
HARMENY EDUCATION TRUST LIMITED
(A Company Limited by Guarantee)

TRUSTEES' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020

HARMENY EDUCATION TRUST LIMITED
(A Company Limited by Guarantee)

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HARMENY EDUCATION TRUST LIMITED
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**REFERENCE AND ADMINISTRATIVE DETAILS OF THE COMPANY, ITS TRUSTEES AND ADVISERS
FOR THE YEAR ENDED 31 MARCH 2020**

Trustees

David Cathie
Graeme Dalziel
Ian Forbes
William Keil
Kathryn Black (resigned 7 May 2020)
Louise Kelly
Joanne McMeeking
Jennifer Scott

Company registered number

SC162021

Charity registered number

SC024256

Registered office and principal trading address

Harmeny School
Mansfield Road
Balerno
Midlothian
EH14 7JY

Company secretary

Nicky Findlay

Chief executive

Neil Squires

Senior Management Team

Nicky Findlay, Head of Finance and Estates
Sean McCahill, Head of HR and Organisational Development
Craig Paul, Head of Care
Mandy Shiel, Head of Education

Independent auditor

French Duncan LLP
Chartered Accountants & Statutory Auditor
56 Palmerston Place
Edinburgh
EH12 5AY

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REFERENCE AND ADMINISTRATIVE DETAILS OF THE COMPANY, ITS TRUSTEES AND ADVISERS
(CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2020

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 2020

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 2019 to 31 March 2020. 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.

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.

There are two constituent functions within the company:

- Harmeny School (which incorporates Harmeny Outdoors)
- SQA (Scottish Qualification Authority) Centre

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 6 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. This service, which is accredited by AALA (Adventure Activities Licensing Authority) is also offered to external groups.

SQA Centre

Harmeny's Scottish Qualifications Authority (SQA) approved centre aims to offer training opportunities to care and education professionals and students, in order to further increase the skills and knowledge in their areas of work. We offer a range of accredited courses to staff in house based on an individual training needs analysis, as well as externally to professionals within the social care and education sectors.

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TRUSTEES' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2020

Objectives and activities (continued)

Strategic plan and performance management

The Trust's three-year Strategic Plan (August 2017-July 2020) included the following overarching strategic aim:

"To help even more disadvantaged children reach their full potential, Harmeny will enhance its core services, will be renowned for its therapeutic care and education approaches, will have developed new community services, and will be influencing policy and practice nationally."

A regular review of activities detailed in the Strategic Plan is carried out by the directors 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 2020 is contained within the section entitled 'Review of Significant Achievements and Performance'.

The new three-year strategic planning cycle (August 2020-July 2023) has commenced, with the priorities for the year 2020-21 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, Education Scotland and AALA, as well as through Harmeny's own internal quality assurance systems including progress on each child's personal plans.

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TRUSTEES' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2020

Achievements and performance

Harmeny School

Despite a number of significant challenges, including the financial impact of national pay awards, slightly reduced pupil flow and significant work involved in managing the Covid-19 pandemic, there were many achievements of note during the financial year 2019-20.

Covid-19

We managed the impact of the Covid-19 crisis extremely well, maintaining the health and safety of children and staff through robust policies and procedures, a range of wellbeing initiatives and a considerable whole-team effort. A Covid-19 Contingency Plan and whole school Risk Assessment were also completed, and regular communications were maintained with parents/carers, local authorities, Scottish Government, Lothian Health Protection Team and regulatory bodies.

High Quality Services

We continued to provide quality education and care services for children with complex social, emotional and behavioural needs, from primary through to early secondary age, although with a slightly lower rate of referrals than anticipated. Around 5 pupils, at any one time, were supported to transition to, and sustain placements within, local primary or secondary schools, whilst remaining at Harmeny on a residential only basis.

The Trust's most recent care and education inspections highlighted continued 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.

Children's Rights

We achieved increased rights awareness and participation, with a Children's Champions Groups set up, greater participation in reviews, young people participating in the 1000 Voices Campaign, and staff contributing to the Independent Care Review. The First Minister visited the school, followed by a group of children being invited to the Scottish Parliament and a meeting with the First Minister in her private office.

Service Developments

Through transitional funding from the Scottish Government, we engaged a Project Researcher to work alongside a Steering Group to develop a continuing care and education project for young people aged 15+ already placed at Harmeny. This potential new service development received positive feedback from local authorities, allowing young people to remain at Harmeny until the age of 18, if assessed as appropriate.

We continued our partnership with Comhairle nan Eilan Siar (Western Isles Council), delivering consultancy and training, thus enabling children to remain in their local island communities. A decision was made, however, to complete this work in August 2020, since the impact of Covid-19 meant that the project could not continue as planned.

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TRUSTEES' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2020

Achievements and performance (continued)

Curriculum and Therapies

We further developed our curriculum through a number of literacy and numeracy initiatives, a review of our outdoor learning programme, the delivery of dynamic expressive arts projects and enhanced play opportunities.

We enhanced our therapies team, comprising speech and language, music, play therapy, psychology and psychotherapy, on a consultancy basis, which played a key role in significantly reducing the number of physical interventions. Following the conclusion of a Systemic Practice Pilot, we began rolling out this effective approach to working with families across the whole organisation.

Support Services

We implemented the recommendations from a comprehensive review of our Information Communications Technology (ICT), including developing an in-house ICT team, alongside use of specialist contractors, investment in a new Server, and a rolling programme of hardware replacement.

Following a robust tendering process, supported by RIAS (The Royal Incorporation of Architects in Scotland), we appointed Loader Monteith as the preferred architect to design a purpose-built Learning Hub in the grounds of the school, in order to provide an enhanced skills-based curriculum, including for those young people aged 15+.

We made very good progress in relation to our major Fundraising Appeal (see below).

SQA Centre

Our SQA Centre continued to deliver SVQ and HNC awards to Harmeny staff and external candidates; continued work with the independent private school sector; and received very positive systems verification inspections by the Scottish Qualifications Authority. The Centre team also developed an enhanced programme of Learning and Development for Harmeny staff, gained approval to deliver the PDA (Professional Development Award) in Supervision, and obtained funding from the Workforce Development Fund to deliver a range of Health and Safety and Leadership and Management training. Placement opportunities were also offered to a number of Social Work and Nursing students.

Following market research and an options appraisal, the decision was made by the Trustees, in May 2020, to wind down the SQA Centre, by December 2020, in order to focus on the internal delivery of learning and development, continuing to provide Harmeny staff with sector leading development opportunities. We are committed to ensuring that all remaining SQA candidates continue to receive a high quality service in order to complete their qualifications through the Centre.

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

Fundraising

Very good progress was made in relation to the second phase of the 'Harmeny Learning for Life' appeal, the aim of which is to raise £1.95million towards the creation of a new Learning Hub in the grounds of the school. 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, Bill Keil, Trustee, and the Chief Executive. The Chief Executive provides regular reports to the Board members, who retain overall responsibility for monitoring and reviewing fundraising activities.

By 31 March 2020, £936,090, including £643,590 received and a further £292,500 pledged, was raised towards our £1.95million appeal target for the Learning Hub. This is thanks to the generous support of private individuals, Trusts and Foundations, community groups and fundraising events, including our Harmeny Wine Challenge in July 2019 which raised over £40,000. Special thanks go to The Gloag Foundation, Walker Group, Leonardo UK, The RS Macdonald Charitable Trust, The Ryvoan Trust, Mazars Charitable Trust, Westerwood Properties and The Baily Thomas Charitable Fund for their generous support of our appeal.

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

We were very grateful to receive grants from: The Scottish Government Pupil Equity Fund, targeted towards improving children's attainment and achievement in literacy, numeracy, health and wellbeing; and The Scottish Government Learning Directorate, towards the cost of a Project Researcher and Workforce Development, thus supporting the transition to a new commissioning model.

We were also extremely grateful to receive a number of donations towards the work of the school from individuals and organisations within the local and wider community. These ranged from major and corporate donations, to funds raised through individual efforts and community events. Thanks to Edinburgh Airport Community Fund, Turner and Townsend and Currie and Balerno District Round Table for their generous support of our work.

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

Public Benefit

Harmeny Education Trust Limited is one of seven national grant aided centres 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 boys and girls from the whole of Scotland. Fees are subsidised by the Scottish Government and grants are paid by the referring Local Authorities. The school has no private pupils.

The directors 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 at Harmeny Education Trust Limited are encouraged to take up any opportunities to participate in the wider community depending on the mutual benefit of such an undertaking.

Harmeny Education Trust Limited also provides training for Social Work, Teaching, Outdoor Education, Nursing and HND Social Services students, providing 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. From March 2020, this has been within the confines of the Covid-19 restrictions.

Volunteers

Following a review of our volunteering systems and processes, we embarked on a recruitment process, selecting new volunteers in the areas of expressive arts and modern languages.

We are grateful to a range of other volunteers contributing to the work of the school in the areas of education support, outdoor learning, gardening, a reading with dogs scheme, delivery of STEM subjects, writing and designing our newsletters, fundraising and project management.

Opportunity was provided for a number of organisations to participate in our corporate volunteering programme, with a variety of organisations completing projects within our community garden and estate, including: Turner & Townsend, The Royal Bank of Scotland, Leonardo UK, Standard Life Aberdeen, Aberdeen Standard Investments, Lloyds Banking Group, Scottish Widows, HSBC and Sainsbury's Bank. We are very appreciative of their ongoing support. Corporate volunteering was understandably curtailed from March 2020, as a result of Covid-19 related restrictions.

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TRUSTEES' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2020

Financial review

Going concern

During the year the directors have reviewed financial results which incorporate possible sensitivities, including those related to the Covid-19 pandemic, and have considered any likely future impact on incoming and outgoing resources. This continues to be reviewed monthly, with fundraising efforts being successful in securing funds for additional Covid-19 related costs to support the running of the school. 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.

As at the end of November 2020, the financial position for 2020-21 is currently at a small surplus position.

Further details regarding the adoption of the going concern basis can be found in the Accounting Policies.

Financial review

The results for the year and the Trust's financial position at the end of the year are shown in the attached financial statements.

During the year, the Trust reported an operational deficit of £60,156 (2019 – surplus of £133,890). The level of income generated from government grants remained consistent with prior year, with fee income decreasing in the year as a result of the slightly reduced number of placements throughout the year. The increase in salary costs, due to the public sector pay awards for the three-year period 2018-2020, also contributed to the deficit position at year end.

HETL made an overall net deficit for the year of £114,136 (2019 - net surplus of £614,371). Loss on investments in the year were £78,980 (2019 - gain of £25,481). The movement in the pension fund in the year was an increase of £25,000 (2019 - £455,000). At the year end the net funds of HETL were £6,538,524 (2019 - £6,652,660).

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.

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Financial review (continued)

Reserves policy

The Directors have reviewed the reserves of the Trust in the knowledge that the Scottish Government revenue maintenance grant will continue to be paid at the same level as in the previous year to 31 March 2021. The current position in respect of this Grant, is that it is anticipated it will be withdrawn over a number of years commencing from April 2021.

The Directors are aware that the level of financial risk the Trust is exposed to, is increasing due to the potential decrease and loss of this Grant, along with ongoing financial pressures facing local authorities who are responsible for paying the fees for children placed at Harmeny, as well as the impact of Covid-19 and the current economic climate.

Furthermore, there is the significant estimated debt related to the closed SVSPS (non teaching staff) pension fund of £0.7million. This has a deficit contributions recovery plan over 7 years and the Board are aware that the scheme is based upon a "last man standing" principle and that Harmeny School is the third largest employer remaining within the scheme.

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 loss of income or unforeseen expenditure
- Providing a level of funding for opportunities or developments
- Providing a level of funding to underpin longer terms commitments

Having reviewed the above criteria, alongside the external risks, the current strategy and business plan, the Trustees believe that in 2020-21 the current level of unrestricted general reserves, equating to approximately four months of current operational running costs, are sufficient to cover any such eventualities.

The total reserves at 31 March 2020 are £6,538,524 (2019 - £6,652,660) and this represents:

Restricted reserves of £364,309 (2019 - £63,380)

Endowment fund of £38,401 (2019 - £38,401)

Designated reserves of £3,164,684 (2019 - £3,232,539)

General (fixed assets and investment revaluation and pension) reserves of £1,137,080 (2019 - £1,112,313)

The remaining unrestricted general funds totalling £1,834,050 (2019 - £2,201,027) represent the operational funds for the charity.

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TRUSTEES' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2020

Financial review (continued)

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 £712,571 to £644,284 at 31 March 2020. This was primarily due to the change in markets, as a result of the Covid-19 pandemic.

The movement in the year represents net disposals from the portfolio in the year totalling £35,359 (2019 £14,170) and an unrealised loss of £49,352 (2019 - gain of £25,444).

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 2019-20 taking into account the general performance of the market.

The value of the investment portfolio has increased since the end of the financial year, and at 30 November 2020 was valued at £799,134.

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.

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

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 during the financial year 2018-19, it was agreed by the Trustees to commence a review of these, through a sub group of the Board, supported by an external consultant. The review was paused due to the pressures on the organisation as a result the Covid-19 pandemic, however, has resumed once again and it is hoped this will be concluded by December 2020.

The directors of the company are chosen for appointment with reference to their experience and their ability to contribute to the work of the Trust. The Board of Directors meets regularly and has appointed the following sub committees covering the principal aspects of the company's operation:

- Business Group, chaired by Graeme Dalziel, Trustee
- Policy and Practice Group, chaired by Joanne McMeeking, Trustee

Prior to becoming an independent charity, Harmeny School was previously run by Save the Children and part of the arrangement when assets were gifted, was that they continue to have the right to appoint a Director. The day to day running of the company 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 Board members 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 Directors relevant to the Trust'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 directors, none of whom has a beneficial interest in Harmeny Education Trust Limited (HETL), who served during the year are:

Jennifer Scott, Chair from 25 June 2019
Graeme Dalziel, Interim Chair to 25 June 2019
David Cathie
Ian Forbes
William Keil
Louise Kelly
Joanne McMeeking
Kathryn Black, resigned 7 May 2020

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TRUSTEES' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2020

Structure, governance and management (continued)

Risk Assessment and Management

The directors give high priority to evaluating the risks to which the Trust is exposed and ensuring that there are effective systems in place to mitigate those risks. The Trust'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 Trust 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

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 lockdown and since then. Additional costs have been 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, on top of austerity, 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-19 restrictions.

Scottish Child Abuse Inquiry

In September 2018, HETL 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 likely to take 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 directors consider a key risk to be the potential reputational and/or financial damage leading to reduced income.

Staffing Costs

Payroll costs currently represent approximately 84% of our expenditure budget, reflecting the 24-hour, intense and specialist nature of our work with highly complex children, along with the heavily operational and regulated nature of our sector. The rates of pay for the majority of posts are allied to national pay SNCT and SJC scales, with Harmeny also being a living wage employer. Together with a slightly reduced rate of referrals and placements, the unexpected awards for the three-year period 2018-2021 had a significant impact on our 2019-20 and contributed to the deficit position at year end. Consequently, a decision was made to consider staffing efficiencies and following a formal consultation a number of redundancies, resulting in annual savings of c£0.35million from 2021-22, were confirmed over recent months.

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

Other Risks

Other risks, as assessed by the directors, relate to the pension scheme risk associated with being members of a last man standing scheme with a significant deficit, the withdrawal of Scottish Government funding combined with pressure on local authority funding, and organisational change in order to ensure the ongoing sustainability and growth of the Trust.

The Board mitigates these risks as follows:

- Managing the Covid-19 crisis, through stringent hygiene measures, enhanced cleaning, isolation of staff and children when required, detailed risk assessments, policies, procedures and contingency planning.
- 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-19 crisis.
- Optimal levels of staffing, despite the programme of redundancies, will allow redeployment and staff cover, during the Covid-19 crisis, as required.
- Additional funding has been secured from trusts and community donations, as well as pledged from the Scottish Government to support the additional costs associated with Covid-19. There is also increased public support for children and families impacted by the virus.
- 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.
- 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.
- Continued proactive marketing of Harmeny's services, including growing the service in future to include continuing care, and 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 to hold within unrestricted reserves, between three and six months of expenditure to cover any unforeseen major change in circumstances
- The Head of Finance and Estates is a member of the pension scheme's Employer Consultative Group which provides access to the details of methods and assumptions used for the actuarial valuation in addition to the current strategy and plans for the management of the pension scheme deficit.
- 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.
- A skilled Senior Management Team, including a Head of HR and Organisational Development and support from a specialist HR Consultancy, Navigator Employment Law, ensures good practice, clear communication and a range of organisational supports during change processes.

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

Plans for future periods

A new three-year Strategic Plan (August 2020 - July 2023) is in the process of being completed, which focuses on sustaining our core service for children, aged 5 to 14, alongside the development of a continuing care and education service for young people aged 15+, already placed at Harmeny. A key part of this exciting development, is the creation of a new Learning Hub in the grounds of the school, with the funds to build it currently being raised through a major capital appeal.

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

1. Continue to provide high quality education and care that helps children and young people with additional support needs overcome barriers to learning and realise their potential.
2. Complete and implement the Harmeny Way Practice Framework.
3. Develop a continuing care and learning service for young people of secondary school age.
4. Explore the development of community support services which benefit and complement our core services.
5. Continuously improve Harmeny's estate for the benefit of current and future children and young people.
6. Continue to increase the organisation's profile and influence through increased marketing, communications and fundraising.

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TRUSTEES' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2020

Statement of Trustees' responsibilities

The Trustees (who are also the directors of the 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 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 company will continue in business.

The Trustees are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the 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 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.

Auditor

The auditor, French Duncan LLP, has indicated their willingness to continue in office. The Trustees will propose a motion re-appointing the auditors 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: 10th December 2020

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 2020 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 2020 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

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

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

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 Trustees are responsible for the other information. The other information comprises the information included in the Annual Report, other than the financial statements and our Auditor's Report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinion on other 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 Companies Act 2006 and the Charities Accounts (Scotland) Regulations 2006 (as amended) requires 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.

HARMENY EDUCATION TRUST LIMITED
(A Company Limited by Guarantee)

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

Responsibilities of trustees

As explained more fully in the Trustees' Responsibilities Statement, the Trustees (who are also the directors of the charitable company for the purposes of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Trustees are responsible for assessing the charitable company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Trustees either intend to liquidate the charitable company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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.

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.

HARMENY EDUCATION TRUST LIMITED
(A Company Limited by Guarantee)

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

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
Chartered Accountants & Statutory Auditor
56 Palmerston Place
Edinburgh
EH12 5AY

Date: 11 December 2020

French Duncan LLP are eligible to act as auditors 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 2020**

	Note	Unrestricted funds 2020 £	Restricted funds 2020 £	Endowment funds 2020 £	Total funds 2020 £	Total funds 2019 £
Income and endowments from:						
Donations and legacies	4	1,116,189	543,010	-	1,659,199	1,382,620
Charitable activities	5	3,824,877	-	-	3,824,877	4,044,299
Investments	6	20,709	-	-	20,709	15,972
Total income and endowments		4,961,775	543,010	-	5,504,785	5,442,891
Expenditure on:						
Raising funds	7,8	7,225	118,546	-	125,771	44,277
Charitable activities	9	5,340,811	98,359	-	5,439,170	5,264,724
Total expenditure		5,348,036	216,905	-	5,564,941	5,309,001
Net (losses)/gains on investments		(78,980)	-	-	(78,980)	25,481
Net (expenditure)/income		(465,241)	326,105	-	(139,136)	159,371
Transfers between funds	21	29,375	(29,375)	-	-	-
Net movement in funds before other recognised gains		(435,866)	296,730	-	(139,136)	159,371
Other recognised gains:						
Other gains	14	25,000	-	-	25,000	455,000
Net movement in funds		(410,866)	296,730	-	(114,136)	614,371

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 2020

Note	Unrestricted funds 2020 £	Restricted funds 2020 £	Endowment funds 2020 £	Total funds 2020 £	<i>Total funds 2019 £</i>
Reconciliation of funds:					
Total funds brought forward	6,545,879	68,380	38,401	6,652,660	6,038,289
Net movement in funds	(410,866)	296,730	-	(114,136)	614,371
Total funds carried forward	6,135,013	365,110	38,401	6,538,524	6,652,660

The operating deficit before investment gains and losses was £60,156 (2019-operating surplus £133,890).

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

The notes on pages 25 to 53 form part of these financial statements.

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

BALANCE SHEET
AS AT 31 MARCH 2020

	Note	2020 £	2019 £
Fixed assets			
Tangible assets	15	4,981,551	5,008,479
Investments		644,287	712,571
		5,625,838	5,721,050
Current assets			
Stocks	17	3,815	2,012
Debtors	18	814,502	1,418,971
Cash at bank and in hand		1,038,695	655,712
		1,857,012	2,076,695
Creditors: amounts falling due within one year	19	(244,326)	(327,085)
Net current assets		1,612,686	1,749,610
Total assets less current liabilities		7,238,524	7,470,660
Defined benefit pension scheme liability	14	(700,000)	(818,000)
Total net assets		6,538,524	6,652,660
Charity funds			
Endowment funds	21	38,401	38,401
Restricted funds	21	365,110	68,380
Unrestricted funds	21	6,135,013	6,545,879
Total funds		6,538,524	6,652,660

The Trustees acknowledge their responsibilities for complying with the requirements of the Act 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

Jennifer Scott
(Trustee)

Date: 10th December 2020

The notes on pages 25 to 53 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 2020

	Note	2020 £	2019 £
Cash flows from operating activities			
Net cash generated from/(used in) operating activities	24	495,193	(777,531)
Cash flows from investing activities			
Dividends, interests and rents from investments		20,709	15,972
Purchase of tangible fixed assets		(122,222)	(214,504)
Proceeds from sale of investments		450,153	306,007
Purchase of investments		(460,850)	(312,275)
Net cash used in investing activities		(112,210)	(204,800)
Cash flows from financing activities			
Net cash provided by financing activities		-	-
Change in cash and cash equivalents in the year		382,983	(982,331)
Cash and cash equivalents at the beginning of the year		655,712	1,638,043
Cash and cash equivalents at the end of the year	25	1,038,695	655,712

The notes on pages 25 to 53 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 2020

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 including reasonable sensitivities taking into account the impact of the Covid-19 pandemic. The school has continued to operate effectively throughout the pandemic and continues to receive the support of Government including additional funding to cover Covid related costs. 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 and will continue to review its cost base to ensure it continues to operate efficiently. 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 accounts. 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 2020

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 schools 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 refer 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 carried out at Headquarters.

HARMENY EDUCATION TRUST LIMITED
(A Company Limited by Guarantee)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020

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.

2.6 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 Fund.

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 £500 are capitalised.

Tangible fixed assets are carried at cost, 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
Assets under construction	- Not depreciated

2.7 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.

2.8 Stocks

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

2.9 Debtors

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

HARMENY EDUCATION TRUST LIMITED
(A Company Limited by Guarantee)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020

2. Accounting policies (continued)

2.10 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.

2.11 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.

2.12 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.

2.13 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 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 2029. 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 2020

2. Accounting policies (continued)

2.14 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 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 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 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 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 2020

4. Income from donations and legacies

	Unrestricted funds 2020 £	Restricted funds 2020 £	Total funds 2020 £	<i>Total funds 2019 £</i>
Donations	13,202	447,199	460,401	240,677
Grants	-	33,202	33,202	28,800
Government grants	1,102,987	62,609	1,165,596	1,113,143
	<u>1,116,189</u>	<u>543,010</u>	<u>1,659,199</u>	<u>1,382,620</u>
<i>Total 2019</i>	<u><u>1,097,344</u></u>	<u><u>285,276</u></u>	<u><u>1,382,620</u></u>	

5. Income from charitable activities

	Unrestricted funds 2020 £	Total funds 2020 £	<i>Total funds 2019 £</i>
Local authority fees	3,740,491	3,740,491	3,989,911
SQA and Learning & development	44,589	44,589	42,847
Other	39,797	39,797	11,541
	<u>3,824,877</u>	<u>3,824,877</u>	<u>4,044,299</u>
<i>Total 2019</i>	<u><u>4,044,299</u></u>	<u><u>4,044,299</u></u>	

HARMENY EDUCATION TRUST LIMITED
(A Company Limited by Guarantee)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020

6. Investment income

	Unrestricted funds 2020 £	Total funds 2020 £	<i>Total funds 2019 £</i>
Dividends	17,917	17,917	13,050
Bank interest	2,792	2,792	2,922
	<u>20,709</u>	<u>20,709</u>	<u>15,972</u>
<i>Total 2019</i>	<u>15,972</u>	<u>15,972</u>	

7. Expenditure on raising funds

Costs of raising voluntary income

	Restricted funds 2020 £	Total funds 2020 £	<i>Total funds 2019 £</i>
Fundraisers' costs	118,546	118,546	37,497
	<u>37,497</u>	<u>37,497</u>	
<i>Total 2019</i>	<u>37,497</u>	<u>37,497</u>	

HARMENY EDUCATION TRUST LIMITED
(A Company Limited by Guarantee)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020

8. Investment management costs

	Unrestricted funds 2020 £	Total funds 2020 £	<i>Total funds 2019 £</i>
Investment management fees	7,225	7,225	6,780
<i>Total 2019</i>	<u>6,780</u>	<u>6,780</u>	

9. Analysis of expenditure on charitable activities

Summary by fund type

	Unrestricted funds 2020 £	Restricted funds 2020 £	Total funds 2020 £	<i>Total funds 2019 £</i>
Harmeny School	5,245,101	98,359	5,343,460	5,177,733
SQA	95,710	-	95,710	86,991
	<u>5,340,811</u>	<u>98,359</u>	<u>5,439,170</u>	<u>5,264,724</u>
<i>Total 2019</i>	<u><u>5,211,633</u></u>	<u><u>53,091</u></u>	<u><u>5,264,724</u></u>	

HARMENY EDUCATION TRUST LIMITED
(A Company Limited by Guarantee)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020

10. Analysis of expenditure by activities

	Activities undertaken directly 2020 £	Support costs 2020 £	Total funds 2020 £	<i>Total funds 2019 £</i>
Harmeny School	5,122,994	220,466	5,343,460	5,177,733
SQA	62,211	33,499	95,710	86,991
	<u>5,185,205</u>	<u>253,965</u>	<u>5,439,170</u>	<u>5,264,724</u>
<i>Total 2019</i>	<u><u>4,979,635</u></u>	<u><u>285,089</u></u>	<u><u>5,264,724</u></u>	

Analysis of direct costs

	Harmeny School 2020 £	SQA 2020 £	Total funds 2020 £	<i>Total funds 2019 £</i>
Staff costs	4,311,449	52,658	4,364,107	4,166,531
Depreciation	149,150	-	149,150	153,255
Consumables	166,833	9,553	176,386	195,464
Operating charges	495,562	-	495,562	464,385
	<u>5,122,994</u>	<u>62,211</u>	<u>5,185,205</u>	<u>4,979,635</u>
<i>Total 2019</i>	<u><u>4,923,091</u></u>	<u><u>56,544</u></u>	<u><u>4,979,635</u></u>	

HARMENY EDUCATION TRUST LIMITED
(A Company Limited by Guarantee)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020

10. Analysis of expenditure by activities (continued)

Analysis of support costs

	Harmeny School 2020 £	SQA 2020 £	Total funds 2020 £	Total funds 2019 £
Staff costs	158,874	28,355	187,229	204,757
Other SQA costs	-	5,144	5,144	9,778
Inquiry costs	25,230	-	25,230	28,065
Professional fees	15,051	-	15,051	12,148
Governance costs	21,311	-	21,311	30,341
	<u>220,466</u>	<u>33,499</u>	<u>253,965</u>	<u>285,089</u>
<i>Total 2019</i>	<u>254,642</u>	<u>30,447</u>	<u>285,089</u>	

Inquiry costs relate to costs incurred in relation to the Scottish Child Abuse Inquiry.

11. Auditor's remuneration

	2020 £	2019 £
Fees payable to the company's auditor for the audit of the company's annual accounts	<u>9,483</u>	<u>7,837</u>

12. Staff costs

	2020 £	2019 £
Wages and salaries	3,977,428	3,768,374
Social security costs	364,965	345,230
Contribution to defined contribution pension schemes	268,447	257,683
	<u>4,610,840</u>	<u>4,371,287</u>

In addition to the above noted pension costs the charity has made pension deficit contributions of £104,000 (2019 - £112,000) which have been offset against the liability provided within the financial statements during the year.

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

	2020	<i>2019</i>
	No.	<i>No.</i>
Education staff	32	<i>30</i>
Care staff	86	<i>86</i>
Domestic staff	17	<i>17</i>
Administrative staff	19	<i>16</i>
Estate staff	5	<i>5</i>
	<hr/> 159 <hr/>	<hr/> <i>154</i> <hr/>

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

	2020	<i>2019</i>
	No.	<i>No.</i>
In the band £60,001 - £70,000	2	<i>-</i>
In the band £80,001 - £90,000	1	<i>1</i>

Total pension costs to higher paid employees amounted to £22,089 (2019 - £5,946) 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 and Workforce Development was £385,590 (2019 - £383,417).

13. Trustees' remuneration and expenses

During the year, no Trustees received any remuneration or other benefits (2019 - £NIL).

Transactions with Trustees

During the year, fees for architectural services of £NIL (2019 - £9,643) were paid to Ian Forbes, Chartered Architect which includes services pro bono.

During the year ended 31 March 2020, expenses totalling £609 were reimbursed or paid directly to 1 Trustee (2019 - £208 to 1 Trustee).

Amounts due to Trustees at the 31 March 2020 amounted to £NIL (2019 - £40).

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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. The next valuation will be as at 31 March 2020.

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 current rate of 23.0% from September 2019 which is an increase on the previous rate of 17.2%. While the employee rate applied is a variable, it will provide an actuarial yield of 9.5% of pensionable pay.

At the last valuation a shortfall of £1.3 billion was identified in the notional fund which will be repaid by a supplementary rate of 4.3% of employer's pension contributions for fifteen years from 1 September 2019. This contribution is included in the 23.0% employer's contribution rate.

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 102 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.

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, sets 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.

The Scheme operated a single benefit structure, final salary with a 1/60th accrual rate until 30 September 2007. From October 2007, there were two benefit structures available, final salary with a 1/60th accrual rate and final salary with a 1/80th accrual rate, until the date of Scheme closure on 31 March 2010.

The Scheme closed to future accrual on 31 March 2010. There is currently no intention to wind-up the Scottish Voluntary Sector Pension Scheme and it continues in paid-up form.

A full actuarial valuation for the scheme was carried out with an effective date of 30 September 2017.

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14. Pensions continued

This actuarial valuation was certified on 19 December 2018 and showed assets of £120m, liabilities of £145.9m and a deficit of £25.9m. 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 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)

The recovery plan contributions are allocated to each participating employer in line with their estimated share of the scheme liabilities.

Note that the scheme's previous valuation was carried out with an effective date of 30 September 2014; this valuation showed assets of £88.2m, liabilities of £122.1m and a deficit of £33.9m. To eliminate this funding shortfall, the Trustees asked the participating employers to pay additional contributions to the scheme as follows:

Defined contributions

From 1 April 2016 to 31 October 2029	£1,323,116 per annum (payable monthly and increasing by 3% each on 1 April)
From 1 April 2016 to 30 September 2031	£292,376 per annum (payable monthly and increasing by 3% each on 1 April)
From 1 April 2016 to 30 September 2031	£37,475 per annum (payable monthly)

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.

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

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14. Pensions continued

Defined Contribution Schedule

Year ending	31 March 2020 (£s)	31 March 2019 (£s)	31 March 2018 (£s)
Year 1	107,575	104,442	112,408
Year 2	110,803	107,575	115,780
Year 3	114,127	110,803	119,253
Year 4	117,551	114,127	122,831
Year 5	121,077	117,551	126,516
Year 6	124,709	121,077	130,311
Year 7	64,225	124,709	134,221
Year 8	-	64,225	138,247
Year 9	-	-	142,395
Year 10	-	-	146,667
Year 11	-	-	151,067
Year 12	-	-	90,766

The 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 2020 (£s)	31 March 2019 (£s)	31 March 2018 (£s)
Present value of provision	699,595	818,034	1,359,060

Reconciliation of opening and closing provisions

	Period ending 31 March 2020 (£s)	Period ending 31 March 2019 (£s)
Provision at start of period	818,034	1,359,060
Unwinding of the discount factor (interest expense)	11,119	26,193
Deficit contribution paid	(104,442)	(112,408)
Remeasurements - impact of any change in assumptions	(25,116)	16,485
Remeasurements - amendments to the contribution schedule	-	(471,296)
Provision at end of period	699,595	818,034

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020

14. Pensions continued

Income and expenditure impact

	Period ending 31 March 2020 (£s)	Period ending 31 March 2019 (£s)
Interest expense	11,119	26,193
Remeasurements - impact of any change in assumptions	(25,116)	16,485
Remeasurements - amendments to the contribution schedule	-	(471,296)
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 2020 % per annum	31 March 2019 % per annum	31 March 2018 % per annum
Rate of discount	2.57	1.46	2.01

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
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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 2019	5,458,117	10,871	150,648	509,505	344,195	-	6,473,336
Additions	52,084	1,931	-	27,798	22,328	18,081	122,222
At 31 March 2020	<u>5,510,201</u>	<u>12,802</u>	<u>150,648</u>	<u>537,303</u>	<u>366,523</u>	<u>18,081</u>	<u>6,595,558</u>
Depreciation							
At 1 April 2019	548,348	2,465	143,590	460,158	310,296	-	1,464,857
Charge for the year	109,721	2,758	1,925	23,630	11,116	-	149,150
At 31 March 2020	<u>658,069</u>	<u>5,223</u>	<u>145,515</u>	<u>483,788</u>	<u>321,412</u>	<u>-</u>	<u>1,614,007</u>
Net book value							
At 31 March 2020	<u>4,852,132</u>	<u>7,579</u>	<u>5,133</u>	<u>53,515</u>	<u>45,111</u>	<u>18,081</u>	<u>4,981,551</u>
At 31 March 2019	<u>4,909,769</u>	<u>8,406</u>	<u>7,058</u>	<u>49,347</u>	<u>33,899</u>	<u>-</u>	<u>5,008,479</u>

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020

15. Tangible fixed assets continued

Save the Children, which previously controlled Harmeny School, has been granted a Standard Security over the whole of the heritable property transferred to the company on 21 December 1995.

The 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 £11,094,571 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 2019	690,387	22,182	2	712,571
Additions	207,769	253,081	-	460,850
Disposals	(243,128)	(236,654)	-	(479,782)
Revaluations	(49,352)	-	-	(49,352)
At 31 March 2020	<u>605,676</u>	<u>38,609</u>	<u>2</u>	<u>644,287</u>
 Historical cost	 <u>604,975</u>	 <u>38,609</u>	 <u>-</u>	 <u>643,584</u>

Principal subsidiaries

The following was a subsidiary undertaking of the company:

Name	Holding
Harmeny Services Ltd	100%

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Fixed asset investments (continued)

The financial results of the subsidiary for the period were:

Name	Net assets £
Harmeny Services Ltd	2

Profit/loss of Harmeny Services Ltd for the year ended 31 March 2020 was £Nil.

17. Stocks

	2020 £	2019 £
Kitchen	3,815	2,012

18. Debtors

	2020 £	2019 £
Due within one year		
Trade debtors	709,052	1,328,623
Other debtors	1,135	6,068
Prepayments and accrued income	104,315	84,280
	814,502	1,418,971

19. Creditors: Amounts falling due within one year

	2020 £	2019 £
Trade creditors	74,415	64,076
Amounts owed to group undertakings	2	2
Other taxation and social security	95,691	142,682
Pension fund loan payable	35,446	37,845
Other creditors	419	-
Accruals and deferred income	38,353	82,480
	244,326	327,085

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19. Creditors: Amounts falling due within one year (continued)

	2020	2019
	£	£
	2020	2019
	£	£
Deferred income at 1 April 2019	5,553	8,414
Resources deferred during the year	2,317	5,553
Amounts released from previous periods	(5,553)	(8,414)
	2,317	5,553
	2,317	5,553

Deferred income in the current year is in respect of funding received for SAAS for SVQ training held at Harmeny. Funding was applied for in the current year however the training is to take place in 2020/21.

20. Financial instruments

	2020	2019
	£	£
Financial assets		
Financial assets measured at fair value through income and expenditure	644,287	712,571
Financial assets measured at amortised cost	1,806,853	2,031,432
	2,451,140	2,744,003
	2,451,140	2,744,003
Financial liabilities		
Financial liabilities measured at fair value through income and expenditure	700,000	818,000
Financial liabilities measured at amortised cost	145,898	178,848
	845,898	996,848
	845,898	996,848

Financial assets measured at fair value through income and expenditure comprise fixed asset investments.

Financial assets measured at amortised cost comprise cash at bank and in hand, trade debtors, accrued income and other debtors.

Financial liabilities measured at fair value through income and expenditure comprise defined benefit pension scheme liability.

Financial liabilities measured at amortised cost comprise trade creditors, other creditors and accruals.

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NOTES TO THE FINANCIAL STATEMENTS
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21. Statement of funds

Statement of funds - current year

	Balance at 1 April 2019 £	Income £	Expenditure £	Transfers in/out £	Gains/ (Losses) £	Balance at 31 March 2020 £
Unrestricted funds						
Designated funds						
Capital Fund	3,125,358	-	(86,054)	25,502	-	3,064,806
Learning for Life Appeal Fund	107,181	-	(12,060)	4,757	-	99,878
	<u>3,232,539</u>	<u>-</u>	<u>(98,114)</u>	<u>30,259</u>	<u>-</u>	<u>3,164,684</u>
General funds						
General Funds - all funds	2,680,205	4,961,775	(5,238,922)	(26,662)	-	2,376,396
Revaluation Reserve - Investments	85,593	-	-	(47,877)	(78,980)	(41,264)
Pension Reserve	(818,000)	-	(11,000)	104,000	25,000	(700,000)
Revaluation Reserve - Property	1,365,542	-	-	(30,345)	-	1,335,197
	<u>3,313,340</u>	<u>4,961,775</u>	<u>(5,249,922)</u>	<u>(884)</u>	<u>(53,980)</u>	<u>2,970,329</u>
Total Unrestricted funds	<u>6,545,879</u>	<u>4,961,775</u>	<u>(5,348,036)</u>	<u>29,375</u>	<u>(53,980)</u>	<u>6,135,013</u>

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020

21. Statement of funds (continued)

Statement of funds - current year (continued)

	Balance at 1 April 2019 £	Income £	Expenditure £	Transfers in/out £	Gains/ (Losses) £	Balance at 31 March 2020 £
Endowment funds						
Permanent Endowment Fund	38,401	-	-	-	-	38,401
Restricted funds						
Erasmus+ Fund	9,809	-	(10,610)	801	-	-
Pupil Equity Fund	26,835	31,200	(36,995)	-	-	21,040
Learning for Life Appeal Fund	31,736	447,199	(128,147)	(9,659)	-	341,129
Scottish Government - Capital Grant	-	20,600	-	(20,600)	-	-
Scottish Government - Transition Grant	-	42,009	(40,728)	-	-	1,281
Edinburgh Airport Grant	-	2,002	(425)	83	-	1,660
	<u>68,380</u>	<u>543,010</u>	<u>(216,905)</u>	<u>(29,375)</u>	<u>-</u>	<u>365,110</u>
Total of funds	<u><u>6,652,660</u></u>	<u><u>5,504,785</u></u>	<u><u>(5,564,941)</u></u>	<u><u>-</u></u>	<u><u>(53,980)</u></u>	<u><u>6,538,524</u></u>

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020

21. Statement of funds (continued)

Statement of funds - prior year

	<i>Balance at 1 April 2018</i>	<i>Income</i>	<i>Expenditure</i>	<i>Transfers in/out</i>	<i>Gains/ (Losses)</i>	<i>Balance at 31 March 2019</i>
	£	£	£	£	£	£
Unrestricted funds						
Designated funds						
Capital Fund	3,067,614	-	(90,373)	148,117	-	3,125,358
Learning for Life Appeal Fund	107,181	-	-	-	-	107,181
	<u>3,174,795</u>	<u>-</u>	<u>(90,373)</u>	<u>148,117</u>	<u>-</u>	<u>3,232,539</u>
General funds						
General Funds - all funds	2,688,585	5,157,615	(5,102,040)	(63,492)	(463)	2,680,205
Revaluation Reserve - Investments	77,812	-	-	(18,163)	25,944	85,593
Pension Reserve	(1,359,000)	-	(26,000)	112,000	455,000	(818,000)
Revaluation Reserve - Property	1,395,887	-	-	(30,345)	-	1,365,542
	<u>2,803,284</u>	<u>5,157,615</u>	<u>(5,128,040)</u>	<u>-</u>	<u>480,481</u>	<u>3,313,340</u>
Total Unrestricted funds	<u>5,978,079</u>	<u>5,157,615</u>	<u>(5,218,413)</u>	<u>148,117</u>	<u>480,481</u>	<u>6,545,879</u>

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020

21. Statement of funds (continued)

Statement of funds - prior year (continued)

	<i>Balance at 1 April 2018</i>	<i>Income</i>	<i>Expenditure</i>	<i>Transfers in/out</i>	<i>Gains/ (Losses)</i>	<i>Balance at 31 March 2019</i>
	£	£	£	£	£	£
Endowment funds						
Permanent Endowment Fund	38,401	-	-	-	-	38,401
Restricted funds						
Erasmus+ Fund	11,055	-	(1,246)	-	-	9,809
Skatepark Fund	148	-	-	(148)	-	-
Pupil Equity Fund	10,606	28,800	(12,571)	-	-	26,835
Learning for Life Appeal Fund	-	231,001	(71,856)	(127,409)	-	31,736
Scottish Government - Capital Grant	-	20,600	(40)	(20,560)	-	-
Scottish Government - Transition Grant	-	4,875	(4,875)	-	-	-
	<u>21,809</u>	<u>285,276</u>	<u>(90,588)</u>	<u>(148,117)</u>	<u>-</u>	<u>68,380</u>
Total of funds	<u><u>6,038,289</u></u>	<u><u>5,442,891</u></u>	<u><u>(5,309,001)</u></u>	<u><u>-</u></u>	<u><u>480,481</u></u>	<u><u>6,652,660</u></u>

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020

22. Summary of funds

Summary of funds - current year

	Balance at 1 April 2019 £	Income £	Expenditure £	Transfers in/out £	Gains/ (Losses) £	Balance at 31 March 2020 £
Designated funds	3,232,539	-	(98,114)	30,259	-	3,164,684
General funds	3,313,340	4,961,775	(5,249,922)	(884)	(53,980)	2,970,329
Endowment funds	38,401	-	-	-	-	38,401
Restricted funds	68,380	543,010	(216,905)	(29,375)	-	365,110
	<u>6,652,660</u>	<u>5,504,785</u>	<u>(5,564,941)</u>	<u>-</u>	<u>(53,980)</u>	<u>6,538,524</u>

Summary of funds - prior year

	Balance at 1 April 2018 £	Income £	Expenditure £	Transfers in/out £	Gains/ (Losses) £	Balance at 31 March 2019 £
Designated funds	3,174,795	-	(90,373)	148,117	-	3,232,539
General funds	2,803,284	5,157,615	(5,128,040)	-	480,481	3,313,340
Endowment funds	38,401	-	-	-	-	38,401
Restricted funds	21,809	285,276	(90,588)	(148,117)	-	68,380
	<u>6,038,289</u>	<u>5,442,891</u>	<u>(5,309,001)</u>	<u>-</u>	<u>480,481</u>	<u>6,652,660</u>

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FOR THE YEAR ENDED 31 MARCH 2020

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 £116,000 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.

Endowment Funds

Permanent Endowment Fund

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

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.

Skatepark Fund

This fund relates to grants and donations received to extend the existing Skatepark to allow children even more opportunity to practice their skateboarding and mountain biking skills, thus enabling them to participate in such activities within the community.

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.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020

22. Summary of funds (continued)

Erasmus+ Fund

European funding through Erasmus+, is a special scheme to send staff to a European location to learn another language as part of an immersive programme. An approved language school was selected, allowing up to 20 staff to attend the programme within an 18-month period. This links with our strategy to embed the Scottish Government's requirement for all Primary aged children to learn a modern language, with Spanish being our main modern language.

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 the review of information technology provision, development of the workforce development centre and research into the continuing care of young people.

23. Analysis of net assets between funds

Analysis of net assets between funds - current period

	Unrestricted funds 2020 £	Restricted funds 2020 £	Endowment funds 2020 £	Total funds 2020 £
Tangible fixed assets	4,943,150	-	38,401	4,981,551
Fixed asset investments	644,287	-	-	644,287
Current assets	1,491,902	365,110	-	1,857,012
Creditors due within one year	(244,326)	-	-	(244,326)
Provisions for liabilities and charges	(700,000)	-	-	(700,000)
Total	6,135,013	365,110	38,401	6,538,524

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NOTES TO THE FINANCIAL STATEMENTS
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23. Analysis of net assets between funds (continued)

Analysis of net assets between funds - prior period

	<i>Unrestricted funds 2019 £</i>	<i>Restricted funds 2019 £</i>	<i>Endowment funds 2019 £</i>	<i>Total funds 2019 £</i>
Tangible fixed assets	4,970,078	-	38,401	5,008,479
Fixed asset investments	712,571	-	-	712,571
Current assets	2,008,315	68,380	-	2,076,695
Creditors due within one year	(327,085)	-	-	(327,085)
Provisions for liabilities and charges	(818,000)	-	-	(818,000)
Total	6,545,879	68,380	38,401	6,652,660

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

	2020 £	2019 £
Net income/expenditure for the period (as per Statement of Financial Activities)	(139,136)	159,371
Adjustments for:		
Depreciation charges	149,150	153,255
Losses/(gains) on investments	78,980	(25,481)
Dividends, interests and rents from investments	(20,709)	(15,972)
Increase in stocks	(1,803)	(13)
Decrease/(increase) in debtors	604,469	(1,068,858)
(Decrease)/Increase in creditors	(82,758)	106,167
Defined benefit pension - unwinding of discount factor	11,000	26,000
Defined benefit pension - deficit contributions	(104,000)	(112,000)
Net cash provided by/(used in) operating activities	495,193	(777,531)

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25. Analysis of cash and cash equivalents

	2020 £	2019 £
Cash in hand	826,568	444,858
Notice deposits (less than 3 months)	212,127	210,854
Total cash and cash equivalents	1,038,695	655,712

26. Analysis of changes in net debt

	At 1 April 2019 £	Cash flows £	At 31 March 2020 £
Cash at bank and in hand	655,712	382,983	1,038,695
Debt due within 1 year	(37,845)	2,399	(35,446)
	617,867	385,382	1,003,249

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 2019 was £5,392,559 (2018 - £4,793,743).

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 2019 for all current and former HETL's pension scheme members.

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28. Post balance sheet events

Since the end of the financial year, the Covid-19 pandemic has had a significant impact on everyday life and like every other organisation, operations at Harmeny has also been affected. Very quickly we responded to the challenges faced and adapted how care and education was delivered, as we continued to operate throughout the lockdown period. Fee income has remained steady and we have been successful in accessing additional funding to assist with Covid-19 related costs. We are very grateful for all the support we have received during this period. We continue to monitor the situation on a monthly basis, with Business Group reviewing the financial position and projections closely, whilst considering any developments, risks and financial implications.

As at the end of November 2020, the financial position for 2020-21 is currently at a small surplus position.

29. Controlling party

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