongside some areas for further development. Previous education and care inspections highlight excellent quality care and support, a strong relational approach, innovative practice in relation to assessment and planning, reflective and supportive staff supervision, ensuring wellbeing as a strength of the school, and a very caring ethos, placing children at the heart of everything we do.

During the year an array of creative and supportive activities were offered to children, including a range of outdoor activities, inter-school cross country event, camping trips, creative arts, music and play therapy, a fireworks display, Christmas show and Burns lunch. In June 2022, we hosted an international Music Therapy event and in May 2023, we were delighted to receive a visit from the Children's Commissioner, who met with children and staff and was highly complimentary about the services we provide.

Children's Rights and Participation

We continued to ensure that the voices of children were at the heart of our services, in line with our Promise pledge (the ten-year strategy which followed the Independent Care Review). Our Pledge includes: increased engagement with children and families; adapting the Pinky Promise for our children; a whole school effort to drive down physical interventions; maximising time for children with their families, especially siblings; and increasing the Board of Trustees to include care experienced people. The Board consulted with both children and parents/carers, who said they felt listened to and that their views were taken account of. Our newly established Parent and Carer Group grew from strength to strength with a number of meetings and activities organised, enabling mutual support and views to be shared.

Service Developments

Excellent progress was made regarding the key strategic priority (Acorn Project) to develop continuing care and learning services for young people, aged 15+, already placed at Harmeny. Work was completed in relation to extending and refurbishing a cottage within the grounds to allow an additional five young people to remain at Harmeny up to the age of 18. Funding was secured from local authorities and the cottage was opened in the

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Achievements and performance (continued)

summer of 2022.

Key to successfully delivering Acorn is the development of a bespoke new Learning Hub in the grounds of the school, allowing a highly vocational secondary curriculum to be delivered. The Trustees approved the design of the building by Loader Monteith architects and Thomas Johnstone Limited were appointed as the contractor, with work commencing in October 2022. Excellent progress has been made, with the build completed in August 2023. Following the building being handed over, it will be fitted out ready for our new innovative secondary curriculum to be delivered from October 2023.

We were delighted to receive funding from the Ryvoan Trust, allowing us to develop Harmeny Here4U, a project for pupils - past, present and future - to keep in touch with Harmeny and each other, and allow research into the impact of our services. The service commenced in August 2022, with the project worker already making contact with a significant number of former pupils, arranging visits for them, providing advocacy support, and carrying out research into the impact of our services.

Excellent progress was made with the development of our therapeutic practice model – The Harmeny Way – with a Practice Handbook being completed, describing the theories and evidence-informed approaches used to guide our complex work with children. A Microsite and training programme are currently being developed.

Following engagement with children, staff and external stakeholders regarding our branding, a new logo and website were developed and launched in March 2023, receiving very favourable feedback. The branding includes a new strapline, “A place to live, a space to thrive”. We are delighted to add that our new logo won silver in the Brand category at the Scottish Design Awards in June.

Fundraising

Our main focus for 2022/23 was to raise the funds to build our new secondary learning facilities, the Learning Hub, through our Learning for Life Appeal. In October 2021 the appeal target was raised from £1.95m to £3.1m to meet the increased build costs due to the impact of covid and Brexit on the building industry. In the financial year 2022/23 £957,290 was donated to the appeal, bringing the total received to £2,636,569 – the equivalent of 83% of our new target. We are delighted to update that at the time of writing due to the amazing support of our donors that the appeal target has now been met.

We are hugely appreciative to all our supporters who have joined the appeal or increased their gifts to help us reach our new goal. Special thanks go to The Hugh Fraser Foundation, William Syson Foundation and The Foyle Foundation who made grants to the appeal this year. In addition, we are very grateful to The Clothworkers Foundation and RS Macdonald Charitable Trust for providing additional funds to the project and all our previous funders for their continued commitment.

We were also proud to be the nominated charity for both RBC Brewin Dolphin, Edinburgh Office and QB Wood Architects and would like to thank their staff for all their fundraising efforts.

We could not raise such funds without the on-going commitment of our volunteer Fundraising Development Group, Ambassadors and supporters who continue to support the appeal through raising funds and awareness through their network. The appeal is supported by a small Fundraising Team, along with the Fundraising Development Group, chaired by Allan Cook CBE, and with members including individuals from the business community, John Halliday and Anna Vaughan, Trustees, and the Chief Executive. The Chief Executive provides regular reports for the Trustees, who retain overall responsibility for monitoring and reviewing fundraising activities.

Over and above the funds raised for our capital appeal we also received donations totaling £133,844 to our holidays and activities fund, Harmeny Here4U (transitions and keeping in touch project) and the renovation of

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TRUSTEES' REPORT (CONTINUED)
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Achievements and performance (continued)

one of our cottages to support the extension of our care up to age 18. We'd like to thank The Ryvoan Trust for their on-going commitment to our Harmeny Here4U project plus SPIFOX and RS Macdonald Charitable Trust for their donations to support the renovation of the cottage for older young people.

A further donation of £287,500 was also received from a private donor to help with the overall Acorn project particularly surrounding the finalising of the current phase of the project and also to assist getting the next phase operational.

We were very grateful to receive a grant from The Scottish Government Pupil Equity Fund, targeted towards improving children's attainment and achievement in literacy, numeracy, health and wellbeing.

Grants and donations are included as restricted donations and legacies as disclosed in the Statement of Financial Activities.

Public Benefit

Harmeny Education Trust Limited is one of seven national grant aided schools and provides education and care to children who have complex additional support needs that cannot be met in local authority provision.

The school is open to children from the whole of Scotland. Fees are paid by referring local authorities and are subsidised by the Scottish Government. The school has no private pupils.

The Trustees consider that Harmeny Education Trust Limited provides significant public benefit in addition to the contribution it gives through the school's principal objectives and activities as described above. As well as the work we do with children attending the school, the facilities at Harmeny are also made available to children from other schools and to adults and children from the local community and beyond for training purposes, leisure and volunteering. Fees are charged for access to certain facilities but these are aimed at cost recovery rather than profit. The children placed at Harmeny are encouraged to take up opportunities to participate in the wider community depending on the mutual benefit of such an undertaking.

Harmeny also provides training for Social Work, Teaching and Outdoor Education students, enabling practical placements within our care and education settings for students from the UK and abroad. In addition, the school offers training opportunities for external agencies and organisations.

As a leader in the field of care and education for children with complex additional support needs, Harmeny actively contributes to improving the care and education of children in this sector by sharing experience and expertise within national working groups and through delivering presentations and workshops at national and international conferences.

Volunteers

Our corporate volunteering programme returned in 2022 and we welcomed 18 teams between April and October. The volunteers were involved in a variety of projects to support the maintenance of our estate including helping out in our community garden, decorating the living spaces in our cottages, replacing fencing and improving access across our grounds. In addition, 20 volunteers regularly support the work of the school throughout the year, including education support, photography, gardening, delivery of STEM subjects and fundraising.

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TRUSTEES' REPORT (CONTINUED)
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Financial review

Going concern

The results for the year and the Trust's financial position at the end of the year are shown in the attached financial statements. The directors are confident that the charity has adequate resources to continue in operational existence for the foreseeable future and for at least 12 months from the date of approval of the accounts. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

During the year, the Trust reported an operational surplus of £2,228,139 (2022 - surplus of £1,267,560). The increase in the operational surplus is mainly down to the levels of donations we have received for our Learning for Life Appeal with monies received going to the construction of a new Learning Hub which commenced in late 2022 and is due to be complete in mid to late 2023.

HETL made an overall net surplus for the year of £2,166,927 (2022 - net surplus of £1,587,894). Loss on investments in the year were £63,199 (2022 - gain of £14,334). The movement in the pension fund in the year was an increase of £1,987 (2022 - increase of £306,000). At the year end the net funds of HETL were £11,075,763 (2022- £8,908,836).

The Trust continues to work and liaise closely with local authorities across Scotland to ensure that the pupil numbers remains at capacity. Maximising income, generating additional funding and strict cost control remains a priority. Further details are provided in note 2.2.

Reserves policy

The Directors have reviewed the reserves of the Trust in the knowledge that the Scottish Government revenue maintenance grant, while continuing to be paid at a similar level as in the previous year, will be withdrawn over a number of years.

The Directors are aware that the level of financial risk the Trust is exposed to is significant due to the decrease and loss of this Grant over the coming years, along with ongoing financial pressures facing local authorities who are responsible for paying the fees for children placed at Harmeny. Inflationary cost pressures have also made the current economic climate a particularly challenging one.

The Trust is also exposed to pension risk via the closed SVSPS (non-teaching staff) pension fund. Details of the scheme deficit and the annual contributions can be found in note 14.

Given these external long-term risks, the Trustees consider it both prudent and essential to have between three to six months' unrestricted general reserves. This level of reserves would allow the Trust to take appropriate steps to reorganise Harmeny's activities to meet any major change in circumstances that it may face. These include:

- Providing a level of working capital that protects the continuity of school operations
- Providing cover for risks such as loss of income or unforeseen expenditure
- Providing a level of funding for opportunities or developments
- Providing a level of funding to underpin longer term commitments

Having reviewed the above criteria, alongside the external risks, the current strategy and business plan, the Trustees believe that in 2022-23 the current level of unrestricted general reserves, equating to approximately 6 months of current operational running costs, are sufficient to cover any such eventualities.

The total reserves at 31 March 2023 are £11,075,763 (2022 - £8,908,836).

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Financial Review (Continued)

Total reserves less restricted reserves of £949,239 (2022 - £698,128), less endowment fund of £38,401 (2022 - £38,401), less designated LFLA fund of £943,012 (2022 - £547,685), less designated Margery Browning legacy £38,524 (2022 - £38,524) less net book value of fixed assets of £6,082,651 (2022 - £4,969,165) results in free reserves (including the pension reserve) of £3,023,936 (2022 - £2,616,933).

This represents approximately 6 months of total expenditure in respect of the year ended 31 March 2023.

Investments

HETL has an investment portfolio which is managed by Rathbones Investment Management.

The portfolio is managed at a medium risk level. In practice this means that there is a spread of equity and pooled funds covering various markets, sectors and asset classes subject to certain restrictions that the Board have placed on the investment managers.

During the year, the value of investments has decreased from £848,641 to £798,236 at 31 March 2023.

The movement in the year represents net additions to the portfolio in the year totaling £2,000 (2022 - net disposals of £29,638) and an unrealised loss of £67,098 (2022 - gain of £19,751).

All investment income is re-invested in the portfolio to maximise future growth.

The Board receives regular reports from the investment managers and are satisfied with the performance of the portfolio during 2022-23 taking into account the general performance of the market.

The value of the investment portfolio has decreased since the end of the financial year, and at 31 July 2023 was valued at £789,471.

Structure, governance and management

Constitution

Harmeny Education Trust Limited is registered as a charitable company limited by guarantee and governed by a Memorandum and Articles of Association.

Setting pay and remuneration

The remuneration of key management personnel is reviewed on an annual basis and is benchmarked against the pay scales and increases set by the Scottish Joint Council for Local Government Employees and the Scottish Negotiating Committee for Teachers.

Methods of appointment or election of Trustees

The management of the company is the responsibility of the Trustees who are elected and co-opted under the terms of the Memorandum of Association.

Harmeny Education Trust Limited (HETL) is a company limited by guarantee and does not have a share capital. The governing documents are the company's Memorandum and Articles of Association, and in November 2022, a detailed review of the Articles was concluded. As a result, a new set of Articles was approved by the Trustees

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Structure, governance and management (continued)

in March, submitted to OSCR and approved by them in June 2023. An accompanying Governance Handbook, outlining the role, structure and composition of the Board and sub-committees; the role and expectations of the Trustees and Chair; the role of the Chief Executive and delegated authority; Board process and meetings, was completed and approved by the Trustees in November 2022.

As a result of in-depth discussions, Save the Children agreed, on 5 August 2022, to vary the Transfer Agreement to release Harmeny Education Trust from the requirement to obtain consent relating to borrowing and development of the estate, whilst still requiring the estate to be continued to be used as a school for children with additional support needs. Save the Children also relinquished the right to appoint a Trustee to the Board and agreed to release the Standard Security they previously held over the school.

The Trustees are chosen for appointment following a robust recruitment process with reference to their experience and ability to contribute to the work of the charity. The Board meets regularly and has appointed the following sub committees covering the principal aspects of the company's operation:

- Business Group, chaired by John Halliday, Trustee
- Policy and Practice Group, chaired by Jennifer Scott, Trustee

The day to day running of the charity is managed by the Chief Executive and a team of senior managers (as detailed on page 1).

Succession planning and the recruitment process of Trustees are very thorough and focus on required skill sets. An induction pack is provided for new Trustees and an induction programme is provided, which includes an overview of the operational and strategic elements of the organisation as well as meetings with key staff. The induction programme may include additional elements which are tailored to the needs of the new Board member.

The Board continuously reviews the blend of skills and experience of Trustees relevant to the charity's core services. A matrix of skills is therefore regularly reviewed to ensure Trustees hold operational and strategic knowledge, skills and experience at a senior level across the following areas: education, care, governance, finance, fundraising, legal, buildings and estates, health and safety, HR and learning and development.

The Trustees, none of whom has a beneficial interest in Harmeny Education Trust Limited (HETL), who served during the year and up to the date of signing are:

Jennifer Scott, Chair
Michael Bell (appointed 30 March 2023)
David Cathie (resigned 14 July 2022)
Rachel Caughey (appointed 22 June 2023)
Gillian Cockburn (resigned 14 July 2022)
Taliah Drayak
Ian Forbes
Dr Gareth Gettinby (appointed 30 March 2023)
Anne Gibson (resigned 9 June 2022)
Dr John Halliday
Ann Jacob-Chandler
William Keil (resigned 1 September 2022)
Sarah Summers
Anna Vaughan

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TRUSTEES' REPORT (CONTINUED)
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Structure, governance and management (continued)

Risk Assessment and Management

The Trustees give high priority to evaluating the risks to which the charity is exposed and ensuring that there are effective systems in place to mitigate those risks. The charity's risk register is reviewed by the Board annually or as high priority risks emerge.

The Board has conducted its annual review of the major risks to which the charity is exposed along with the associated actions, procedures and contingency plans put in place to mitigate those risks and is satisfied with the management of those risks.

Covid-19, Brexit and the Cost of Living Crisis

Since March 2020, the organisation has had to respond to the many challenges resulting from the Covid-19 pandemic. As a critical service caring for vulnerable children, we were required to continuously provide care and education to both our residential and day pupils, during periods of lockdown and restriction. Additional costs were incurred due to the requirement to provide staff cover for those isolating, Personal Protective Equipment (PPE), enhanced cleaning and hygiene measures, additional ICT, and therapeutic support for children and staff. Whilst there was an initial surge in referrals during and shortly after lockdown, the economic uncertainty brought on by the pandemic, together with Brexit and the cost of living crisis could lead to reduced demand from local authorities as they seek alternatives to residential placements. Fundraised income could also be adversely affected through a lower return on invested funds within trust and grant-making bodies, reduced community fundraising opportunities and the challenge in following up major donor prospects due to Covid restrictions. The recruitment and retention of staff, particularly Residential Child Care Workers, has been affected due to them wishing a better work life balance, the cost of fuel to travel to work, and exhaustion as a result of the impact of the pandemic.

Withdrawal of Scottish Government

The Scottish Government (SG) Grant for Grant Aided Special Schools (GASS) requires to be withdrawn on a phased basis, by March 2029, in line with the Doran Review and 10 Year Strategy for the Learning Provision for Children with Complex Additional Support Needs. There is a risk that as the grant is withdrawn, some local authorities may refuse to meet the increased fee levels, or alternatively that costs cannot be reduced without impacting on the quality of care and education provided by HET. This is particularly the case in the context of the potential impact of the current economic crisis on local authority funding, and the challenge of raising fees in line with current high levels of inflation. There has also been a move towards a centralised model of procurement contract negotiations, via Scotland Excel, the body commissioned by local authorities to negotiate fees on their behalf, meaning HET has less opportunity to liaise directly with authorities regarding this complex area.

Scottish Child Abuse Inquiry

In September 2018, Harmeny Education Trust (HET) was named, alongside many other organisations, by the Scottish Child Abuse Inquiry, the timeline for which relates to young people who were in residential care up to December 2014. Harmeny is highly supportive of the Inquiry, and has fully cooperated through the thorough preparation of a formal response, which was submitted in September 2019. It is taking considerable time for the Inquiry Team to assess the response, along with those submitted by the other organisations named. Until that process is complete and more information is received regarding the nature of any potential historic allegations, the Trustees consider a key risk to be the potential reputational and/or financial damage leading to reduced income.

Statutory Redress Scheme

The Redress for Survivors (Historical Child Abuse in Care) (Scotland) Act received Royal Assent in April 2021.

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Structure, governance and management (continued)

This means that the law is now in place to establish a Redress Scheme for survivors of past child abuse in care in Scotland. HET is fully supportive of the aims of the Redress Scheme which will play a vital role in acknowledging and repairing the abuse suffered by children and young people in care settings in the past. The Scheme opened for applications in December 2021 and a decision was made by Trustees in October 2022 that HET should become participants of the scheme on a Defined (capped overall payment) basis, with the organisation joining the scheme on 8 February 2023. The Scottish Government (SG) advised that the cost of participating in the scheme on a Defined basis for HET would be £70k in total, with seven annual payments of £10,000 from 2023 to 2029. The risks associated with joining the scheme include: financial, in respect of the funds being required over a seven year period; and reputational, through potential adverse publicity.

Reserves / Cash Flow

In April 2018 HETL launched major capital appeal in order to finance the development of a Learning Hub newbuild within the grounds. In October 2022 a decision was made by Trustees to sign a contract with Thomas Johnstone (TJ) since the majority of funds had been achieved (81% of £3.1m target) and it was important to lock the price before the cost of living crisis / inflation increased the cost further. The build commenced in October 2022, with a completion date of August 2023. There is a risk that during the newbuild construction phase, should the remaining funds not be raised, HETL's reserves could be adversely impacted. Other associated risks include: adverse weather or Covid outbreaks delaying the build and pushing up costs; donor fatigue as a result of the appeal running for over four years; and pledged income not being released impacting cashflow.

Other Risks

Other risks, as assessed by the Trustees, relate to the withdrawal of Scottish Government funding combined with pressure on local authority funding, reserves / cash falling below required levels and organisational change in order to ensure the ongoing sustainability and growth of the Trust.

The Board mitigates these risks as follows:

- Managing the impact of the Covid-19 crisis, Brexit and cost of living crisis, through continued marketing of core and new services.
- Research shows a correlation between poverty and numbers of children who have social, emotional and behavioural needs. Harmeny has a strong reputation and track record and is well placed to work with those in greatest need, further compounded by the impact of the Covid and cost of living crises.
- Maintaining optimal levels of staffing, through creative advertising, regular open days, efficient application and selection processes; robust induction, a range of supports to support staff wellbeing.
- Strong negotiation of fees to mitigate the loss of SG grant.
- The SG are willing to consider the amount of yearly reduction of grant being variable in order to support GASS providers' business plans and individual circumstances.
- Continued proactive marketing of Harmeny's services, including growing the service in future to include continuing care, and extended secondary education service will allow a healthy flow of pupil numbers.
- A robust approach to maximising income, alongside careful cost control and making efficiencies wherever possible.
- By having adequate levels of reserves, strong financial management and cost control in place. The charity aims

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TRUSTEES' REPORT (CONTINUED)
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Structure, governance and management (continued)

to hold within unrestricted reserves, between three and six months of expenditure to cover any unforeseen major change in circumstances.

•We continue to maintain good working relationships with local authorities, ensuring our fees remain competitive, alongside reducing the reliance on Scottish Government funding to cover operational expenditures in a move to a full cost recovery model of school fees for core services in future years.

•Our formal response to the Scottish Child Abuse Inquiry was based on comprehensive analysis of our historic records and specialist legal advice is being provided by our lawyers, Morton Fraser, in relation to the Inquiry as well as the Redress Scheme.

•Harmeny is highly committed to the safeguarding and welfare of the children and young people who are placed with us. We adhere to national child protection guidelines, and to our own child protection procedures, which are reviewed on a regular basis. Strong inspection reports reflect very good care and education of children, and continuous improvement.

•The Defined figure for HETL joining the Redress Scheme is capped, and repayments will be manageable over the seven year period, without detrimentally impacting on services provided for children placed at Harmeny.

•A skilled SMT, including a Head of HR and support from a specialist HR Consultancy, Navigator Employment Law, ensures good practice, clear communication and a range of organisational supports during change processes.

•The newbuild contract meets construction standards, has been checked by a construction lawyer, scrutinised by HET's QS, and has been deemed to have acceptable clauses in relation to risk.

•All due diligence checks have been carried out in relation to the newbuild contractor and sufficient contingencies are in place.

•The full £3.1m of our major capital appeal has now been raised (as at September 2023).

•Financial systems are in place to project the impact on reserves and cash and closely monitor these. HET has an overdraft facility which will provide a safety net for cash flow purposes.

•Programme management has been applied rigorously to the Acorn project as a whole and appropriate reporting implemented, with support from an inhouse Project Management Officer.

Plans for future periods

Our three-year Strategic Plan (August 2020 - July 2023) focuses on three key priorities: establishing continuing care services (Acorn Project); developing our therapeutic practice model (The Harmeny Way); and increasing our profile through enhanced communication and marketing.

Our priorities for the coming year, which will be outlined within the new Strategic Plan, are as follows:

1. Further develop participation policy and practice, ensuring that children and their families are involved as much as possible within current and future service provision.
2. Implement The Harmeny Way practice framework and explore marketing it externally.
3. Implement continuing care and learning services (Acorn).
4. Complete the Learning for Life appeal, achieving the revised fundraising target, and complete the Learning Hub newbuild.
5. Strengthen the organisation's profile through enhanced marketing and communications.

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TRUSTEES' REPORT (CONTINUED)
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Plans for future periods (continued)

Our accompanying Business Plan outlines the resources and systems required to achieve our ambitious Strategic Plan. In particular, we will ensure our much valued estate, which is central to the wellbeing of our children, receives the necessary investment to meet our needs and objectives.

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 applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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 of the Charities SORP (FRS 102);
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards (FRS 102) 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, the Charities and Trustee Investment (Scotland) Act 2005 and the Charities Accounts (Scotland) Regulations 2006 (as amended). 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.

Disclosure of information to auditor

Each of the persons who are Trustees at the time when this Trustees' Report is approved has confirmed that:

- so far as that Trustee is aware, there is no relevant audit information of which the charity's auditor is unaware, and
- that Trustee has taken all the steps that ought to have been taken as a Trustee in order to be aware of any relevant audit information and to establish that the charity's auditor is aware of that information.

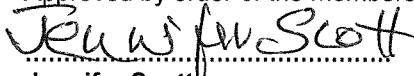
HARMENY EDUCATION TRUST LIMITED
(A Company Limited by Guarantee)

TRUSTEES' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2023

Auditor

The auditor, French Duncan LLP Trading as AAB, has indicated their willingness to continue in office. The Trustees will propose a motion re-appointing the auditor at the charity's AGM.

Approved by order of the members of the board of Trustees and signed on their behalf by:


.....
Jennifer Scott
Trustee
Date: 07/09/2023

HARMENY EDUCATION TRUST LIMITED
(A Company Limited by Guarantee)

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HARMENY EDUCATION TRUST LIMITED

Opinion

We have audited the financial statements of Harmeny Education Trust Limited (the 'charitable company') for the year ended 31 March 2023 which comprise the Statement of Financial Activities, the Balance Sheet, the Statement of Cash Flows and the related notes, 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 March 2023 and of its incoming resources and application of resources, including its income and expenditure for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006, the Charities and Trustee Investment (Scotland) Act 2005 and regulation 8 of the Charities Accounts (Scotland) Regulations 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 United Kingdom, including the Financial Reporting Council's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the charitable company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Trustees with respect to going concern are described in the relevant sections of this report.

HARMENY EDUCATION TRUST LIMITED
(A Company Limited by Guarantee)

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HARMENY EDUCATION TRUST LIMITED
(CONTINUED)

Other information

The other information comprises the information included in the Annual Report other than the financial statements and our Auditor's Report thereon. The Trustees are responsible for the other information contained within the Annual Report. 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. 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 course of 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 this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinion on other matters prescribed by the Companies Act 2006

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

- the information given in the Trustees' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.
- the Trustees' Report has been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of our 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 Trustees' Report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 and the Charities Accounts (Scotland) Regulations 2006 (as amended) require us to report to you if, in our opinion:

- adequate and proper 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 on page 13, 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.

HARMENY EDUCATION TRUST LIMITED
(A Company Limited by Guarantee)

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HARMENY EDUCATION TRUST LIMITED
(CONTINUED)

Auditor's responsibilities for the audit of the financial statements

We have been appointed as auditor under section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005 and under the Companies Act 2006 and report in accordance with the Act and relevant regulations made or having effect thereunder.

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.

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

The extent to which the audit was considered capable of detecting irregularities including fraud

Our approach to identifying and assessing the risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, was as follows:

- the engagement partner ensured that the engagement team collectively had the appropriate competence, capabilities and skills to identify or recognise non-compliance with applicable laws and regulations;
- we identified the laws and regulations applicable to the charitable company through discussions with trustees and other management, and from our charity sector knowledge;
- we focused on specific laws and regulations which we considered may have a direct material effect on the financial statements or the operations of the charitable company, including the Companies Act 2006, the Charities and Trustee Investment (Scotland) Act 2005, data protection, anti-bribery, employment, and health and safety legislation;
- we assessed the extent of compliance with the laws and regulations identified above through making enquiries of management; and
- identified laws and regulations were communicated within the audit team regularly and the team remained alert to instances of non-compliance throughout the audit.

We assessed the susceptibility of the charitable company's financial statements to material misstatement, including obtaining an understanding of how fraud might occur, by:

- making enquiries of management as to where they considered there was susceptibility to fraud, their knowledge of actual, suspected and alleged fraud; and
- considering the internal controls in place to mitigate risks of fraud and non-compliance with laws and regulations.

To address the risk of fraud through management bias and override of controls, we:

- performed high level analytical procedures to identify any unusual or unexpected relationships;
- tested journal entries to identify unusual transactions;
- assessed whether judgements and assumptions made in determining the accounting estimates were indicative of potential bias; and

HARMENY EDUCATION TRUST LIMITED
(A Company Limited by Guarantee)

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HARMENY EDUCATION TRUST LIMITED
(CONTINUED)

The extent to which the audit was considered capable of detecting irregularities including fraud (continued)

- investigated the rationale behind significant or unusual transactions.

In response to the risk of irregularities and non-compliance with laws and regulations, we designed procedures which included, but were not limited to:

- agreeing financial statement disclosures to underlying supporting documentation;
- reading the minutes of meetings of those charged with governance; and
- enquiring of management as to actual and potential litigation and claims.

There are inherent limitations in our audit procedures described above. The more removed that laws and regulations are from financial transactions, the less likely it is that we would become aware of non-compliance.

Auditing standards also limit the audit procedures required to identify non-compliance with laws and regulations to enquiry of the directors and other management and the inspection of regulatory and legal correspondence, if any.

Material misstatements that arise due to fraud can be harder to detect than those that arise from error as they may involve deliberate concealment or collusion.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our 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, and to the charitable company's trustees, as a body, in accordance with regulation 10 of the Charities Accounts (Scotland) Regulations 2006. Our audit work has been undertaken so that we might state to the charitable company's members and Trustees 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, its members, as a body, and its trustees, as a body for our audit work, for this report, or for the opinions we have formed.



Antony J Sinclair (Senior Statutory Auditor)

for and on behalf of

French Duncan LLP Trading as AAB

Chartered Accountants & Statutory Auditor

133 Finnieston Street

Glasgow

G3 8HB

Date: 07/09/2023

French Duncan LLP Trading as AAB is eligible to act as auditor in terms of section 1212 of the Companies Act 2006.

HARMENY EDUCATION TRUST LIMITED
(A Company Limited by Guarantee)

STATEMENT OF FINANCIAL ACTIVITIES (INCORPORATING INCOME AND EXPENDITURE ACCOUNT)
FOR THE YEAR ENDED 31 MARCH 2023

	Note	Unrestricted funds 2023 £	Restricted funds 2023 £	Endowment funds 2023 £	Total funds 2023 £	Total funds 2022 £
Income and endowments from:						
Donations and legacies	4	1,184,579	1,366,920	-	2,551,499	2,064,875
Charitable activities	5	6,188,140	-	-	6,188,140	5,377,462
Investments	6	38,544	-	-	38,544	20,415
Total income and endowments		7,411,263	1,366,920	-	8,778,183	7,462,752
Expenditure on:						
Raising funds	7,8	7,828	98,389	-	106,217	75,748
Charitable activities	9	6,326,053	117,774	-	6,443,827	6,119,444
Total expenditure		6,333,881	216,163	-	6,550,044	6,195,192
Net (losses)/gains on investments		(63,199)	-	-	(63,199)	14,334
Net income		1,014,183	1,150,757	-	2,164,940	1,281,894
Transfers between funds	21	899,646	(899,646)	-	-	-
Net movement in funds before other recognised gains		1,913,829	251,111	-	2,164,940	1,281,894
Other recognised gains:						
Other gains	21	1,987	-	-	1,987	306,000
Net movement in funds		1,915,816	251,111	-	2,166,927	1,587,894
Reconciliation of funds:						
Total funds brought forward		8,172,307	698,128	38,401	8,908,836	7,320,942
Net movement in funds		1,915,816	251,111	-	2,166,927	1,587,894
Total funds carried forward		10,088,123	949,239	38,401	11,075,763	8,908,836

HARMENY EDUCATION TRUST LIMITED
(A Company Limited by Guarantee)

STATEMENT OF FINANCIAL ACTIVITIES (INCORPORATING INCOME AND EXPENDITURE ACCOUNT)
(CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2023

The operating surplus before investment gains and losses was £2,228,139 (2022 - operating surplus £1,267,560). This is mainly down to the levels of donations we have received for our Learning for Life Appeal with monies received going to the construction of a new Learning Hub which commenced in late 2022 and is due to be complete in 2023.

The Statement of Financial Activities includes all gains and losses recognised in the year.

The notes on pages 24 to 55 form part of these financial statements.

HARMENY EDUCATION TRUST LIMITED
(A Company Limited by Guarantee)
REGISTERED NUMBER: SC162021

BALANCE SHEET
AS AT 31 MARCH 2023

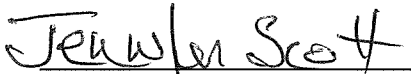
	Note	2023 £	2022 £
Fixed assets			
Tangible assets	15	6,082,651	4,969,165
Investments	16	798,236	848,641
		<u>6,880,887</u>	<u>5,817,806</u>
Current assets			
Stocks	17	2,738	2,627
Debtors	18	451,575	572,767
Cash at bank and in hand	25	4,346,096	3,194,203
		<u>4,800,409</u>	<u>3,769,597</u>
Creditors: amounts falling due within one year	19	(433,163)	(453,567)
Net current assets		<u>4,367,246</u>	<u>3,316,030</u>
Total assets less current liabilities		<u>11,248,133</u>	<u>9,133,836</u>
Creditors: amounts falling due after more than one year	20	(50,000)	-
Net assets excluding pension liability		<u>11,198,133</u>	<u>9,133,836</u>
Defined benefit pension scheme liability		(122,370)	(225,000)
Total net assets		<u><u>11,075,763</u></u>	<u><u>8,908,836</u></u>
Charity funds			
Endowment funds	21	38,401	38,401
Restricted funds	21	949,239	698,128
Unrestricted funds	21	10,088,123	8,172,307
Total funds		<u><u>11,075,763</u></u>	<u><u>8,908,836</u></u>

HARMENY EDUCATION TRUST LIMITED
(A Company Limited by Guarantee)

BALANCE SHEET (CONTINUED)
AS AT 31 MARCH 2023

The Trustees acknowledge their responsibilities for complying with the requirements of the Companies Act 2006 with respect to accounting records and preparation of financial statements.

The financial statements were approved and authorised for issue by the Trustees and signed on their behalf by:


Jennifer Scott
Date: 07/04/2023

The notes on pages 24 to 55 form part of these financial statements.

HARMENY EDUCATION TRUST LIMITED
(A Company Limited by Guarantee)

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2023

	Note	2023 £	2022 £
Cash flows from operating activities			
Net cash generated from operating activities	24	2,421,536	1,706,249
Cash flows from investing activities			
Dividends, interests and rents from investments		38,544	20,415
Purchase of tangible fixed assets		(1,291,494)	(166,259)
Proceeds from sale of investments		260,787	595,956
Purchase of investments		(277,480)	(602,907)
Net cash used in investing activities		(1,269,643)	(152,795)
Cash flows from financing activities			
Net cash provided by financing activities		-	-
Change in cash and cash equivalents in the year		1,151,893	1,553,454
Cash and cash equivalents at the beginning of the year		3,194,203	1,640,749
Cash and cash equivalents at the end of the year	25	4,346,096	3,194,203

The notes on pages 24 to 55 form part of these financial statements

HARMENY EDUCATION TRUST LIMITED
(A Company Limited by Guarantee)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2023

1. General information

The Trust is a charitable company limited by guarantee, incorporated in the UK and registered in Scotland (Company No. SC162021) and is a registered Scottish Charity (Charity No. SC024256). The registered office is Harmeny School, Mansfield Road, Balerno, Midlothian, EH14 7JY.

The members of the charitable company are the Trustees named on page 1. In the event of the charity being wound up, the liability in respect of the guarantee is limited to £1 per member of the charitable company.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared in accordance with the Charities SORP (FRS 102) - Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) (effective 1 January 2019), the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102), the Charities Accounts Scotland Regulations 2006 (as amended) and the Companies Act 2006.

Harmeny Education Trust Limited meets the definition of a public benefit entity under FRS 102. Assets and liabilities are initially recognised at historical cost or transaction value unless otherwise stated in the relevant accounting policy.

2.2 Going concern

The charity's activities and principal risks are described in the Trustees report. The Trustees have considered forecast results for the school taking into account any ongoing impact of the Covid-19 pandemic and the current economic uncertainties and inflationary pressures. The school continued to operate effectively throughout the year and continued to receive the support of Government funding. The pupil numbers have been and are expected to remain stable. The school has maintained its free reserves in line with its reserves policy backed by liquid assets of cash and an investment portfolio which can be used to support the schools activities if required. The school has reviewed its cost base to ensure it continues to operate efficiently and will continue to do so. Taking the above factors into account, the directors have a reasonable expectation that the charity has adequate resources to meet its liabilities as they fall due and to continue in operational existence for the foreseeable future and for at least 12 months from the date of approval of the financial statements. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

2.3 Consolidation

The charitable company is the parent undertaking of a group which only includes one dormant subsidiary and has therefore taken an exemption from preparing consolidated accounts. These financial statements therefore present information about the charitable company as an individual undertaking and not about its group.

HARMENY EDUCATION TRUST LIMITED
(A Company Limited by Guarantee)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2023

2. Accounting policies (continued)

2.4 Income

All income is recognised once the charitable company has entitlement to the income, it is probable that the income will be received and the amount of income receivable can be measured reliably.

Grants receivable are recognised as incoming resources when the conditions for their receipt have been satisfied. Grants received for specific purposes are accounted for as restricted funds. Any grants restricted to future accounting periods are deferred and recognised in the period to which they relate. Grants for capital projects are credited to a separate restricted fund.

Local Authority fees represent the amounts receivable against the school's net costs for the period and relative to the school's academic year.

Investment income is recognised in the Statement of Financial Activities (SOFA) in the year it is receivable.

Interest receivable relates to interest on funds held on deposit and is included when receivable and the amount can be measured reliably by the charity; this is normally upon notification of the interest paid or payable by the bank.

Donated services or facilities are recognised when the charitable company has control over the item, any conditions associated with the donated item have been met, the receipt of economic benefit from the use of the charitable company of the item is probable and that economic benefit can be measured reliably. In accordance with the Charities SORP (FRS 102), the general volunteer time is not recognised and reference can be made to the Trustees' Report for more information about their contribution.

On receipt, donated professional services and donated facilities are recognised on the basis of the value of the gift to the charitable company which is the amount the charitable company would have been willing to pay to obtain services or facilities of equivalent economic benefit on the open market; a corresponding amount is then recognised in expenditure in the period of receipt.

2.5 Expenditure

Expenditure is included on an accruals basis and is recognised when there is a legal or constructive obligation to pay for the expenditure. The charity is not registered for VAT and accordingly expenditure is shown including irrecoverable VAT.

Support costs are those costs that, whilst necessary to deliver an activity, do not themselves produce or constitute the output of the charitable activity. Support costs include the central office functions such as general management, payroll administration, budgeting and accounting, information technology, human resources, learning and development and fundraising. Fundraising expenditure has been included within the Learning for Life appeal costs and will equate to approximately 15% of the overall appeal budget. The development and investment in the fundraising infrastructure will stand us in good stead beyond the lifetime of the appeal and are considered essential for future fundraising efforts. Support costs are those costs incurred directly in support of expenditure on the objects of the company and include project management work carried out at Headquarters.

HARMENY EDUCATION TRUST LIMITED
(A Company Limited by Guarantee)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2023

2. Accounting policies (continued)

2.5 Expenditure (continued)

Governance costs are the costs associated with the governance arrangements of the charity and are related to the general running of the charity as opposed to those costs associated with fundraising or charitable activity. The costs include external audit, legal advice for trustees and costs associated with constitutional and statutory requirements. Included within this category are any costs associated with the strategic as opposed to day-to-day management of the charity's activities.

Expenditure on charitable activities is incurred on directly undertaking the activities which further the charitable company's objectives, as well as any associated support costs.

2.6 Government grants

Grants are accounted under the accruals model as permitted by FRS 102. Grants of a revenue nature are recognised in the Statement of financial activities in the same period as the related expenditure.

2.7 Tangible fixed assets and depreciation

On incorporation, the charity was gifted the land and existing property at Harmeny School on the condition that should the asset cease to be used for the purposes of Special Needs Education, the property would revert to Save the Children.

The original cost of the asset is not available and only costs incurred by the predecessor organisation, Harmeny School, were capitalised on incorporation.

Since incorporation all additions and improvements to land and buildings have been included at cost.

All assets costing more than £2,500 are capitalised.

Tangible fixed assets are carried at cost or valuation, net of depreciation and any provision for impairment. Depreciation is provided at rates calculated to write off the cost of fixed assets, less their estimated residual value, over their expected useful lives on the following bases:

Heritable property	- 2% straight line
Plant and machinery	- 25% straight line
Motor vehicles	- 25% straight line
Fixtures and fittings	- 25% straight line
Computer equipment	- 25% straight line
Assets under construction	- Not depreciated

2.8 Investments

Investments are stated at market value at the balance sheet date. The Statement of Financial Activities (SOFA) includes net gains and losses on revaluation and disposals throughout the year.

Investments held as fixed assets are shown at cost less provision for impairment.

HARMENY EDUCATION TRUST LIMITED
(A Company Limited by Guarantee)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2023

2. Accounting policies (continued)

2.9 Stocks

Stocks are valued at the lower of cost and net realisable value after making due allowance for obsolete and slow-moving stocks.

2.10 Debtors

Trade and other debtors are recognised at the settlement amount. Prepayments are valued at the amount prepaid net of any trade discounts due.

2.11 Cash at bank and in hand

Cash at bank and in hand includes cash and short-term highly liquid investments with a short maturity of three months or less from the date of acquisition or opening of the deposit or similar account.

2.12 Creditors and provisions

Creditors and provisions are recognised when the charity has a present obligation resulting from a past event that will probably result in the transfer of funds to a third party and the amount due to settle the obligation can be measured or estimated reliably. Creditors and provisions are normally recognised at their settlement amount after allowing for any trade discounts due.

2.13 Financial instruments

The company only 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 their settlement value.

2.14 Pensions

The charity contributes to the Scottish Teachers' Superannuation Scheme at rates set by the Scheme Actuary and advised to the Board by the Scheme Administrator.

The charity also contributes to a multi-employer scheme for non-teaching staff.

In both of these pension schemes it is not possible for the charity to obtain sufficient information to enable it to account for the schemes as defined benefit schemes therefore they are treated for accounting purposes as defined contribution schemes.

Contributions to both schemes are charged to the Statement of Financial Activities (SOFA) as they become payable in accordance with the rules of the schemes.

The deficit on the now closed Scottish Voluntary Sector Pension Scheme (SVSPS) defined benefit scheme for non-teaching staff is being paid off over a period of years calculated by the Scheme Actuaries to eradicate the deficit in 2025. Payments towards the deficit are included in the Statement of Financial Activities (SOFA).

In accordance with FRS 102, the charity makes provision within the financial statements of the present value of the deficit reduction contributions payable under this agreement.

The charitable company operates a defined contribution pension scheme and the pension charge represents the amounts payable by the charitable company to the fund in respect of the year.

HARMENY EDUCATION TRUST LIMITED
(A Company Limited by Guarantee)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2023

2. Accounting policies (continued)

2.15 Fund accounting

General funds are unrestricted funds which are available for use at the discretion of the Trustees in furtherance of the general objectives of the charitable company and which have not been designated for other purposes.

Designated funds comprise unrestricted funds that have been set aside by the Trustees for particular purposes. The aim and use of each designated fund is set out in the notes to the financial statements.

Restricted funds are funds which are to be used in accordance with specific restrictions imposed by donors or which have been raised by the charitable company for particular purposes. The costs of raising and administering such funds are charged against the specific fund. The aim and use of each restricted fund is set out in the notes to the financial statements.

Endowment funds represent the book value of property and other assets acquired by the charity on the date of incorporation in December 1995.

Investment income, gains and losses are allocated to the appropriate fund.

3. Critical accounting estimates and areas of judgement

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Critical accounting estimates and assumptions:

The company makes estimates and assumptions concerning the future. The resulting accounting estimates and assumptions will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

(i) Useful economic lives of tangible assets

The annual depreciation charge for tangible assets is sensitive to changes in the estimated useful economic lives and residual values of the assets. The useful economic lives and residual values are re-assessed annually. They are amended when necessary to reflect the current estimates, based on technological advancement, future investments, economic utilisation and the physical conditions of the assets. See note 15 for carrying amounts of tangible assets.

(ii) Defined benefit pension scheme

The charity operates both a defined benefit pension scheme providing benefits based on the final pensionable earnings and a defined contribution scheme. The determination of any pension scheme surplus/deficit is based on assumptions determined with independent actuarial advice. The assumptions used include discount rate, inflation, pension increases, salary increases, the expected return on scheme assets and mortality assumptions. Refer to note 14 for details of post retirement benefits.

HARMENY EDUCATION TRUST LIMITED
(A Company Limited by Guarantee)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2023

4. Income from donations and legacies

	Unrestricted funds 2023 £	Restricted funds 2023 £	Total funds 2023 £	<i>Total funds 2022 £</i>
Donations	119,138	1,240,845	1,359,983	724,205
Grants	-	30,625	30,625	33,816
Government grants	1,065,441	95,450	1,160,891	1,306,854
	<u>1,184,579</u>	<u>1,366,920</u>	<u>2,551,499</u>	<u>2,064,875</u>
<i>Total 2022</i>	<u>1,456,742</u>	<u>608,133</u>	<u>2,064,875</u>	

5. Income from charitable activities

	Unrestricted funds 2023 £	Total funds 2023 £	<i>Total funds 2022 £</i>
Local authority fees	6,025,984	6,025,984	5,120,039
SQA and Learning & development	-	-	(216)
Other	162,156	162,156	257,639
	<u>6,188,140</u>	<u>6,188,140</u>	<u>5,377,462</u>
<i>Total 2022</i>	<u>5,377,462</u>	<u>5,377,462</u>	

HARMENY EDUCATION TRUST LIMITED
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NOTES TO THE FINANCIAL STATEMENTS
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6. Investment income

	Unrestricted funds 2023 £	Total funds 2023 £	<i>Total funds 2022 £</i>
Dividends	20,056	20,056	20,105
Bank interest	18,488	18,488	310
	<u>38,544</u>	<u>38,544</u>	<u>20,415</u>
<i>Total 2022</i>	<u>20,415</u>	<u>20,415</u>	

7. Expenditure on raising funds

Costs of raising voluntary income

	Unrestricted funds 2023 £	Restricted funds 2023 £	Total funds 2023 £	<i>Total funds 2022 £</i>
Fundraisers' costs	566	98,389	98,955	68,011
	<u>566</u>	<u>98,389</u>	<u>98,955</u>	<u>68,011</u>
<i>Total 2022</i>	<u>-</u>	<u>68,011</u>	<u>68,011</u>	

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NOTES TO THE FINANCIAL STATEMENTS
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8. Investment management costs

	Unrestricted funds 2023 £	Total funds 2023 £	<i>Total funds 2022 £</i>
Investment management fees	7,262	7,262	7,737
<i>Total 2022</i>	<i>7,737</i>	<i>7,737</i>	

9. Analysis of expenditure on charitable activities

Summary by fund type

	Unrestricted funds 2023 £	Restricted funds 2023 £	Total 2023 £	<i>Total 2022 £</i>
Harmeny School	6,326,053	117,774	6,443,827	6,119,444
<i>Total 2022</i>	<i>5,910,192</i>	<i>209,252</i>	<i>6,119,444</i>	

10. Analysis of expenditure by activities

	Activities undertaken directly 2023 £	Support costs 2023 £	Total funds 2023 £	<i>Total funds 2022 £</i>
Harmeny School	5,986,753	457,074	6,443,827	6,119,444
<i>Total 2022</i>	<i>5,797,924</i>	<i>321,520</i>	<i>6,119,444</i>	

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2023

10. Analysis of expenditure by activities (continued)

Analysis of direct costs

	Harmeny School 2023 £	Total funds 2023 £	<i>Total funds 2022 £</i>
Staff costs	4,951,243	4,951,243	4,612,051
Depreciation	178,008	178,008	160,635
Consumables	176,724	176,724	123,042
Operating charges	680,778	680,778	902,196
	<u>5,986,753</u>	<u>5,986,753</u>	<u>5,797,924</u>
<i>Total 2022</i>	<u>5,797,924</u>	<u>5,797,924</u>	

Analysis of support costs

	Harmeny School 2023 £	Total funds 2023 £	<i>Total funds 2022 £</i>
Staff costs	285,497	285,497	237,552
Professional fees	14,290	14,290	4,200
Governance costs	157,287	157,287	79,768
	<u>457,074</u>	<u>457,074</u>	<u>321,520</u>
<i>Total 2022</i>	<u>321,520</u>	<u>321,520</u>	

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11. Auditor's remuneration

	2023	2022
	£	£
Fees payable to the charitable company's auditor for the audit of the charitable company's annual accounts	12,210	11,411

12. Staff costs

	2023	2022
	£	£
Wages and salaries	4,606,970	4,243,167
Social security costs	455,406	398,951
Contribution to defined contribution pension schemes	272,675	257,598
	5,335,051	4,899,716

In addition to the above noted pension costs the charity has made pension deficit contributions of £104,325 (2022 - £111,000) which have been offset against the liability provided within the financial statements during the year.

HARMENY EDUCATION TRUST LIMITED
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2023

12. Staff costs (continued)

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

	2023	2022
	No.	No.
Education staff	31	33
Care staff	87	82
Domestic staff	14	15
Administrative staff	22	20
Estate staff	4	4
	<hr/> 158 <hr/>	<hr/> 154 <hr/>

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

	2023	2022
	No.	No.
In the band £60,001 - £70,000	1	1
In the band £70,001 - £80,000	2	3
In the band £90,001 - £100,000	1	1

Total pension costs to higher paid employees amounted to £34,690 (2022 - £36,884) in the year.

During the financial year, the total remuneration (inclusive of employers national insurance and pension contributions) for Key Management Personnel comprising the Chief Executive, Head of Care, Head of Education, Head of Finance and Estates and Head of HR was £417,206 (2022 - £451,547).

13. Trustees' remuneration and expenses

During the year, no Trustees received any remuneration or other benefits (2022 - £nil).

Transactions with Trustees

During the year, related party transactions amounted to £9,184 (2022 - £14,734). These included fees for architect services paid to Ian Forbes and consultancy services paid to Jennifer Scott and Taliah Drayak.

During the year ended 31 March 2023, expenses totalling £34 were reimbursed or paid directly to 1 Trustee (2022 - £331).

Amounts due to Trustees at 31 March 2023 amounted to £nil (2022 - £130).

HARMENY EDUCATION TRUST LIMITED
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2023

14. Pensions

Teaching Staff - The Scottish Teachers Superannuation Scheme

Harmeny Education Trust Limited participates in the Scottish Teachers' Superannuation Scheme. The scheme is an unfunded statutory public service pension scheme with benefits underwritten by the UK Government. The scheme is financed by payments from employers and from those current employees who are members of the scheme and paying contributions at progressively higher marginal rates based on pensionable pay, as specified in the regulations. The rate of employer contributions is set with reference to a funding valuation undertaken by the scheme actuary. The last four-yearly valuation was undertaken as at 31 March 2016. This valuation informed an increase in the employer contribution rate from 17.2% to 23.0% of pensionable pay from September 2019 and an anticipated yield of 9.4% employees contributions.

Harmeny Education Trust Limited has no liability for other employers' obligations to the multi-employer scheme.

As the scheme is unfunded there can be no deficit or surplus to distribute on the wind-up of the scheme or withdrawal from the scheme.

It is accepted that the scheme can be treated for accounting purposes as a defined contribution scheme in circumstances where Harmeny Education Trust Limited is unable to identify its share of the underlying assets and liabilities on the scheme.

The employer contribution rate for the period from 1 April 2021 is 23% of pensionable pay. The employee rate applied is variable and is anticipated to provide a yield of 9.4% of pensionable pay.

Whilst a valuation was carried out as at 31 March 2016, it is not possible to say what deficit or surplus may affect future contributions. Work on the valuation was suspended by the UK Government pending the decision from the Court of Appeal (McCloud (Judiciary scheme)/Sargeant (Firefighters' Scheme) cases) that held that the transitional protections provided as part of the 2015 reforms was unlawfully discriminated on the grounds of age. Following consultation and an announcement in February 2021 on proposals to remedy the discrimination, the UK Government confirmed that the cost control element of the 2016 valuations could be completed. The UK Government has also asked the Government Actuary to review whether, and to what extent, the cost control mechanism is meeting its original objectives. The 2020 actuarial valuations will take the report's findings into account. The interim report is complete (restricted) and is currently being finalised with a consultation. Alongside these announcements, the UK Government confirmed that current employer contribution rates would stay in force until 1 April 2024.

Non-Teaching Staff – Scheme: The Pensions Trust Scottish Voluntary Sector Pension Scheme

The company participates in the scheme, a multi-employer scheme which provides benefits to some 82 non-associated employers. The scheme is a defined benefit scheme in the UK. It is not possible for the company to obtain sufficient information to enable it to account for the scheme as a defined benefit scheme. Therefore it accounts for the scheme as a defined contribution scheme.

HARMENY EDUCATION TRUST LIMITED
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2023

14. Pensions (continued)

The scheme is subject to the funding legislation outlined in the Pensions Act 2004 which came into force on 30 December 2005. This, together with documents issued by the Pensions Regulator and Technical Actuarial Standards issued by the Financial Reporting Council, set out the framework for funding defined benefit occupational pension schemes in the UK.

The scheme is classified as a 'last-man standing arrangement'. Therefore the company is potentially liable for other participating employers' obligations if those employers are unable to meet their share of the scheme deficit following withdrawal from the scheme. Participating employers are legally required to meet their share of the scheme deficit on an annuity purchase basis on withdrawal from the scheme.

A full actuarial valuation for the scheme was carried out with an effective date of 30 September 2020. This actuarial valuation was certified on 21 December 2021 and showed assets of £153.3m, liabilities of £160.0m and a deficit of £6.7m. To eliminate this funding shortfall, the trustees and the participating employers have agreed that additional contributions will be paid, in combination from all employers, to the scheme as follows:

Defined contributions	
From 1 April 2022 to 31 May 2024	£1,473,969 per annum (payable monthly and increasing by 3% each on 1 April)

Some employers have agreed concessions (both past and present) with the Trustee and have contributions up to 28 February 2034.

Note that the scheme's previous valuation was carried out with an effective date of 30 September 2017. This valuation showed assets of £120.0m, liabilities of £145.9m and a deficit of £25.9m. To eliminate this funding shortfall, the Trustee asked the participating employers to pay additional contributions to the scheme as follows:

Defined contributions	
From 1 April 2019 to 30 September 2026	£1,404,638 per annum (payable monthly and increasing by 3% each on 1 April)
From 1 April 2019 to 30 September 2027	£136,701 per annum (payable monthly and increasing by 3% each on 1 April)

Where the scheme is in deficit and where the company has agreed to a deficit funding arrangement the company recognises a liability for this obligation. The amount recognised is the net present value of the deficit reduction contributions payable under the agreement that relates to the deficit. The present value is calculated using the discount rate detailed in these disclosures. The unwinding of the discount rate is recognised as a finance cost.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2023

14. Pensions (continued)

The following schedule details the deficit contributions agreed between the company and the scheme at each year end period:

Defined Contribution Schedule

Year ending	31 March 2023 (£s)	31 March 2022 (£s)	31 March 2021 (£s)
Year 1	107,455	104,325	110,803
Year 2	18,446	107,455	114,127
Year 3	-	18,446	117,551
Year 4	-	-	121,077
Year 5	-	-	124,709
Year 6	-	-	64,225
Year 7	-	-	-
Year 8	-	-	-
Year 9	-	-	-
Year 10	-	-	-
Year 11	-	-	-
Year 12	-	-	-

The charitable company must recognise a liability measured as the present value of the contributions payable that arise from the deficit recovery agreement and the resulting expense in the income and expenditure account i.e. the unwinding of the discount rate as a finance cost in the period in which it arises.

It is these contributions that have been used to derive the company's balance sheet liability.

Present values of provision

	31 March 2023 (£s)	31 March 2022 (£s)	31 March 2021 (£s)
Present value of provision	122,370	224,807	637,188

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2023

14. Pensions (continued)

Reconciliation of opening and closing provisions

	Year ending 31 March 2023 (£s)	Year ending 31 March 2022 (£'s)
Provision at start of period	224,807	637,188
Unwinding of the discount factor (interest expense)	3,875	5,004
Deficit contribution paid	(104,325)	(110,803)
Remeasurements - impact of any change in assumptions	(1,987)	(3,358)
Remeasurements - amendments to the contribution schedule	-	(303,224)
Provision at end of period	122,370	224,807

Income and expenditure impact

	Year ending 31 March 2023 (£s)	Year ending 31 March 2022 (£s)
Interest expense	3,875	5,004
Remeasurements - impact of any change in assumptions	(1,987)	(3,358)
Remeasurements - amendments to the contribution schedule	-	(303,224)
Contributions paid in respect of future service*	-	-
Costs recognised in income and expenditure account	-	-

*Includes defined contribution schemes and future service contributions (i.e. excluding any deficit reduction payments) to defined benefit schemes which are treated as defined contribution schemes.

Assumptions

	31 March 2023 % per annum	31 March 2022 % per annum	31 March 2021 % per annum
Rate of discount	5.40	2.30	0.86

The discount rates shown above are the equivalent single discount rates which, when used to discount future recovery plan contributions due, would give the same results as using a full AA corporate bond yield curve to discount the same recovery plan contributions.

Defined Contribution Scheme

A new scheme was provided for non-teaching staff with effect from 1 April 2010. The scheme is a defined contribution scheme, which will accumulate no further risk or liability for Harmeny Education Trust Limited.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2023

15. Tangible fixed assets

	Heritable Property £	Plant and machinery £	Motor vehicles £	Fixtures and fittings £	Computer equipment £	Assets under construction £	Total £
Cost or valuation							
At 1 April 2022	5,568,476	21,913	150,648	575,554	390,787	200,931	6,908,309
Additions	-	11,008	50,063	44,567	6,809	1,179,047	1,291,494
Transfers between classes	327,890	-	-	13,080	-	(340,970)	-
At 31 March 2023	<u>5,896,366</u>	<u>32,921</u>	<u>200,711</u>	<u>633,201</u>	<u>397,596</u>	<u>1,039,008</u>	<u>8,199,803</u>
Depreciation							
At 1 April 2022	879,501	13,136	149,364	533,595	363,548	-	1,939,144
Charge for the year	115,531	5,311	10,968	31,278	14,920	-	178,008
At 31 March 2023	<u>995,032</u>	<u>18,447</u>	<u>160,332</u>	<u>564,873</u>	<u>378,468</u>	<u>-</u>	<u>2,117,152</u>
Net book value							
At 31 March 2023	<u>4,901,334</u>	<u>14,474</u>	<u>40,379</u>	<u>68,328</u>	<u>19,128</u>	<u>1,039,008</u>	<u>6,082,651</u>
At 31 March 2022	<u>4,688,975</u>	<u>8,777</u>	<u>1,284</u>	<u>41,959</u>	<u>27,239</u>	<u>200,931</u>	<u>4,969,165</u>

HARMENY EDUCATION TRUST LIMITED
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2023

15. Tangible fixed assets (continued)

Save the Children, who previously ran Harmeny School, has been granted a Standard Security over the whole of the heritable property transferred to the charitable company on 21 December 1995. This Standard Security has been discharged post year end.

The charitable company owns the original main building and lodge house, which are both listed. These properties were included in the gift of land and buildings by Save The Children when the company was incorporated in 1995. The value of the assets taken over at that date was recorded as £35,734 in the records of the previous organisation, Harmeny School, and this figure has been included as cost in the balance sheet and the value has been credited to the Endowment Fund. Heritable Property is insured for £11,623,038 which is an estimate of replacement cost and which excludes Value Added Tax.

The proceeds from heritable property, if sold, can only be applied to further the objectives of the school. Otherwise Save the Children may require consideration to be paid in exchange for their consent to the disposals.

16. Fixed Asset Investments

	Listed securities £	Unlisted securities £	Trade investment £	Total £
Market value				
At 1 April 2022	801,274	47,365	2	848,641
Additions	119,655	157,825	-	277,480
Disposals	(117,655)	(143,132)	-	(260,787)
Revaluations	(67,098)	-	-	(67,098)
At 31 March 2023	<u>736,176</u>	<u>62,058</u>	<u>2</u>	<u>798,236</u>
Historical cost	<u>604,975</u>	<u>38,609</u>	<u>-</u>	<u>643,584</u>

17. Stocks

	2023 £	2022 £
Kitchen consumables	<u>2,738</u>	<u>2,627</u>

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FOR THE YEAR ENDED 31 MARCH 2023

18. Debtors

	2023 £	2022 £
Due within one year		
Trade debtors	375,688	507,043
Other debtors	2,451	-
Prepayments and accrued income	73,436	65,724
	451,575	572,767
	451,575	572,767

19. Creditors: Amounts falling due within one year

	2023 £	2022 £
Trade creditors	104,417	223,165
Amounts owed to group undertakings	2	2
Other taxation and social security	115,270	106,772
Pension fund loan payable	38,754	38,373
Other creditors	21,716	10,408
Accruals and deferred income	153,004	74,847
	433,163	453,567
	433,163	453,567

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

	2023 £	2022 £
Other creditors	50,000	-
	50,000	-

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FOR THE YEAR ENDED 31 MARCH 2023

21. Statement of funds

Statement of funds - current year

	Balance at 1 April 2022 £	Income £	Expenditure £	Transfers in/out £	Gains/ (Losses) £	Balance at 31 March 2023 £
Unrestricted funds						
Designated funds						
Capital Fund	3,035,514	-	(89,675)	899,646	-	3,845,485
Margery Browning Legacy Fund	38,524	-	-	-	-	38,524
Learning for Life Appeal Fund	547,685	-	(4,673)	400,000	-	943,012
	<u>3,621,723</u>	<u>-</u>	<u>(94,348)</u>	<u>1,299,646</u>	<u>-</u>	<u>4,827,021</u>
General funds						
General Funds - all funds	3,395,034	7,411,263	(6,235,851)	(448,547)	-	4,121,899
Revaluation Reserve - Investments	106,044	-	-	(25,433)	(63,199)	17,412
Pension Reserve	(225,001)	-	(3,682)	104,325	1,987	(122,371)
Revaluation Reserve - Property	1,274,507	-	-	(30,345)	-	1,244,162
	<u>4,550,584</u>	<u>7,411,263</u>	<u>(6,239,533)</u>	<u>(400,000)</u>	<u>(61,212)</u>	<u>5,261,102</u>

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FOR THE YEAR ENDED 31 MARCH 2023

21. Statement of funds (continued)

Statement of funds - current year (continued)

	Balance at 1 April 2022 £	Income £	Expenditure £	Transfers in/out £	Gains/ (Losses) £	Balance at 31 March 2023 £
Total Unrestricted funds	8,172,307	7,411,263	(6,333,881)	899,646	(61,212)	10,088,123
	Balance at 1 April 2022 £	Income £	Expenditure £	Transfers in/out £	Gains/ (Losses) £	Balance at 31 March 2023 £
Endowment funds						
Permanent Endowment Fund	38,401	-	-	-	-	38,401
Restricted funds						
Scottish Government - Transition Grant	-	24,850	(22,242)	-	-	2,608
Edinburgh Airport Grant	812	-	(423)	-	-	389
HERE4U Project Fund	62,500	50,000	(31,659)	-	-	80,841
Pupil Equity Fund	10,075	30,625	(25,914)	-	-	14,786
Learning for Life Appeal Fund	584,029	953,345	(98,389)	(879,046)	-	559,939
Scottish Government - Capital Grant	-	20,600	-	(20,600)	-	-

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2023

21. Statement of funds (continued)

Statement of funds - current year (continued)

	Balance at 1 April 2022 £	Income £	Expenditure £	Transfers in/out £	Gains/ (Losses) £	Balance at 31 March 2023 £
SG Covid 19 & Wellbeing Fund	11,307	-	(8,131)	-	-	3,176
Anonymous donation	6,750	287,500	(6,750)	-	-	287,500
Promise Fund	22,655	-	(22,655)	-	-	-
	<u>698,128</u>	<u>1,366,920</u>	<u>(216,163)</u>	<u>(899,646)</u>	<u>-</u>	<u>949,239</u>
Total of funds	<u><u>8,908,836</u></u>	<u><u>8,778,183</u></u>	<u><u>(6,550,044)</u></u>	<u><u>-</u></u>	<u><u>(61,212)</u></u>	<u><u>11,075,763</u></u>

HARMENY EDUCATION TRUST LIMITED
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2023

21. Statement of funds (continued)

Statement of funds - prior year

	<i>Balance at 1 April 2021</i>	<i>Income</i>	<i>Expenditure</i>	<i>Transfers in/out</i>	<i>Gains/ (Losses)</i>	<i>Balance at 31 March 2022</i>
	£	£	£	£	£	£
Unrestricted funds						
Designated funds						
Capital Fund	2,997,510	-	(89,596)	127,600	-	3,035,514
Margery Browning Legacy Fund	-	338,524	-	(300,000)	-	38,524
Learning for Life Appeal Fund	109,694	-	(12,009)	450,000	-	547,685
	<u>3,107,204</u>	<u>338,524</u>	<u>(101,605)</u>	<u>277,600</u>	<u>-</u>	<u>3,621,723</u>
General funds						
General Funds - all funds	2,892,860	6,516,095	(5,811,323)	(202,598)	-	3,395,034
Revaluation Reserve - Investments	119,839	-	-	(28,129)	14,334	106,044
Pension Reserve	(637,000)	-	(5,001)	111,000	306,000	(225,001)
Revaluation Reserve - Property	1,304,852	-	-	(30,345)	-	1,274,507
	<u>3,680,551</u>	<u>6,516,095</u>	<u>(5,816,324)</u>	<u>(150,072)</u>	<u>320,334</u>	<u>4,550,584</u>

HARMENY EDUCATION TRUST LIMITED
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2023

21. Statement of funds (continued)

Statement of funds - prior year (continued)

	<i>Balance at 1 April 2021 £</i>	<i>Income £</i>	<i>Expenditure £</i>	<i>Transfers in/out £</i>	<i>Gains/ (Losses) £</i>	<i>Balance at 31 March 2022 £</i>
Total Unrestricted funds	<u>6,787,755</u>	<u>6,854,619</u>	<u>(5,917,929)</u>	<u>127,528</u>	<u>320,334</u>	<u>8,172,307</u>
	<i>Balance at 1 April 2021 £</i>	<i>Income £</i>	<i>Expenditure £</i>	<i>Transfers in/out £</i>	<i>Gains/ (Losses) £</i>	<i>Balance at 31 March 2022 £</i>
Endowment funds						
Permanent Endowment Fund	<u>38,401</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>38,401</u>
Restricted funds						
Scottish Government: - Transition Grant	1,281	21,415	(22,768)	72	-	-
Edinburgh Airport Grant	1,236	-	(424)	-	-	812
HERE4U Project Fund	-	62,500	-	-	-	62,500
Pupil Equity Fund	23,449	33,816	(47,190)	-	-	10,075
Learning for Life Appeal Fund	454,496	317,488	(80,955)	(107,000)	-	584,029
Scottish Government - Capital Grant	-	20,600	-	(20,600)	-	-

HARMENY EDUCATION TRUST LIMITED
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2023

21. Statement of funds (continued)

Statement of funds - prior year (continued)

	<i>Balance at 1 April 2021</i>	<i>Income</i>	<i>Expenditure</i>	<i>Transfers in/out</i>	<i>Gains/ (Losses)</i>	<i>Balance at 31 March 2022</i>
	£	£	£	£	£	£
SG Covid 19 & Wellbeing Fund	11,324	98,564	(98,581)	-	-	11,307
Anonymous donation	3,000	3,750	-	-	-	6,750
Promise Fund	-	50,000	(27,345)	-	-	22,655
	<u>494,786</u>	<u>608,133</u>	<u>(277,263)</u>	<u>(127,528)</u>	<u>-</u>	<u>698,128</u>
Total of funds	<u><u>7,320,942</u></u>	<u><u>7,462,752</u></u>	<u><u>(6,195,192)</u></u>	<u><u>-</u></u>	<u><u>320,334</u></u>	<u><u>8,908,836</u></u>

HARMENY EDUCATION TRUST LIMITED
(A Company Limited by Guarantee)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2023

22. Summary of funds

Summary of funds - current year

	Balance at 1 April 2022 £	Income £	Expenditure £	Transfers in/out £	Gains/ (Losses) £	Balance at 31 March 2023 £
Designated funds	3,621,723	-	(94,348)	1,299,646	-	4,827,021
General funds	4,550,584	7,411,263	(6,239,533)	(400,000)	(61,212)	5,261,102
Endowment funds	38,401	-	-	-	-	38,401
Restricted funds	698,128	1,366,920	(216,163)	(899,646)	-	949,239
	<u>8,908,836</u>	<u>8,778,183</u>	<u>(6,550,044)</u>	<u>-</u>	<u>(61,212)</u>	<u>11,075,763</u>

Summary of funds - prior year

	<i>Balance at</i> <i>1 April 2021</i> £	<i>Income</i> £	<i>Expenditure</i> £	<i>Transfers</i> <i>in/out</i> £	<i>Gains/</i> <i>(Losses)</i> £	<i>Balance at</i> <i>31 March</i> <i>2022</i> £
Designated funds	3,107,204	338,524	(101,605)	277,600	-	3,621,723
General funds	3,680,551	6,516,095	(5,816,324)	(150,072)	320,334	4,550,584
Endowment funds	38,401	-	-	-	-	38,401
Restricted funds	494,786	608,133	(277,263)	(127,528)	-	698,128
	<u>7,320,942</u>	<u>7,462,752</u>	<u>(6,195,192)</u>	<u>-</u>	<u>320,334</u>	<u>8,908,836</u>

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NOTES TO THE FINANCIAL STATEMENTS
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22. Summary of funds (continued)

Designated funds

Capital Fund

This fund represents the net book value of tangible fixed assets which were funded through restricted income received and transferred into this fund when the restriction had been fully discharged. Depreciation incurred in respect of these tangible fixed assets is allocated to this fund during the year.

During the year, transfers have been made into this fund in respect of capital expenditure (net of the current year depreciation) incurred relating to the Learning for Life Appeal and Scottish Government Capital grant restricted funds.

Learning for Life Appeal Fund

This fund represents monies set aside by the Trustees in respect of the charity's fundraising appeal. In earlier years, the Trustees designated £150,000 of general funds for this purpose and a proportion of these funds were expended on capital expenditure with the net book value of these assets transferred to the Capital Fund at the year end. In the current year, the Trustees designated a further £400,000 of general funds towards this purpose.

Margery Browning Legacy Fund

This fund represents a legacy left behind by Margery Browning, £300k of which has been allocated to the Learning for Life Appeal in the prior year with the remaining £38,524 still to be used for another purpose.

Endowment Funds

Permanent Endowment Fund

This fund relates to the property and other assets acquired on the date of incorporation in December 1995.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2023

22. Summary of funds (continued)

Restricted Funds

Scottish Government - Capital Grant

This grant is given to deliver capital improvements which support children and young people with additional support needs overcome their barriers to learning and realise their potential.

The funds were fully spent during the year and this expenditure was accounted for within tangible fixed assets. At the year end, the net book value of these assets was transferred to the Capital Fund.

Learning for Life Appeal Fund

An appeal to build a Learning Hub to provide improved facilities for secondary education, skills based learning and creative arts, and also extend residential accommodation at our school. This will also allow us to develop and extend our expertise to work with older children and reach more young people in the community who have experienced adversity and are struggling to cope with school.

During the year, some funds raised were spent and accounted for within tangible fixed assets. At the year end, the net book value of these assets was transferred to the Capital Fund.

Pupil Equity Fund

A grant in connection with the Scottish Attainment Challenge Pupil Equity Funding. The funding is towards activities, interventions and resources, across five initiatives, targeting a reduction in the poverty related attainment gap, through supporting children to improve their educational outcomes in relation to all three core areas of the curriculum: literacy, numeracy and health and wellbeing.

Transitional Fund

Grant funding from Scottish Government for a part time project management officer to support the development of our continuing care and learning services.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2023

22. Summary of funds (continued)

Edinburgh Airport Community Fund

The grant relates to funding for the purchase of materials to replace the boardwalk and improve accessibility across the estate.

Anonymous donation

This fund was a donation from a private donor to help with the overall Acorn project particularly surrounding the finalising of the current phase of the project and also getting the next phase operational.

Covid 19 / Wellbeing Fund

This fund relates to two sources from the Scottish Government, the Wellbeing Fund and additional funding for Harmeny as a Grant Aided Special School (GASS). The Wellbeing fund was to enable national and local action by third sector organisations to reach the most vulnerable groups and to support them respond to the pandemic. We used these funds for specialist therapy work and to keep the children and young people connected virtually. The additional funding from Scottish Government as a GASS was to support Harmeny with additional costs relating to expenditure incurred as a result of responding to the Covid-19 pandemic, such as staff time, PPE, cleaning materials, IT resources and other equipment.

Promise Fund

To employ a Curriculum Development Officer for one year to support the creation of a new secondary curriculum, allowing young people to remain at Harmeny up to the age of 18. This is part of our new ambitious Acorn programme, and is also in response to the external changes as a result of continuing care legislation and the Independent Care Review.

HERE4U Project Fund

To enhance and expand Harmeny's support for young people aged up to 25 during and after a placement transition, and to establish a support network for former pupils to continue to engage with Harmeny and each other.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2023

23. Analysis of net assets between funds

Analysis of net assets between funds - current year

	Unrestricted funds 2023 £	Restricted funds 2023 £	Endowment funds 2023 £	Total funds 2023 £
Tangible fixed assets	6,044,250	-	38,401	6,082,651
Fixed asset investments	798,236	-	-	798,236
Current assets	3,851,170	949,239	-	4,800,409
Creditors due within one year	(433,163)	-	-	(433,163)
Creditors due in more than one year	(50,000)	-	-	(50,000)
Provisions for liabilities and charges	(122,370)	-	-	(122,370)
Total	10,088,123	949,239	38,401	11,075,763

Analysis of net assets between funds - prior year

	<i>Unrestricted funds 2022 £</i>	<i>Restricted funds 2022 £</i>	<i>Endowment funds 2022 £</i>	<i>Total funds 2022 £</i>
Tangible fixed assets	4,930,764	-	38,401	4,969,165
Fixed asset investments	848,641	-	-	848,641
Current assets	3,071,469	698,128	-	3,769,597
Creditors due within one year	(453,567)	-	-	(453,567)
Provisions for liabilities and charges	(225,000)	-	-	(225,000)
Total	8,172,307	698,128	38,401	8,908,836

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2023

24. Reconciliation of net movement in funds to net cash flow from operating activities

	2023 £	2022 £
Net income for the year (as per Statement of Financial Activities)	<u>2,164,940</u>	<u>1,281,894</u>
Adjustments for:		
Depreciation charges	178,008	160,635
Gains/(losses) on investments	67,098	(19,751)
Dividends, interests and rents from investments	(38,544)	(20,415)
(Increase) in stocks	(111)	(45)
Decrease in debtors	121,192	339,909
Increase in creditors	29,403	70,022
Defined benefit pension - unwinding of discount factor	3,875	5,000
Defined benefit pension - deficit contributions	(104,325)	(111,000)
Net cash provided by operating activities	<u><u>2,421,536</u></u>	<u><u>1,706,249</u></u>

25. Analysis of cash and cash equivalents

	2023 £	2022 £
Cash in hand	4,132,564	2,981,842
Notice deposits (less than 3 months)	213,532	212,361
Total cash and cash equivalents	<u><u>4,346,096</u></u>	<u><u>3,194,203</u></u>

26. Analysis of changes in net debt

	At 1 April 2022 £	Cash flows £	At 31 March 2023 £
Cash at bank and in hand	3,194,203	1,151,893	4,346,096
Debt due within 1 year	(38,373)	(381)	(38,754)
	<u><u>3,155,830</u></u>	<u><u>1,151,512</u></u>	<u><u>4,307,342</u></u>

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2023

27. Contingent liabilities

Harmeny Education Trust Limited (HETL) is a participating employer in the SVSPS Final Salary Pension Scheme. The scheme is now closed and plans are in place to meet the past service funding deficit (see note 14).

HETL has been notified by the Pensions Trust that the estimated employer debt which would have been payable if HETL had withdrawn from the SVSPS Scheme as 30 September 2022 was £1,871,229 (2022 - £3,062,943).

The employer debt figure is calculated on the 'withdrawal' basis or section 75 (s75) basis. The s75 debt calculation is based on the Scheme Actuary's estimate of the pricing basis used to secure pension liabilities in full, in one transaction, with an insurance company, including any orphan liabilities, as at 30 September 2022 for all current and former HETL's pension scheme members.

28. Operating lease commitments

At 31 March 2023 the charity had commitments to make future minimum lease payments under non-cancellable operating leases as follows:

	2023 £	2022 £
Not later than 1 year	6,276	6,276
Later than 1 year and not later than 5 years	19,088	25,102
Later than 5 years	-	261
	<u>25,364</u>	<u>31,639</u>

29. Controlling party

In the opinion of the directors there is no ultimate controlling party.

30. Principal subsidiaries

The following was a subsidiary undertaking of the charitable company:

Name	Holding
Harmeny Services Ltd	100%

The financial results of the subsidiary for the year were:

Name	Net assets £
Harmeny Services Ltd	2

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NOTES TO THE FINANCIAL STATEMENTS
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30. Principal subsidiaries (continued)

Profit/loss of Harmeny Services Ltd for the year ended 31 March 2023 was £nil.