# THE PERCY HEDLEY FOUNDATION

England & Wales · Charity number 515943

## Details

| | |
|---|---|
| **Other names** | THE PERCY HEDLEY CENTRE FOR SPASTICS |
| **Status** | Registered |
| **Legal form** | Charitable company |
| **Company number** | 01855026 |
| **Registered** | 1985-01-16 |
| **Register** | View on the Charity Commission register |

## Contact

| | |
|---|---|
| **Address** | Percy Hedley Foundation<br>Forest Hall<br>Newcastle Upon Tyne<br>NE12 8YY |
| **Phone** | 0191 238 1330 |
| **Email** | foundation@percyhedley.org.uk |
| **Website** | www.percyhedley.org.uk |

## Activities

**Objects:** THE OBJECTS FOR WHICH THE FOUNDATION IS ESTABLISHED ARE (FOR THE PUBLIC BENEFIT) TO PROMOTE THE CARE, WELFARE, INTEREST, EDUCATION, TREATMENT AND ADVANCEMENT OF DISABLED PERSONS IN SUCH WAYS AS THE MEMBERS OF THE BOARD OF TRUSTEES FROM TIME TO TIME THINK FIT.

**Activities:** The Percy Hedley Foundation was established, for the public benefit, to promote the care, welfare, interest, opportunities (including opportunities to gain meaningful employment), education and advancement of disabled people.

## Classification

- **How:** Provides Services, Provides Advocacy/advice/information, Sponsors Or Undertakes Research
- **What:** Education/training, Disability, Accommodation/housing, Amateur Sport, Other Charitable Purposes
- **Who:** Children/young People, Elderly/old People, People With Disabilities

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## Geography

- Durham
- Gateshead
- Newcastle Upon Tyne City
- North Tyneside
- Northumberland
- South Tyneside
- Sunderland

## Finances

| Period end | Income | Expenditure | Assets | Employees |
|---|---|---|---|---|
| 2025-08-31 | £40,483,000 | £37,803,000 | £28,575,000 | 957 |
| 2024-08-31 | £36,965,000 | £36,752,000 | £24,001,000 | 990 |
| 2023-08-31 | £35,979,000 | £35,642,000 | £22,368,000 | 905 |
| 2022-08-31 | £34,041,000 | £30,380,000 | £21,882,000 | 959 |
| 2021-08-31 | £31,992,000 | £31,117,000 | £14,009,000 | 1061 |
| 2020-08-31 | £31,974,000 | £30,422,000 | £10,542,000 | 1138 |

## Trustees

| Name | Role | Appointed |
|---|---|---|
| **Janet Donnelly** | Chair | 2022-07-28 |
| Clare Joanne Thompson | | 2022-07-28 |
| Dr Nicola Claire Hutchinson | | 2022-10-31 |
| Dr Peter Louis Emerson | | 2022-10-31 |
| Ewen Gordon Weir | | 2021-01-26 |
| Francesca Naomi Victoria Craik | | 2025-03-24 |
| Lucy Craig | | 2024-04-26 |
| Nicola Procter | | 2025-08-14 |
| Paul Foreman | | 2019-12-30 |

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**THE PERCY HEDLEY FOUNDATION**

England & Wales - Charity number 515943

# Accounts

Percy Hedley
FOUNDATION

# Annual Report & Financial Statements

## For the year ending 31 August 2025



The Percy Hedley Foundation
Charity Commission Registration Number: 515943
Registered Company in England & Wales: 01855026

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# Chair & CEO Introduction

## Introductory Statement

We begin by recognising and thanking our staff, whose dedication, expertise and compassion make our work possible. Alongside our trustees (who also serve as the company directors), governors, families, carers and partners, they ensure that The Percy Hedley Foundation continues to deliver high quality care, support and education to our beneficiaries.

The 2024-25 reporting period has been a positive and defining year for the Foundation, characterised by stability, sound governance and clear strategic direction. This stability has enabled us to focus on delivery, improvement, modernisation and sustainable growth, underpinned by the launch of our providing happy futures strategy.

Our strategy places the people we support firmly at the heart of everything we do, including the shaping of our decisions, our investments and our ambitions. Central to delivering this ambition is our continued commitment to our workforce. During the year, we achieved and continue to maintain our real living wage accreditation and continued to review pay and rewards to remain competitive within challenging labour markets. We also strengthened our focus on wellbeing and inclusion, recognising that a supported, valued and diverse workforce is essential to delivering high-quality, person-centred services. This commitment will remain a priority in the years ahead.

During the year, we increased the number of students supported through additional school placements, including the opening of our early years provision. We also set plans in motion to further increase capacity across our services and estate.

We were particularly proud of the successful transition of residents from one of our residential settings into more independent supported provision, enabling them to develop greater independence, confidence and life skills while participating more fully in their communities. At the same time, we developed plans to expand our day service provision in the year ahead, broadening opportunities and strengthening pathways to meaningful inclusion, personal development and long-term independence for the people who use this service.

The progress of the people who access our services continues to inspire us every day and their achievements reflect not only individual determination but also the effectiveness of the support, guidance and opportunities our services provide.

The quality of our education and care services was recognised externally during the year, with Percy Hedley School achieving ‘Outstanding’ across all areas under the former Ofsted inspection framework and Wansbeck House residential home rated ‘Good’ by the Care Quality Commission, reflecting the dedication of our staff and the progress of the people we support.

Looking ahead, we have made clear commitments to continue modernising and strengthening our services. In the coming year, we will advance plans to expand key areas of provision, maintain a strong focus on continuous improvement and digitalisation and deepen engagement with our beneficiaries, their families and carers and our wider stakeholders and networks. Through listening, partnership and innovation, we will continue to provide the highest possible standards of care, support and education, helping individuals overcome barriers, achieve independence and thrive.

Whilst we celebrate our successes, we also recognise the considerable challenges facing the sectors in which we operate, including SEND reform, the ongoing cost of living environment, and continued recruitment and retention challenges across health and social care. We remain vigilant and proactive in responding to these risks to ensure the long term sustainability of our services.

As we reflect on a year of progress and renewed momentum, we do so with confidence. Our leadership is stable, our strategy is clear, and our purpose remains firmly focused on the people we support, guiding us as we continue to deliver services of which we can all be proud.

**John Preston**
Chief Executive Officer

**Janet Donnelly**
Chair of the Board

# Reference & Administrative Details

**Trustees (Non Executive):**

L Craig
F N V Craik (appointed 24 March 2025)
J Donnelly
P L Emerson
B Foreman (appointed 24 March 2025 & resigned 20 January 2026)
P A Foreman
N C Hutchinson
L E Parker (resigned 7 November 2024)
N Procter (appointed 14 August 2025)
C J Thompson
E G Weir

**Charity Commission Registration Number:** 515943

**Company Number:** 01855026

**Company Registered Name:** The Percy Hedley Foundation

**Registered Office:** Hampeth Lodge, Station Road, Forest Hall, Newcastle Upon Tyne, NE12 8YY

**The Charity is incorporated in England & Wales**

**Company Secretary:** L Dawson

**Independent Auditors:** Azets, Bulman House, Regent Centre, Gosforth, Newcastle upon Tyne, NE3 3LS

**Bankers:** Barclays Bank Plc, Bank House, East Pilgrim St, Newcastle upon Tyne NE1 6QE

**Solicitors:** Womble Bond Dickinson (UK), The Spark, Draymans Way, Helix, Newcastle upon Tyne, NE4 5DE

**Investment Managers:**

Rathbones Investment Management, Earl Grey House, 75-85 Grey Street, Newcastle upon Tyne, NE1 6EF

RBC Brewin Dolphin, Time Central, Gallowgate, Newcastle upon Tyne, NE1 4SR

**Key Management Personnel:**

Chief Executive Officer: John Preston

Company Secretary: Lynsey Dawson

Director of Corporate Services: Alison Williams

Director of Education & Percy Hedley School Headteacher: John Steward

Director of Health & Wellbeing: Charlotte Jones

Director of Business Development (until 17 December 2024): Andrew McGreevy

# The Foundation at a Glance



## Health & Wellbeing

**100%**
of our regulated & inspected services rated as ‘Good’ by CQC

**10**
people supported within our independent supported living service

**52**
people supported in our residential care

**188**
people supported in our adult day services



## Green & Environment

**0.76%**
reduction in carbon emissions with greater improvements anticipated in response to our 2025-26 carbon reduction programme

## Health & Safety

**100%**
services have completed our annual comprehensive internal health and safety audit

**96%**
H&S training compliance

**95%**
IPC training compliance

## Employees

**980**
average number of employees

**236**
staff nominations received for the annual staff awards, recognising outstanding contributions

**7.1**
employee engagement index

**76%**
employees participated in our employee engagement survey

**176**
CPD opportunities accessed, including qualifications up to Master’s degree level

## Finance

**9.9%**
increase in income from charitable activities

**15%**
increase in the total value cash and investments held

## Education



**100%**
of our regulated and inspected services rated as a minimum of ‘Good’ by Ofsted

**266**
students supported in our schools

**79**
students supported in our college

# About the Foundation

## Our Purpose & Principal Activities

The Percy Hedley Foundation is a charitable organisation based in the North East of England, dedicated to supporting children, young people and adults with complex disabilities and learning difficulties to achieve positive outcomes and live fulfilling lives.

We deliver this purpose through a business model providing specialist services including education, residential care, independent supported living and adult day services. Services are primarily funded through fees paid by UK wide local authority commissioners, supplemented by other charitable income. Resources are invested in our workforce, facilities and infrastructure to deliver high-quality, person-centred services. Our strategy is focused on reinvesting operating surplus to sustain services, improve quality and support future development and growth.

Each year our services support hundreds of individuals from across the UK, predominantly from the North East of England, delivering public benefit by enabling access to tailored, person-centred education, care and support.



### Schools

We have two schools based in North Tyneside and Newcastle upon Tyne, providing specialist education to young people aged 3 to 19.



### Day Services

We deliver adult day services in North Tyneside with services delivered across three sites. The day services provide purposeful activities and enterprise.



### College

We have one college based in North Tyneside with services delivered across two sites, providing specialist further education to young people and adults aged 16 to 25.



### Residential Care

We have three adult residential care homes providing specialist person-centred care within a safe and homely environment. Two residential care homes are based Newcastle upon Tyne and one residential care home is based in North Tyneside.



### Independent Supported Living (ISL)

We currently deliver ISL services within North Tyneside, providing specialist person-centred support to enable those in our care to live fulfilling lives independently within their communities.

# Strategy & Objectives

## Our Vision

To **inspire** and empower every individual to **believe** in their potential, **achieve** their dreams and realise their ambitions in an inclusive and supportive community.

## Our Mission

To enhance the lives of people with disabilities and their families by delivering tailored education, unwavering support and compassionate care. We strive to **inspire** individuals to **believe** in their potential and **achieve** their goals. We are committed to improving quality of life through empowerment, inclusion and opportunity.

## Our Values

PEOPLE ARE AT THE HEART OF EVERYTHING WE DO

WE INSPIRE OTHERS

WE DO THE RIGHT THING

WE CONTINUALLY SEEK TO IMPROVE

WE WORK TOGETHER 1 TEAM 1 FOUNDATION



Percy Hedley School student & staff member during PE

# Strategy & Objectives

## Providing Happy Futures Strategy

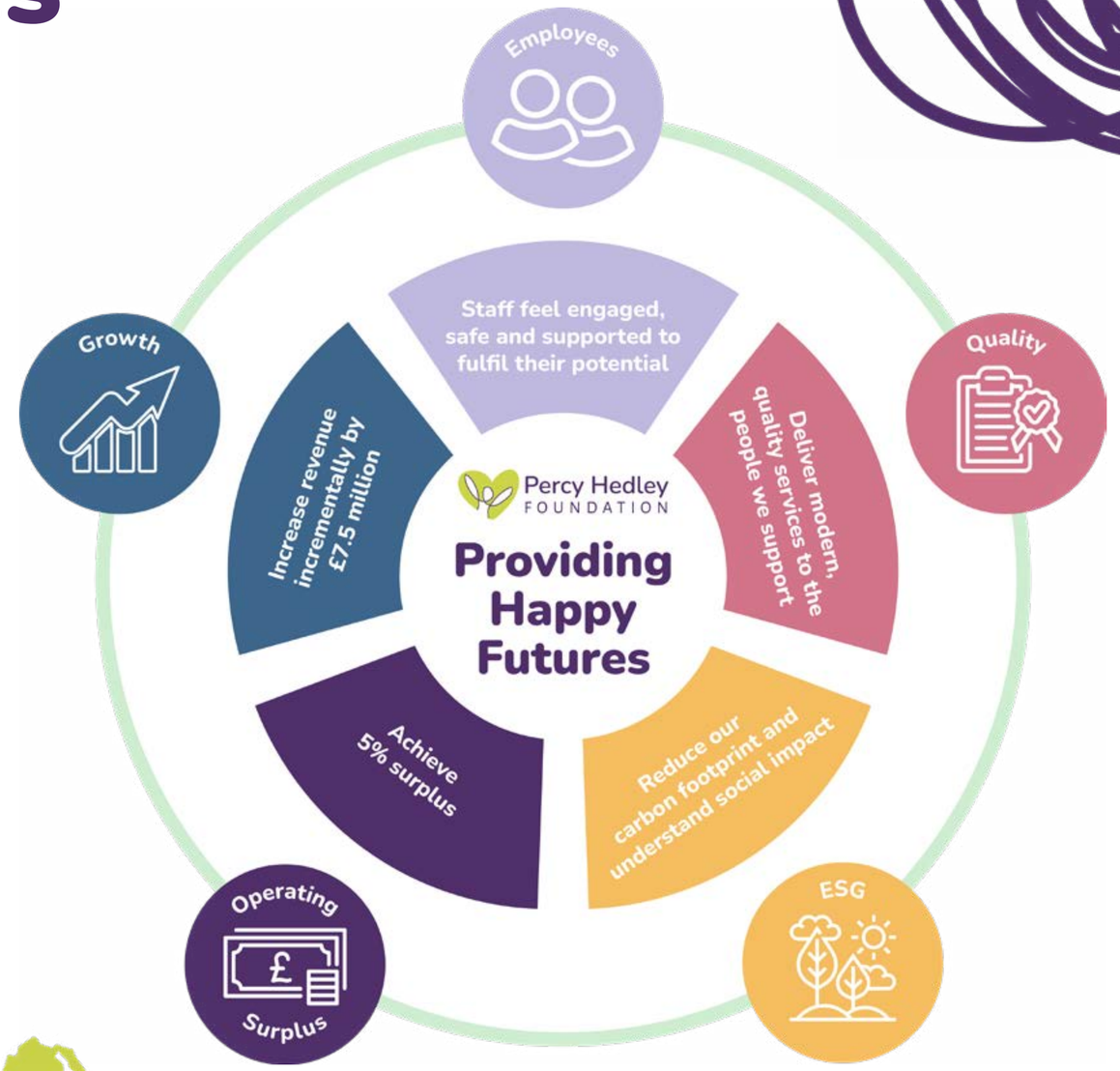
Our providing happy futures strategy is aligned with our vision, mission and values, and with the Foundation's purpose as outlined on page 7. It is focused on furthering our purpose in the interests of the people we support. Launched at the beginning of the reporting period, the strategy sets out a clear direction to become a sustainable employer delivering integrated, modernised and high-quality services for all our stakeholders, whilst generating an operating surplus for reinvestment and supporting incremental growth by late 2027.

The strategy is underpinned by five key strategic categories:

- Growth
- Employees
- Quality
- Environmental, social and governance (ESG)
- Operating surplus

The diagram to the right outlines the aims and objectives aligned to each of these categories, which are monitored and measured throughout the life of the strategy. Progress against these strategic objectives during the reporting period is set out in the Achievements and Impact section on page 9.

At the time of writing, the Board and executive are actively considering the Foundation's strategic direction and priorities beyond 2027, informed by ongoing review of performance against the current strategy. This work is part of the Foundation's annual strategic review cycle.



# Achievements & Impact

The Foundation entered the year with a clear focus on furthering its charitable purposes for the people it supports and delivering public benefit, through the implementation of its three-year strategy as outlined on page 8.

During the year, the Foundation continued to provide high-quality services and delivered performance in line with the key ambitions and objectives set out in the previous annual report, which aligned to the strategy. The table below sets out these ambitions and objectives and summarises the achievements delivered during the year.

| Strategic Objective Category(s) | Objectives | Achievement |
|---|---|---|
|  | Remain as a real living wage employer, make continued investment in our people focusing on equity, diversity and inclusion, and health and wellbeing. | The Foundation retained its real living wage accreditation during the year, demonstrating its ongoing commitment to fair pay. Investment in people continued through the launch of a new equity, diversity and inclusion (EDI) strategy, supported by dedicated resource, including the appointment of an engagement and inclusion manager. Health advocates were also appointed across the organisation to promote employee health and wellbeing and support a more inclusive and supportive workplace culture. |
|  | Continue our commitment to positive behaviour support (PBS) promoting safe and effective environments to impact the wellbeing of the people we support. | The Foundation continued its commitment to PBS during the year, with a focus on promoting safe and effective environments for the people it supports. Senior leaders participated in the BILD senior leaders programme to strengthen strategic leadership and oversight of PBS. PBS capability was further enhanced through the alignment of PBS professionals to services and the engagement with wider external PBS expertise and professional networks, supporting consistent and effective PBS practice and contributing to improved wellbeing and safety for the people supported by the Foundation. |
|  | Open an early years class within the education service. | Percy Hedley School increased its capacity for younger children with complex needs following the creation of additional specialist space, including a new early years provision. This development supported seven additional learners, enabling access to education and specialist support at a crucial stage of development. |
|  | See incremental improvement across all our settings so we retain or improve existing regulatory ratings. | A continuous improvement approach was maintained across services during the year, supporting regulatory compliance and service quality. Two regulatory inspections were undertaken, providing external assurance on standards of care and education. One residential home was assessed under the new Care Quality Commission (CQC) assessment framework and retained its 'Good' rating, while one school was inspected under the previous Ofsted framework and retained its 'Outstanding' rating, demonstrating sustained quality and supporting positive outcomes for the people supported across these settings. |
|  | Develop plans with our teams and services to help reduce the environmental impact of the Foundation. | Plans to reduce the Foundation's environmental impact were developed during the year, supported by the launch of a new environmental policy and environmental strategy, which together provide a clear framework for action across services. The Board also approved investment in a carbon reduction programme, establishing the foundations for measurable environmental improvement, with delivery planned for 2025–26. Overall carbon emissions were maintained during the year. Further detail is set out in the environmental and sustainability section on page 17. |
|  | Develop plans that help us increase admissions and continue to show the impact that therapies provide in enabling learners to accessing education. | Plans to increase admissions and demonstrate the contribution of therapies to learners' access to education progressed during the year. Following a positive Ofsted inspection at one of the Foundation's schools in early 2024, student placements at that school increased steadily to full capacity within the reporting period, supporting access to education for a greater number of learners. The Board also approved investment to increase classroom capacity at one of the Foundation's schools, strengthening the Foundation's ability to accommodate future growth in student placements and support the continued delivery of integrated therapeutic provision. |
|  | Develop plans that help us to increase and expand our health and wellbeing service to provide holistic support that empowers individuals to overcome barriers, achieve independence and thrive. | Plans to increase and expand the Foundation's health and wellbeing directorate progressed during the year. The Board approved investment in new adult day service premises, establishing the infrastructure required to support the planned expansion of the health and wellbeing directorate in 2025–26 and strengthening the Foundation's capacity to provide holistic support to individuals. |

# Achievements & Impact

In addition to the performance ambitions set out above, the Foundation delivered the planned de-registration of one residential care home during the reporting period. This was a Board decision taken following careful consideration and aligned with the Foundation's strategic focus on modernising services and improving quality of care, with the best interests of the people we support at the centre of decision-making.

All residents were supported to move on to alternative provision, with the majority transitioning to supported living in the community. This change supported greater independence and choice for individuals, consistent with the Foundation's commitment to helping people overcome barriers, achieve greater independence and thrive. The Foundation worked constructively with commissioners throughout the process to support appropriate placement decisions and a smooth transition for affected individuals.

Employees affected by the de-registration were supported throughout the process, including assistance to identify suitable alternative employment opportunities within the Foundation, where appropriate.

## Overall Impact of Achievements

Delivery against the Foundation's objectives during the year strengthened its ability to provide high-quality, safe and inclusive support for the people it serves. Progress was made across workforce, service quality, education, health and wellbeing, and organisational sustainability, supporting public benefit and the delivery of the Foundation's charitable purposes.

Investment in people and professional capability remained a key area of impact. Retention of real living wage accreditation, the launch of a new equity, diversity and inclusion strategy, and a continued focus on health and wellbeing supported a more inclusive and supportive working environment. Alongside this, enhanced leadership and professional capability in positive behaviour support (PBS), including engagement with external expertise and professional networks, strengthened the Foundation's approach to promoting safe and effective environments that support the wellbeing of the people we support.

For people supported, impact was demonstrated through increased access to services and sustained quality. The opening of an early years provision within Percy Hedley School extended education to younger children with complex needs, while a positive Ofsted inspection at one of the Foundation's schools was followed by a steady increase in student placements to full capacity during the year. During the year, the Foundation also delivered the planned, phased de-registration of one residential care home, supporting the transition of residents to alternative provision, with the majority moving to supported living in the community to promote greater independence and choice. Regulatory inspections across education and residential services provided external assurance of quality, with existing ratings retained, demonstrating continued compliance and confidence in the Foundation's provision.

Progress was also made in building capacity for future impact. Board-approved investment to expand classroom capacity and to develop new adult day service premises strengthened the Foundation's ability to respond to demand and support future growth in education and health and wellbeing services. In parallel, the launch of an environmental policy and strategy, alongside approval of investment in a carbon reduction programme, established a clear framework and governance for reducing the Foundation's environmental impact over the medium term.

In several areas, impact remains at an early or enabling stage, with benefits expected to be realised as planned initiatives are implemented in 2025–26. Trustees consider that the year represented a period of consolidation and preparation, combining maintained quality and stability with targeted investment to support future improvement, sustainability and growth.

The wider impact of the Foundation's day to day services is reported throughout this annual report, particularly within the people (pages 18 to 21), services (pages 11 to 14), environment and sustainability (page 17), and finance (pages 33 to 35) sections of the report.



# Education Services

During the year, the Foundation delivered specialist education services through Hedleys College, Northern Counties School and Percy Hedley School, supporting children and young people with disabilities across Newcastle upon Tyne, North Tyneside and surrounding areas. These services directly advanced the Foundation's charitable object to promote the education, care, welfare, interest and advancement of our students.

All of the Foundation's education services are subject to independent inspection by Ofsted and were rated good or better at their most recent inspections. These judgements provide external assurance of the quality, safeguarding and effectiveness of provision and underpin the positive outcomes achieved by students during the year.

Demand for the Foundation's specialist education provision for children and young people with complex needs and disabilities remained strong, reflecting those whose needs could not be fully met within other educational settings. Compared to the previous year, the Foundation supported 23 additional students during the year, enabling increased access to specialist education tailored to individual educational, therapeutic and developmental needs.

The Foundation's education model promotes inclusion by ensuring that students who face significant barriers in other settings are able to participate, achieve and thrive within environments designed around their needs and aspirations. Timely access to appropriate specialist placements supports improved attendance, stronger engagement in learning, enhanced communication and social development, and progress towards increased independence and positive educational outcomes. Alongside educational progress, the specialist support and stable learning environments contribute positively to student wellbeing, confidence and emotional readiness to learn.

During the year, Percy Hedley School increased its capacity for younger children with complex needs following the creation of additional specialist space, including a new early years provision, made possible through generous external funding received in the prior year. This development supported seven additional learners, enabling access to education and specialist support at a crucial stage of development. Early intervention plays a vital role in establishing strong foundations for future learning, inclusion and independence, contributing to improved longer term outcomes for pupils.

Alongside widening access, the Foundation remained focused on securing strong outcomes for students through academic progress, accredited achievement and preparation for adulthood. Students achieved a range of academic and vocational qualifications during the year, providing formal recognition of learning and supporting progression to appropriate next stage destinations. Individualised and ambitious targets were developed to reflect each learner's needs and potential. Overall, 90% of students achieved their personalised targets and 99% of enrolled qualifications were achieved, including academic and vocational awards. We commend our students for their commitment and congratulate them on their achievements.

With the support of the Foundation's staff, 46 leavers progressed successfully to appropriate next stage destinations in 2025, including further education, training and other pathways that support independence and adulthood. For many students, these outcomes represented significant personal milestones, recognising progress made within supportive specialist environments tailored to individual needs. By providing education designed around individual abilities, the Foundation supported students who might otherwise experience exclusion from education, enabling meaningful participation and achievement.

Strong partnership working with parents and carers remained central to delivery throughout the year. Parents' and carers' views are regularly and formally sought through structured engagement and feedback mechanisms, supporting shared understanding of students' needs and aspirations. This collaborative approach improves consistency of support between home and education settings and informs the ongoing development of services, helping to shape future provision to meet the evolving needs of students.

During the year, a wide range of external awards, accreditations and recognitions were achieved across the Foundation's education services. These included recognition of service quality, leadership and inclusive practice, alongside individual and collective achievements by students. Together, these demonstrate the breadth and impact of provision and the positive outcomes it supports for students.

Examples included the establishment of the Foundation's third cohort of volunteer police cadets at college in partnership with Northumbria Police, providing young people with opportunities to learn about citizenship, social responsibility and community engagement while playing an active role within their communities. Recognition of service quality included Northern Counties School being awarded leadership team of the year at the National School Awards and achieving the British Council International School Award foundation certificate, reflecting exceptional work in international education and the development of cultural understanding.

# Education Services

At Percy Hedley School, achievement of MOVE Centre of Excellence status, a Rights Respecting Schools UNICEF Award and a School Games Platinum Mark Award reflected strong outcomes in physical development, independence, movement and participation for students with complex needs. Students also benefited from enriched cultural, creative and residential experiences, including trips to London and Keswick.

In addition, a group of young adults from college was recognised as community project of the year at the British Diversity Awards for their disability awareness training, demonstrating the positive contribution students can make as advocates and role models while supporting increased understanding and inclusion within the wider community.

Looking ahead, the Foundation will continue to build on the impact achieved during the year to further its charitable purpose and maximise positive outcomes for students. Strategic priorities include increasing capacity and coherence across education services to meet demand, making best use of the estate to support and expand high-quality provision, and strengthening specialist expertise, thought leadership and support in the community . Through this continued focus, the Foundation aims to extend access to specialist education, improve outcomes for current and future students, and contribute positively in the context of special educational needs and disabilities understanding and practice.




Hedley's College student and Police Officer during the Volunteer Police Cadet swearing in ceremony

# Health & Wellbeing Services

During the year, the Foundation's health and wellbeing directorate delivered adult residential care, independent supported living and adult day services to people with complex disabilities across Newcastle upon Tyne and North Tyneside. These services directly advanced the Foundation's charitable object to promote the care, welfare, interests and advancement of the people it supports.

The Foundation's residential and independent supported living services are subject to independent inspection by the Care Quality Commission (CQC). Residential services are currently rated 'Good' and the supported living service is pending inspection. Where inspections have taken place, these independent judgements provide external assurance of the quality, safeguarding and effectiveness of provision, and underpin the positive outcomes achieved during the year.

This reporting period was characterised by collaboration, reflection and a clear focus on continuous improvement, reducing fragmentation between services and supporting more consistent, joined-up care.

During the reporting period, the Foundation strengthened its independent supported living offer, enabling more people to live ordinary lives in their own homes and communities. This resulted in the Foundation supporting an 11% increase in people living more independently, with greater choice, control and connection. This growth reflects a continued commitment to least restrictive support, promoting autonomy, active citizenship and enabling people to participate fully in everyday community life.

Plans have also been developed to support a further cohort of people currently living in residential care to move into supported living in the coming year, aligned to their individual needs, aspirations and readiness. This next phase is expected to increase the number of people supported by the Foundation to live independently by a further 20%.

In line with the Foundation's strategic objective to deliver modern, high-quality care services, the planned deregistration of one residential care home marked a significant period of transition. Through carefully planned, person-centred approaches, the majority of people, 85%, were supported to move into their own homes, with a smaller proportion, 15%, requiring a like-for-like service. For those involved, this represented a positive step towards greater independence, choice and improved quality of life. The Foundation is encouraged by how individuals, families and colleagues experienced this change, with a continued focus on long-term outcomes and supporting people to live with greater autonomy in their communities.

Across the health and wellbeing directorate, a strengthened focus on a quality of life framework, underpinned by positive behaviour support, trauma-informed practice and good support, has played a central role in improving everyday experiences. By understanding each person's history, communication needs and what matters most to them, services have delivered support that is safer, more consistent and more respectful.

This approach has contributed to reduced distress and a decrease in the use of restrictive practices, whilst supporting stronger, more trusting relationships. Alongside this, strengthened systems and mechanisms have improved oversight, enabling earlier identification of emerging needs and more timely, proactive responses. Together, this has helped individuals feel more in control of their lives. By prioritising emotional safety and a shared understanding of what a good life looks like for each person, this approach creates the conditions for people to build confidence, make meaningful choices, participate in everyday life and move towards greater independence and inclusion.

Partnership working with families, carers and those closest to the people supported remained central. Regular engagement and shared planning supported a deeper understanding of individual histories, preferences and aspirations, contributing to more consistent and responsive support. This collaborative approach strengthened continuity of care, supported smoother transitions and ensured that support reflected what matters most to each person, enhancing confidence, wellbeing and quality of life.

At the beginning of the reporting period, adult day services were realigned within the health and wellbeing directorate. This brought greater coherence across services from a governance, leadership and systems perspective, supporting more joined-up working and consistency of practice. Improved alignment strengthened communication, enhanced oversight and supported a more holistic approach to meeting individual needs.

As part of this development, day services benefitted from enhanced quality frameworks and will, in the year ahead, benefit further from the digitalisation of care management systems. This will support consistency in recording, planning and review across the directorate. Improved digital systems will strengthen accuracy, governance oversight and the monitoring of outcomes. Collectively, these improvements enhance the Foundation's ability to deliver safe, responsive and person-centred care.

# Health & Wellbeing Services

Building on this, the Foundation secured new premises to both relocate part of its existing day services and expand provision. The new service, scheduled to launch in the coming year, will support around 35 people to move into a more suitable environment aligned to their needs and aspirations, while also creating capacity for up to 15 additional people.

The service will provide modern, safe and inclusive spaces designed to meet a wide range of mobility, sensory and cognitive needs. Its person-centred design will promote independence and meaningful engagement, while the new location will strengthen community connections and partnerships, reducing isolation and supporting greater social inclusion.

Across the directorate, the Foundation remains committed to ensuring that every individual experiences dignity, choice and meaningful inclusion in all aspects of their lives.

Looking ahead, the directorate will continue to deliver its health and wellbeing strategy over the coming year, maintaining a focus on service modernisation, high-quality and person-centred care, and achieving meaningful outcomes. Priorities will remain centred on strengthening the workforce, enhancing quality and governance, embedding digital transformation, improving quality of life, and supporting sustainable service growth.

Together, this approach will enable the Foundation to build on progress and continue supporting people to live more independent, connected and fulfilling lives.




Hedley's Horizons member and support worker out in the community

# Fundraising

The vast majority of the Foundation's income is derived through statutory sources, for provision of education and highly specialised care, day services, residential and independent living services. Fundraising is utilised in two ways within the Foundation and that is to fund further specialist equipment that will have a dramatic impact on quality of life for the people we support and enhance their opportunities and everyday experiences. The second area is to fill the gaps in services often identified whilst delivering or piloting new work and methods of delivery. The reliance on fundraising income is increasingly important as the costs of providing our services increase, it also allows the Foundation to innovate, take managed risks and pilot new approaches in the field of disability care.

Our fundraising involves a number of events, community fundraising, gifts from trusts and foundations, and legacies. Thanks to the generosity of our supporters, we raised £394,085 during 2024-25. This was a decrease in the previous year's support and was largely due to a number of changes within the team, a challenging fundraising environment and the loss of some key supporters. We have invested in fundraising to be able to grow this vital income stream for the Foundation and we have ambitious aims to increase our voluntary income over the next few years to a sustainable level which allows us to deliver additional added value over the statutory minimum to the people who need it most. If you can support us on this journey, please do reach out and get in touch.

The key areas that contributed to our voluntary income were:



## Trusts & Foundations

We received a total of **£67,630** in donations thanks to generous support from trusts and foundations.



## Great North Run

85 runners joined the fantastic Team Percy Hedley and raised a total of **£40,955** for the Foundation by completing the landmark half marathon, the Great North Run. We have also trialled additional running events in the period.



## Golf Day

We built upon our inaugural Percy Hedley golf day from last year doubling the income in 2025.



## Percy Hedley Ball

The Foundation's annual ball was again the highlight of the fundraising calendar raising **£75,000**; support for this event continues to be strong and we are already looking forward to next year's event.



## Legacies

**£150,000** was kindly gifted to the Foundation in legacies which, although lower than the previous year, was a welcome source of funding; more work will continue in this area.



# Fundraising

## Corporate Support

We are very fortunate to work with a range of corporate supporters who sponsor events and dedicate funds towards certain pieces of essential equipment that the Foundation would otherwise struggle to afford. As we develop work in this area, we are looking to work with more local and regional businesses who are aligned to our work and can support through skilled and unskilled volunteering opportunities, Charity of the Year (COTY), corporate social responsibility (CSR) collaborations, give as you earn (GAYE) and event participation. We are again investing in this area as an important part of our development work.

## Growing Our Community

We have continued to focus on growing our community across the North East and further afield, telling our story and increasing the number of people that know about the Foundation and our impact. This has resulted in increased support and collaboration leading to an increased income of **£35,000** in this area.

## Digital

Digital platforms continue to be a key way in which we share our stories, raise awareness of the work of the Foundation, build relationships and engage supporters. This year, our digital footprint increased across all areas in comparison to the previous year, helping us to reach new audiences and strengthen existing connections:

- 11.56% increase in website sessions
- Increased social media audience by 15.4% across our channels
- 1,813,924 people reached across our social media
- Corporate networking events undertaken to develop relationships with regional businesses

## Fundraising Practices

We have a dedicated skilled and experienced fundraising team and hold ourselves to the highest standards about how we fundraise, communicate with supporters and the public as set out in our Supporter Promise. We are registered with the Fundraising Regulator and comply with all the relevant standards set out in the Code of Fundraising Practice. We have a customer relationship management (CRM) database in place to support our fundraising oversight, ongoing adherence to General Data Protection Regulation (GDPR), Privacy and Electronic Communication Regulations (PECR), financial record keeping, monitoring and evaluation. In 2024-25 there were no compliance issues raised about our fundraising by the Charity Commission, Fundraising Regulator or Information Commissioner's Office.

In 2024-25 we did not engage any professional fundraisers or commercial participators, for example face-to-face or door-to-door fundraisers. Our complaints process is clear and easily accessible.

Complaints received are recorded and investigated in line with the Foundation's complaints policy. In 2024-25, there were no complaints about fundraising activities carried out by the Foundation or someone on behalf of the Foundation. We make it as easy as possible for people to contact us to opt out of receiving communications from us, or to change the method of communication.

## Thank You for Your Support

We are grateful to everyone who has chosen to support The Percy Hedley Foundation this year. Through your support, time and assistance we have together made a significant and lasting impact to the lives of young people with severe and complex multiple disabilities. We must meet the need and growing demand for our specialist support and ensure we have the right specialist facilities, equipment and people to enable our beneficiaries to enjoy their own measures of success. By raising awareness of the impact of our work, by working closely with supporters and by engaging new ones, we will achieve this in partnership. The Foundation would like to express its sincere thanks to all its supporters throughout the year.

## Ambitions for the Year Ahead:

Developing the fundraising function through continued investment in the team.

Reviewing our strategy and approach that will support us to:

- Increase public awareness of the Foundation, its work and impact across the North East and further afield
- Increase our success within a dedicated number of fundraising verticals
- Increase our ability to pilot new and innovative work
- Develop an enterprise model and trading income to further support outcomes for beneficiaries
- Grow our community of stakeholders, building engagement, support and deepening our understanding of the issues affecting the people we support

# Environment & Sustainability

The Percy Hedley Foundation remains committed in its vision to strive proactively to promote and operate eco-friendly and ethical practices which protect and sustain the environment. Since the last report an environment and sustainability policy has been launched acknowledging the 2030 Agenda for Sustainable Development adopted by all United Nations Member States in 2015 and the 17 Sustainable Development Goals (SDGs) at its heart.

Whilst recognising the importance of all of these SDGs goals, the Foundation aligns to the following five goals in particular:




Environment representatives have been appointed at each of the Foundation's locations feeding into the health, safety, quality and environment forum with the appointment of environment champions to follow. A mandatory staff training module was introduced to coincide with the launch of the policy to support in the development of environmentally friendly behaviours and values – compliance for completion of this module is increasing and sits at 89% at the end of the reporting period. The HSE manager and head of estates also regularly attend the Foundation's people network to develop engagement and suggestions regarding environmental matters and a 'marketplace' hosted on Microsoft Teams to promote recycle and reuse suggested by this group is now in operation. In line with the new simpler recycling regulations that came into effect on 1 April 2025 we have also introduced additional internal and external recycling bins to support in the UK's target of recycling 65% by 2035.

During the year, the Board approved a three-year sustainability and carbon reduction programme (CRP) designed to deliver operational efficiencies, manage operating costs and achieve meaningful environmental benefits across the Foundation's estate. The programme aligns with the Foundation's estates and environmental and sustainability strategies, and focuses on targeted investments in renewable energy, low emission transport, energy efficient infrastructure and improved monitoring and control of energy use across sites.

This programme is informed by relevant regulatory and reporting frameworks, including the UK Energy Savings Opportunity Scheme (ESOS) and the Streamlined Energy and Carbon Reporting (SECR). The Foundation is working to secure external grant funding through sustainability and energy efficiency funding schemes and delivery partners to support implementation of energy efficiency improvements across its estate during 2025-26.

We anticipate that by investing in these projects, the Foundation positions itself as a leader in sustainability while reducing long-term operating costs and contributing to the UK's 2050 net-zero goals.

We have engaged the services of an external specialist to support the review and calculation of our carbon emissions reporting to ensure accuracy and consistency. As we continue to develop our environmental data capability with the use of software systems, this year's report includes fleet business miles data and liquefied petroleum gas (LPG) in grounds maintenance.

In compliance with The Companies (Directors' Report) and Limited Liability Partnerships (Amendment) Regulations 2018 (SI 2018/1155), the Foundation reports on greenhouse gas emissions and energy and fuel consumption. The methodology used for reporting of emissions was in line with Green House Gas (GHG) Conversion Factors for Company Reporting.

The environmental impact of the Foundation's activities has reduced in the current reporting period with a reduction in carbon emissions of 0.76% and a reduced intensity ratio per employee, as per the table below.

| **UK Greenhouse gas emissions and energy use data for the year ended 31 August 2024** | **2024** | **2025** |
|---|---|---|
| Energy consumptions used to calculate emissions (kWh) | | |
| Total energy and fuel consumption | 6,842,375 | 6,604,987 |
| Total gross emissions in metric tonnes CO2e | 1310 | 1300 |
| Scope 1 emissions in metric tonnes CO2e (gas and transport fuel) | | |
| Total scope 1 | 999 | 1005 |
| Scope 2 emissions in metric tonnes CO2e (purchased electricity) | | |
| Total scope 2 | 311 | 290 |
| Scope 3 emissions in metric tonnes CO2e (business travel in employee owned vehicles) | | |
| Total scope 3 | 0 | 28 |
| Total gross emissions in metric tonnes CO2e | 1310 | 1300 |
| Intensity ratio tonnes CO2e per employee | 1.31 | 1.30 |

# Our People



Northern Counties School Outdoor Learning

The Foundation's work is made possible by the skill, commitment and dedication of its employees, who are central to the delivery of its charitable purposes and strategy. The trustees place great importance on creating a working environment that supports positive wellbeing, development and engagement.

The respective roles of the trustees and the executive team in setting strategy and managing the charity are described in the governance section. How the trustees have regard to the interests of employees and promote staff engagement when making decisions is set out in the section 172 statement on page 31.

The average number of employees during the year was 980 (2024: 979). At the year end the Foundation had 937 employees, many of whom are part–time or term–time and representative of, and drawn from, the surrounding local communities.

## Safer Recruitment & Employment

The Foundation maintains robust safer recruitment and safe working practices across all employment processes. External inspections by local and public authorities, Ofsted and the Care Quality Commission provide assurance that appropriate systems and controls are in place to safeguard the people the Foundation supports.

## Equity, Diversity & Inclusion

The Foundation is committed to equity, diversity and inclusion across the workforce. Policies are in place to support the fair recruitment, continued employment and development of people with disabilities, including reasonable adjustments, training and opportunities for career progression.

The Foundation has an equity, diversity and inclusion (EDI) policy covering all current and prospective employees and remains compliant with statutory gender pay gap reporting requirements, with the most recent published on the website. EDI information voluntarily disclosed by employees is collected and monitored to better understand the composition of the workforce and to support an inclusive, positive working environment where everyone can achieve their full potential.

During the year, the Foundation increased its focus on EDI and this will remain a priority in the year ahead. EDI workforce data is presented on page 21.

# Our People

## Learning, Development & Skills

The Foundation is committed to supporting employees to develop the skills and knowledge required to perform their roles effectively and to progress their careers. Through the Percy Hedley Academy, employees can access apprenticeship programmes across a range of frontline, leadership and professional support roles.

In addition, the Foundation provides a broad range of learning and development opportunities, including in-house training, external continuing professional development (CPD), professional qualifications, coaching, mentoring and postgraduate study. Learning and development includes mandatory safeguarding, health and safety, and regulatory training.

These learning routes support employees at all career stages and help ensure the workforce is equipped to deliver high-quality services that further the Foundation's charitable purposes.

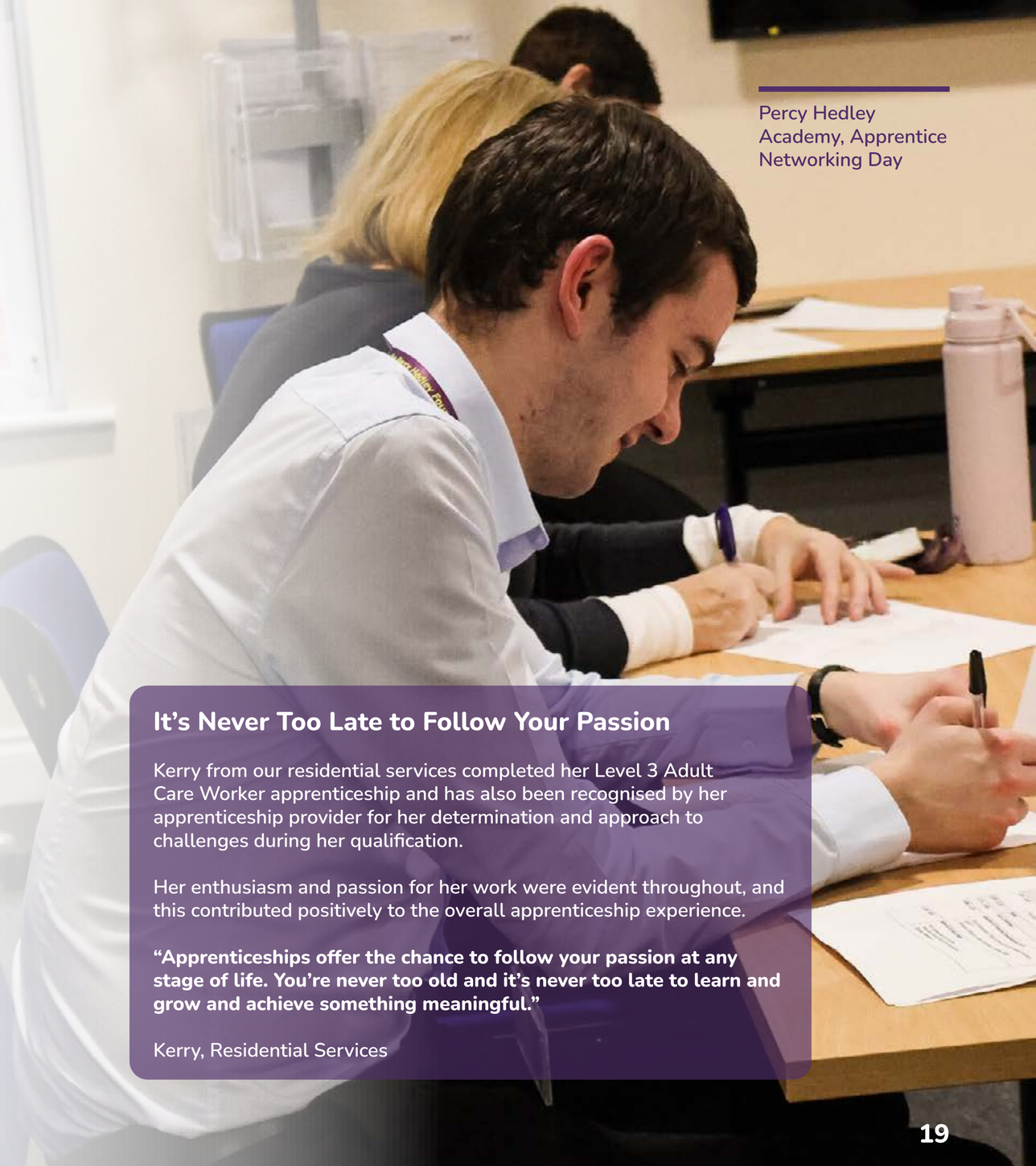
## Employee Engagement, Culture & Wellbeing

The Foundation encourages employee voice and engagement through a range of formal and informal mechanisms, including joint consultative arrangements, staff networks and local forums. During the year, health advocate roles and a freedom to speak up guardian and trustee were introduced, complementing established whistleblowing procedures and further strengthening the Foundation's approach to listening to and supporting employees.

Our regular Foundation-wide employee survey achieved a 76% response rate (2024: 75%), demonstrating improved strength in engagement, providing valuable insight to inform actions to support wellbeing, positive working relationships and a compassionate organisational culture. This year's survey highlighted several strengths, particularly around inclusion and professional capabilities. Scores were notably positive for: respect regardless of background, having appropriate skills to support service users and dignified treatment from line managers.

## Pay, Reward & Workforce Sustainability

The Foundation reviews its pay frameworks and benefits annually to ensure they remain fair, proportionate and competitive. During the year, the Foundation achieved accreditation as a real living wage employer, reinforcing its commitment to supporting employees with the cost of living. A range of benefits is also provided to support employee wellbeing and retention, which was further enhanced during the year.



Percy Hedley Academy, Apprentice Networking Day

### It's Never Too Late to Follow Your Passion

Kerry from our residential services completed her Level 3 Adult Care Worker apprenticeship and has also been recognised by her apprenticeship provider for her determination and approach to challenges during her qualification.

Her enthusiasm and passion for her work were evident throughout, and this contributed positively to the overall apprenticeship experience.

**"Apprenticeships offer the chance to follow your passion at any stage of life. You're never too old and it's never too late to learn and grow and achieve something meaningful."**

Kerry, Residential Services

# Our People

Achieved Real Living Wage Accreditation

The Foundation operates in sectors facing recruitment and retention challenges. Through its people strategy, the Foundation focuses on compassionate leadership, career development, employee wellbeing and fair reward to attract and retain a skilled and committed workforce capable of developing high-quality services underpinned by a people first culture.

## Achievements in the Year

During the year, the Foundation made progress against its people strategy. Key achievements included achieving accreditation as a real living wage employer, expanding apprenticeship opportunities through the Percy Hedley Academy, designing and strengthening career and development pathways within the health and wellbeing directorate, and reviewing and redesigning key pay frameworks to support attraction, retention and fairness.

The Foundation also enhanced its approach to employee wellbeing through the delivery of targeted health initiatives, the introduction of wellbeing and mental health first aiders within parts of the organisation, and the strengthening of its wellbeing-related policies and support. Employee voice and engagement were further supported through the introduction of health advocate roles, the appointment of a freedom to speak up guardian and trustee, and the launch of a staff awards programme. Strong engagement continued to be reflected in the Foundation-wide employee survey results.

## Ambitions for the Year Ahead

In the year ahead, the Foundation will continue to focus on attracting, retaining and developing a skilled and committed workforce. Priorities include embedding compassionate leadership, implementing new career development pathways, enhancing Foundation-wide and service specific induction arrangements, and continuing to invest in apprenticeship opportunities.

The Foundation will also maintain a strong focus on employee wellbeing and inclusion, including the continued delivery of targeted health initiatives, an enhanced focus on equity, diversity and inclusion, including strengthened data capture and monitoring, and progress towards recognised people and wellbeing accreditations, including Shine accreditation. Pay and reward will continue to be reviewed to recognise cost of living pressures, alongside the launch of a staff loyalty scheme. Further priorities include strengthening health and safety and equality impact training for managers and delivering improvement actions informed by the Foundation-wide employee engagement survey.



# Our People

## Equity, Diversity & Inclusion

**EDI** data is collected voluntarily from employees and may not capture the full workforce. Figures are indicative and used to inform our inclusion and diversity initiatives.

**15.3%**

of employees declared a disability (2024: 14%)

**9.4%**

of employees declared non-white British or black and minority ethnic (2024: 10%)

**79%**

female (F) (2024: 79% F)

**21%**

male (M) (2024: 21% M)

employee average age has remained stable at **41.7**

## Learning, Development & Skills

**395**

in house face-to-face learning events provided

**5,007**

in house face-to-face delegate attendance

**94**

external CPD attendances

**21**

employees enrolled on apprenticeships

**5**

apprenticeships successfully completed

Northern Counties School Outdoor Sensory Play

# Safeguarding

Safeguarding is of paramount importance to the Foundation and is embedded within our culture, governance and everyday practice. The wellbeing, safety, dignity and voice of the people we support is a fundamental priority, alongside our commitment to providing a safe, trusted and supportive environment for our employees that promotes wellbeing and encourages an open speaking up culture for all.

Safeguarding is recognised as a strategic risk, supported by a robust framework of controls that are regularly reviewed (see page 24). The Board retains overall responsibility for safeguarding oversight and receives regular assurance through a structured governance framework.

Oversight is led by the Quality and Standards Committee, chaired by the safeguarding trustee, which receives regular safeguarding reports and monitors emerging risks, themes and compliance. The Audit and Risk Committee also oversees safeguarding risk to ensure alignment with risk management and internal control. Local assurance is strengthened through safeguarding visits by governors and regular trustee site visits across the Foundation's services.

Operational safeguarding arrangements are supported by dedicated safeguarding and incident groups, which promote consistency of practice, oversee serious and reportable incidents, ensure compliance with statutory and regulatory reporting requirements, and enable shared learning. Designated safeguarding leads (DSLs) in every service lead safeguarding practice locally and liaise with external agencies, with clear escalation routes to senior leadership and regulators where required.

Safeguarding arrangements align with the regulatory standards including Ofsted, the Care Quality Commission (CQC), the Charity Commission and other relevant regulators.  Regulatory assessments conducted through the year were retained at 'Good' or above, providing external assurance over the effectiveness of safeguarding arrangements.

Safeguarding training is delivered at all levels, with enhanced role-specific training for DSLs and safeguarding teams. Safer recruitment practices ensure the suitability of employees working with children, young people and adults at risk. The Foundation adheres to comprehensive safeguarding policies, includes safeguarding within its internal audit programme and works collaboratively with multi-disciplinary partners, internal and external professionals and networks.

We have established a culture that encourages and enables employees, people we support, families, carers, commissioners and others to raise any concerns about practice, conduct or organisational culture. This is supported through clear and accessible safeguarding information, opportunities for feedback and engagement, and a range of speaking-up mechanisms, including a whistleblowing helpline, the freedom to speak up (FTSU) guardian,  the FTSU trustee and the safeguarding trustee.

## Key Developments This Year

Throughout the year, we reviewed and strengthened our safeguarding arrangements to ensure that positive behaviour support (PBS) and restrictive practice remained an integral part of our operational enabling strategies, aligned with our strategic quality objective. Our PBS approach was further enhanced through participation in the BILD senior leaders programme and the appointment of an independent PBS partner within our education directorate. Regulatory assessment of one residential home and one school resulted in 'Good' and 'Outstanding' outcomes, reflecting the quality of care, education and safeguarding practice. To strengthen clinical governance and oversight, and manage risks associated with dysphagia, we appointed dedicated clinical and dysphagia lead professionals. We also implemented freedom to speak up (FTSU) processes, including the appointment of a guardian and trustee, to enhance our culture of openness and accountability. Digital investment has and continues to enhance the quality, accessibility and timeliness of safeguarding information for both the organisation and the Board.

## Priorities for the Coming Year

In the year ahead, and in support of strengthening our safeguarding culture, our safeguarding community will build on the significant progress made to further enhance reporting and data-led insight across the Foundation and to the Board. This will strengthen safeguarding governance, Board assurance and risk management processes. We will continue to promote a strong speaking-up and learning culture and explore opportunities to develop this further. We will also conclude the BILD senior leaders programme and strengthen our positive behaviour support partnerships and networks. In addition, we will continue our digital transformation programme, as outlined on page 26, which will improve oversight, transparency, data quality and streamlined reporting.

**Ewen Weir**
Safeguarding Trustee

# Risk Management & Principal Risks & Uncertainties

**Table Key:**



Risk remained stable | Risk decreased | Risk increased

## Our Approach to Risk Management

The trustees are responsible for ensuring that effective systems of risk management and internal control are in place to manage the risks to which the Foundation is exposed. This includes setting the Foundation's risk appetite and ensuring that appropriate policies and procedures are in place for the prevention and detection of significant risks, including fraud and other irregularities.

The Foundation recognises the importance of effective risk management in supporting the delivery of its strategy and charitable objectives. Risk management is embedded across the Foundation and operates through a risk management framework aligned to the Charity Governance Code. The framework sets out the processes used to identify, assess, monitor and manage risks, ensuring that risks are managed within the levels of risk the trustees are willing to accept. It is designed to manage, rather than eliminate, risk and provides reasonable assurance against material risks.

Operational business units monitor risks on an ongoing basis through their business assurance frameworks and established project management and governance arrangements. Significant risks are reviewed by the executive team on a monthly basis, including consideration of their potential impact on the Foundation's strategic risks, ensuring that the strategic risk register remains current and responsive.

Strategic risks are reviewed by the Audit and Risk Committee on a quarterly basis, providing oversight and appropriate challenge to the effectiveness of mitigation actions and controls in line with the risk management framework. Strategic risks are also reported to the Board quarterly, enabling the trustees to maintain oversight and assurance that effective risk management processes remain in place. The Audit and Risk Committee has delegated responsibility for oversight of the Foundation's risk management and Board assurance frameworks and provides assurance to the Board on their ongoing effectiveness.

The following table presents the principal strategic risks which are currently monitored closely by the trustees and executive team.

| Risk & Impact | Primary Strategy Link | Mitigation & Controls |
|---|---|---|
| **IT Security and Resilience** – failure to maintain appropriate IT capability, capacity and security controls could result in cyber or data security incidents, disruption to critical systems and information, and may adversely affect service delivery, financial sustainability and organisational reputation. |   | Continued delivery against our technology strategic objectives focused on infrastructure modernisation, IT management optimisation, improving business intelligence and quality centric digital solutions.<br>All employees receive appropriate information security training, systems training and data security and protection toolkit (DSPT) compliance is maintained.<br>Appropriate and experienced personnel are employed and engaged in relation to systems, network and infrastructure security, records management and data protection including the appointment of a Caldicott guardian.<br>Business continuity planning is placed firmly within the internal control framework, with a focus on regularly monitoring, reviewing and testing of plans.<br>Appropriate insurance policies are maintained including cyber security. |
| **Regulatory and Statutory** – failure to comply with requirements could result in harm to employees and/or the people we support and may adversely affect financial sustainability, operational effectiveness and organisational reputation. |   | Changes in legislation, regulation and sector guidance are actively monitored, supported by engagement in relevant regional and national professional networks.<br>Structured assurance frameworks are in place, including audits, preventative maintenance and quality monitoring, to ensure statutory, regulatory and operational standards are met and emerging risks are identified and managed.<br>Clear and effective internal reporting and escalation mechanisms are in place, including HR, health and safety, safeguarding, whistleblowing and freedom to speak up arrangements, underpinned by up to date policies and procedures.<br>Appropriate, effective and adequate procedures in place, which are regularly reviewed to ensure compliance with statutory and regulatory obligations.<br>A skilled and competent workforce is maintained through compliance with mandatory training, performance management and ongoing development as appropriate. |

| Risk & Impact | Primary Strategy Link | Mitigation & Controls |
|---|---|---|
| **Safeguarding our People** – failure to maintain effective safeguarding policies and practices could result in harm to employees and/or the people we support, and may adversely affect financial sustainability, operational effectiveness and organisational reputation.<br><br>*This risk increased during the reporting period due to external factors. Appropriate controls were implemented to mitigate the risk and the risk is anticipated to reduce early in 2025-26.* |  | Collaborative working with commissioners and partners manages safeguarding and quality risks where alternative provision is limited, with enhanced oversight and escalation reflecting increased inherent risk.<br>Workforce risks are mitigated through robust pre-employment vetting, including Disclosure and Barring Service (DBS) checks, supported by a skilled and competent workforce compliant with mandatory training, structured performance management, supervision and development.<br>Clear safeguarding, whistleblowing and freedom to speak up arrangements and policies are in place, with reporting, incident response, investigation and escalation mechanisms in place.<br>Governance and assurance arrangements support reflective practice, learning from incidents and continuous improvement, with oversight through established management, committee and trustee reporting. |
| **Quality of Care/Outcomes** – failure to deliver the standard of care and education to meet the needs of the people we support and enable positive outcomes, could adversely affect financial sustainability, operational performance, and organisational reputation.<br><br>*This risk increased during the reporting period due to external factors. Appropriate controls were implemented to mitigate the risk and the risk is anticipated to reduce early in 2025-26.* |  | Collaborative working with commissioners and partners manages safeguarding and quality risks where alternative provision is limited, with enhanced oversight and escalation reflecting increased inherent risk.<br>Standards of care and education are supported through robust quality, clinical and educational assurance frameworks, informed by digital systems, data and performance reporting.<br>Business continuity arrangements support the safe and consistent delivery of care and education.<br>A sufficient and appropriate skilled and competent workforce is maintained and aligned with the Foundation's strategy.<br>Governance and oversight arrangements monitor performance, compliance and outcomes for the people we support and learners.<br>Continued investments in enhancing digitalisation, data and reporting. |
| **External Factors** – failure to understand and respond effectively to changes in the external operating environment, including funding pressures, commissioning arrangements and policy developments, could adversely affect financial sustainability, operational effectiveness and organisational reputation and may impact the long-term viability of the Foundation's services. |  | The external environment is routinely monitored through horizon scanning, engagement with relevant sector networks and the maintenance of positive working relationships with key stakeholders to identify emerging risks, opportunities and changes.<br>The impact of external factors on operations, strategy and risk is regularly assessed and used to inform strategic planning and decision-making. |
| **Our People** – the inability to attract, develop and retain employees could adversely affect service delivery and safety and may impact financial sustainability and organisational reputation. |  | A formal risk management framework operates within defined risk appetite and tolerance levels.<br>Codes of conduct, whistleblowing and freedom to speak up arrangements are in place and regularly reviewed.<br>Specialist expertise supports compliance across key areas, including safeguarding, health and safety, legal and HR.<br>Statutory, regulatory, contractual and supplier compliance is actively monitored.<br>Stakeholder communication and media management arrangements support effective engagement. |
| **Environmental, Social and Governance (ESG)** – inability to meet stakeholder expectations and statutory and regulatory obligations could adversely affect financial sustainability and organisational reputation and may limit the Foundation's ability to operate effectively. |  | An up to date environmental policy and environmental strategy are in place and in delivery, providing a clear framework to meet stakeholder expectations and regulatory ESG obligations.<br>A carbon reduction programme has been developed for delivery across the Foundation, with implementation of solar arrays, transition to electric vehicles and associated charging infrastructure, and energy efficient boiler replacement.<br>Governance and monitoring arrangements support oversight of environmental performance and compliance. |

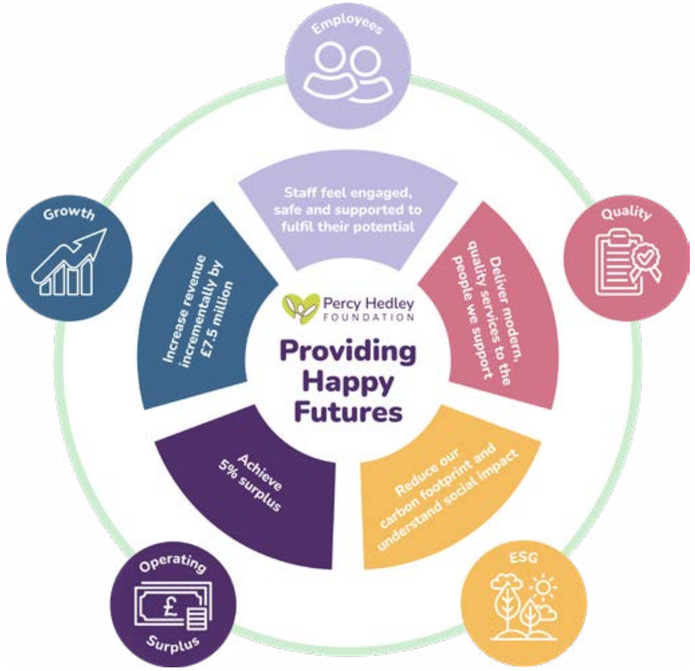
| Risk & Impact | Primary Strategy Link | Mitigation & Controls |
|---|---|---|
| **Business and Finance Strategy** – failure to deliver strategic objectives could adversely affect financial sustainability, operational performance and organisational reputation, and may limit the Foundation's ability to respond to future challenges and opportunities. |  | ♥ A three-year corporate strategy is in place, setting clear objectives and measures of success, and is regularly monitored and reviewed by the executive and Board of Trustees, underpinned by enabling strategies.<br>♥ A three-year financial plan aligned to the corporate strategy is maintained, supported by robust annual budgeting, financial monitoring and reporting processes that enable timely and proportionate management action.<br>♥ Financial resilience is supported through the maintenance of sufficient reserves in line with the reserves policy, which is regularly reviewed and approved by the trustees. |
| **Reputation** – loss of public trust and confidence could adversely affect financial sustainability and may impact the Foundation's ability to deliver its purposes over the longer term. |  | ♥ A formal risk management framework operates within defined risk appetite and tolerance levels.<br>♥ Codes of conduct, whistleblowing and freedom to speak up arrangements are in place and regularly reviewed.<br>♥ Specialist expertise supports compliance across key areas, including safeguarding, health and safety, legal and HR.<br>♥ Statutory, regulatory, contractual and supplier compliance is actively monitored.<br>♥ Stakeholder communication and media management arrangements support effective engagement. |
| **Cultural Maturity** – a lack of cultural maturity could adversely affect employee wellbeing, engagement and retention, weaken governance and risk management, and impact service quality, organisational reputation and long-term sustainability. |  | ♥ Values, codes of conduct and expected behaviours are in place and regularly reviewed.<br>♥ A clear strategy is in place and has been communicated across the Foundation, supporting shared understanding of expectations, priorities and behaviours.<br>♥ Leadership, supervision and performance management arrangements promote openness, accountability and learning.<br>♥ Employee engagement, wellbeing and employee voice are actively monitored.<br>♥ Whistleblowing and freedom to speak up arrangements operate to support safe escalation of concerns.<br>♥ Learning from incidents and feedback informs continuous improvement, with oversight by senior management and trustees. |

# Future Plans & Outlook

*Over the coming year, the Foundation will continue to deliver its **providing happy futures** three-year strategy, launched at the start of the current reporting period and outlined on page 8.*

*Performance and achievements in the first year of the strategy were positive (see pages 9 to 10). The trustees anticipate continued progress over the coming year, while remaining mindful of the external environment and outlook as outlined on page 27 and the Foundation's principal risks and uncertainties (pages 23 to 25).*

In developing plans for the year ahead, the trustees have continued to focus on building a sustainable Foundation that can attract and support its workforce, modernise services, make effective use of its estate, and generate sustainable surpluses for reinvestment in furtherance of the Foundation's charitable purposes and delivery of public benefit.




The strategic priorities for the year ahead are set out below. These priorities are aligned to the Foundation's five key strategic categories and support the delivery of its vision and mission.

| Key Strategic Category(s) | Strategic Priorities |
|---|---|
| Employees | The Foundation will continue to prioritise its people, recognising that a skilled, engaged and supported workforce is critical to delivering high-quality services and public benefit.<br>• Sustaining real living wage accreditation.<br>• Continuing to strengthen employee engagement, equity, diversity, inclusion and wellbeing.<br>• Ensuring attraction and retention approaches remain competitive and sustainable. |
| Quality | The Foundation will continue to strengthen quality and assurance across care, education and central services, supporting safe, effective and person-centred practice.<br>• Driving continuous improvement across all settings to maintain high standards of quality and regulatory assurance, while embedding the requirements of new regulatory frameworks.<br>• Continuing our commitment to positive behaviour support (PBS) and restraint reduction to promote safe, person-centred support and positive outcomes for the people we support.<br>• Continuing to support our learners to achieve outcomes across all areas of learning.<br>• Implementing and embedding effective digital solutions to enhance quality, consistency, safety and efficiency across services. |

| Key Strategic Category(s) | Strategic Priorities |
|---|---|
|  | The Foundation will focus on sustainable growth to further its charitable purpose by increasing capacity and extending its impact, while responding to demand and maintaining high standards of quality and support.<br>• Optimising education spaces to enhance the delivery of education and meet demand for student placements.<br>• Mobilising a new adult day service provision in North Tyneside, supporting expansion of the health and wellbeing directorate through delivery of holistic, person-centred support.<br>• Expanding the Foundation's independent supported living services to meet identified need. |
|  | The Foundation will continue to strengthen its environmental stewardship in support of its charitable purpose, focusing on reducing environmental impact and building long-term sustainability.<br>• Delivering the Foundation's 2025-26 carbon reduction programme, including investment in renewable energy, low emission transport and energy efficient infrastructure.<br>• Delivering and embedding environmental improvement plans across teams and services, while continuing to identify opportunities to reduce the Foundation's environmental impact. |
|  | The Foundation will focus on maintaining strong financial sustainability to support the delivery of its charitable purpose, manage risk and enable continued investment in services.<br>• Continuing targeted investment in new and existing services aligned to demand and need.<br>• Maintaining strong financial stewardship, including contingency planning in response to risks and challenges within the sectors in which the Foundation operates.<br>• Generating a sustainable surplus to support reinvestment and future resilience. |

## External Environment & Outlook

The trustees and executive recognise that the Foundation continues to operate within a challenging and evolving external environment. Ongoing pressures on adult social care funding, sustained budgetary constraints faced by local authorities, workforce challenges across the health and social care sector, and the impact of higher inflation and UK government policy changes affecting employment costs are expected to continue to influence the commissioning and delivery of services. In education, uncertainty associated with anticipated national education policy developments and reforms is also likely to impact the operating environment over the medium term.

The trustees, supported by the executive, actively monitor these external factors through established governance and risk management arrangements. This enables the Foundation to respond proportionately and adapt where required to mitigate potential impacts. Accordingly, the overall strategy and future plans described above have been developed with appropriate caution, recognising both the external challenges facing the Foundation and the associated risks, alongside the principal risks and uncertainties outlined on pages 23 to 25.

# Structure, Governance & Management

The Percy Hedley Foundation was founded in 1953 and is a charitable company registered in England and Wales (Charity Commission registration number 515943) and a company limited by guarantee registered in England (company number 01855026).

The Foundation is governed by its Articles of Association incorporated on 12 October 1984, adopted on 1 November 2005, and last amended on 8 November 2014. Northern Counties School, now an integrated part of the Foundation as a result of the merger in October 2005, was founded in 1838.

The Foundation's charitable objects, as set out in the Articles of Association, are for the public benefit to promote the care, welfare, interest, education treatment and advancement of disabled persons.

## The Board of Trustees & Governance Responsibilities

The Board of Trustees are both trustees of the charity and legal directors of the company in accordance with the Companies Act 2006. References in this report to trustees therefore include their role as directors. The trustees have overall responsibility for the strategic leadership, governance and long-term direction of the Foundation.

Each trustee agrees to contribute £1 in the event of the Foundation winding up.

Trustee recruitment and appointments are led by the Nomination and Remuneration Committee and appointments are approved by the Board. Trustees are appointed in accordance with the Articles of Association, typically serving a term of three years with the possibility of re-appointment for up to a further two terms.

New trustees are recruited through an open and transparent process, including public advertisement, interview and assessment against the trustee role profile and the Board competency framework. The framework aims to align with the Foundation's strategic priorities and governance responsibilities and supports the appointment of trustees with a balanced and diverse range of skills, knowledge and experience, ensuring the Board remains effective and fit for purpose over the long-term.

The Articles of Association do not define a maximum number of trustees. Trustees in office during the year and, up to the date of signing the financial statements, are set out on page 4.

In 2024-25, the Board aimed to appoint a minimum of two additional trustees in response to skills needs identified. With the support of an external recruitment specialist to enhance openness and transparency, three new trustees were successfully appointed, strengthening the Board's overall capability.

New trustees are supported through a comprehensive induction programme, including tailored training, meetings with members of the executive team, and visits to operational sites to meet the people we support, employees and managers. Trustees are also provided with access to an electronic Board portal containing key documents relating to the Foundation's constitution, governance arrangements, roles and responsibilities, and Board and committee business.

This induction process is designed to ensure trustees develop a strong understanding of the Foundation's work, their duties and responsibilities, and opportunities for further engagement.

Trustees complete an annual self-assessment and participate in an appraisal with the chair of the Board to identify individual development and training needs. In addition, trustees undertake an annual reassessment against the Board competency framework, supporting the Nomination and Remuneration Committee to review the Board's overall composition and effectiveness.

## Governance & Committee Structure

The Board delegates specific responsibilities to a number of committees, each operating under Board approved terms of reference, as summarised on the next page. Committees are chaired by a trustee and comprise of trustee members with appropriate skills, knowledge and experience, in line with the Board competency framework. The Quality and Standards and the Audit and Risk Committees also include independent external members whose expertise is aligned to their respective remits.

In addition, the Foundation has three local educational advisory committees, each chaired by an individual independent of the Board and appointed by the Board. These committees contribute to the development of the Foundation's policies, provide scrutiny and constructive challenge regarding the management of the Foundation's schools and college, and offer assurance to the Board.

The executive team, led by the chief executive officer, has delegated responsibility for the day to day management of the Foundation's operations, including management of employees, and for implementing the strategy approved by the Board. The Board holds the chief executive officer to account for the performance of the Foundation and its delivery of charitable purposes. Through this leadership structure, the executive team ensures that staff are supported to contribute effectively to the achievement of the Foundation's mission and objectives.

# Structure, Governance & Management

During the year, the interim chief executive officer was appointed on a permanent basis and a new vice chair of the Board was duly elected following the retirement of the former vice chair.

## Finance Committee

Oversees and monitors the Foundation's financial affairs, including financial performance, budgeting, reserves, pensions, investments portfolio, capital expenditure and key financial policies.

## Audit & Risk Committee

Oversees financial reporting, internal and external audit and associated appointments, systems of internal control and risk management, compliance with laws and regulations and the Board's assurance framework. The committee is responsible for a suite of key policies including the annual review of the Foundation's whistleblowing and data protection policies.

## Quality & Standards Committee

Oversees the quality and standards of the Foundation's operations including safeguarding. The committee is responsible for a suite of key policies including the annual review of the Foundation's core safeguarding policies.

## People & Culture Committee

Oversees and monitors a range of objectives relating to the delivery of the people strategy and monitors the Foundation's main terms and conditions, benefits, rewards, performance management framework and key people policies including the equity and diversity policy aligned with the equity and diversity strategy.

## Nomination & Remuneration Committee

The Nomination and Remuneration Committee oversees the composition of the Board and its committees and keeps this under review to ensure a balanced and diverse range of skills, knowledge and experience, supporting effective governance and Board performance. The committee is also responsible for setting, monitoring and reviewing executive pay policy and executive remuneration.

## Local Advisory Committees (x 3)

Oversee the leadership and governance of the Foundation's educational establishments (Hedleys College, Northern Counties School, Percy Hedley School), ensuring that the establishments operate effectively, achieve high standards and delivers high-quality education, whilst in alignment with the strategy, values and governance expectations of the Foundation.

## Governance Activity

The Board of Trustees meets at least four times annually and generally holds an annual away day to focus on strategic direction. Board committees meet regularly to support the effective discharge of delegated responsibilities.

Key governance activities included the approval of the annual budget, review of strategic priorities, oversight of safeguarding and risk, and monitoring the Foundation's financial performance.

All Board meetings held throughout the year were quorate and no member was absent for more than two meetings, demonstrating effective and active governance.

## Trustees' Indemnities

Trustee indemnity insurance up to the value of £5m is provided at an annual charge of £1,736 (2024: £1,736).

# Structure, Governance & Management

## Public Benefit

Trustees have due regard to the Charity Commission's guidance on public benefit in accordance with the Charities Act 2011, and the Board is satisfied that the Foundation complied with its public benefit duty in delivery of its services as summarised throughout this report, which are for the public benefit now and into the future.

## Trustee Remuneration, Expenses & Conflicts of Interest

The trustees are volunteers who give their time freely and do not receive remuneration for their role. Trustees may claim reasonable expenses incurred in the course of their duties, in line with the trustees' expenses policy. Details of trustee expenses reimbursed during the year are included in note 12 to the financial statements.

The Foundation operates a conflicts of interest policy and trustees are required to declare all relevant interests. A register of interests is maintained, reviewed annually and updated as necessary.

Procedures are in place to identify and manage conflicts of interest, ensuring that decisions are made objectively and in the best interests of the Foundation.

## Executive Pay Policy

The executive team is considered as the key management personnel. Executive pay is set, monitored and reviewed annually by the Nomination and Remuneration Committee in accordance with the executive pay policy.

The trustees believe that remuneration should be sufficient to attract, retain and motivate suitably skilled and experienced executives, whilst remaining commensurate with the knowledge, skills, behaviours, performance and responsibilities required by each role. Executive pay is linked to a performance appraisal system and benchmarked against comparable roles in relevant job markets. The executive team is paid on the basis of a fixed salary.

## Charity Governance Code

The trustees have regard to the principles of the Charity Governance Code when reviewing and updating the Foundation's governance arrangements.

## Modern Slavery & Human Trafficking Statement

The Percy Hedley Foundation is committed to preventing modern slavery and the Foundation's full statement can be found on the website at www.percyhedley.org.uk.

## Risk Management

The trustees have responsibility for overseeing the management of risk and are satisfied that appropriate systems and controls are in place to identify, assess and manage the principal risks facing the Foundation. The trustees review the Foundation's risk management arrangements through the work of the Audit and Risk Committee and regular reporting from the executive team.

The principal risks and uncertainties facing the Foundation, together with the key mitigation and controls in place, are set out on pages 23 to 25.



Percy Hedley School
Student & Staff

# Section 172(1) Statement

The trustees, as company directors of the charitable company for the purposes of company law, consider that they have individually and collectively acted in good faith and fairly with due regard to their duty under section 172 of the Companies Act 2006, to promote the success of the charity for the benefit of its members and in furtherance of its charitable purposes.

In fulfilling this duty, trustees have due regard to the interests of the Foundation's stakeholders including the people we support, their families, their carers, our workforce, commissioners including local authorities, and our regulators. The following paragraphs are not intended to be exhaustive but are illustrative of how the trustees have fulfilled their duty.

## Long-term Consequences of Decisions

The trustees consider the long-term sustainability of the Foundation when making strategic decisions, including the financial and operational impact of those decisions and the Foundation's ability to achieve its charitable purposes in the interests of the people it supports. Decisions with potential long-term implications are considered by the Board and its committees, with major investments overseen by the Finance Committee and major investments and strategic decisions reviewed by the Audit and Risk Committee.

The providing happy futures strategy (page 8) provides focus for decision making and aims to ensure that the Foundation is a sustainable employer, able to modernise services, generate a surplus for future reinvestment, and further its charitable purposes in support of its vision and mission.

Both strategy and risk are fundamental to the Board's long-term decision making and the Foundation's risk management framework is described on pages 23 to 25.

## Interests of Employees

The trustees recognise the Foundation's workforce as its greatest asset and acknowledge the vital role that employees and volunteers play in the delivery of services and achieving the Foundation's charitable purposes.

When making strategic and operational decisions, the trustees have regard to the impact on staff wellbeing, health and safety, development and working conditions, ensuring that people considerations are appropriately taken into account.

The trustees promote employee engagement through a range of mechanisms, including team meetings, employee supervisions, employee surveys, employee networks and groups, the freedom to speak up process and site visits, which provide valuable insight into employee experiences and inform decision-making at both operational and Board level.

The People and Culture Committee maintains oversight for the delivery of the Foundation's people strategy and associated risks. Further information about the Foundation's people is set out on pages 18 to 21.

## Relationships with Funders, Suppliers, Customers & Others

The trustees recognise the importance of strong stakeholder relationships in promoting the long-term success of the Foundation. They value the views and interests of the Foundation's funders, suppliers, customers and other partners, and work to maintain positive, transparent and effective relationships that support the delivery of quality services.

Engagement with stakeholders provides the trustees with insight into emerging trends, significant changes in the external environment and opportunities for future development. This informs the Foundation's strategic direction, policies and objectives, helping to ensure that decision making is aligned with stakeholder interests and supports the Foundation's long-term sustainability.

Further information on the Foundation's approach to stakeholder engagement is evident throughout this annual report and on pages 11 to 14.

## Impact on Community & Environment

The delivery of positive outcomes for the people that the Foundation supports and the communities it serves is of paramount importance to the trustees. The Board considers the wider social and environmental impact of the Foundation's activities, with environmental, social and governance (ESG) priorities forming a core objective within the current strategy. This ensures that the Foundation's work continues to deliver meaningful and sustainable benefits for the people it supports and the wider community.



# Section 172(1) Statement

The Foundation plays an active role within the communities it serves, engaging with local people and organisations through its fundraising activity and service delivery. The trustees are committed to promoting inclusion for the people we support and ensuring that services reflect local needs. The Foundation also seeks to recruit and develop local people, contributing to community wellbeing and strengthening its long-term connection to the areas it serves.

Further information on the environment and sustainability can be found on page 17.

## Maintaining High Standards of Conduct & Reputation

The trustees are committed to maintaining high standards of business conduct, underpinned by strong governance arrangements, including employee induction, effective systems, processes, policies, transparency and ethical practice. The Foundation operates in line with relevant regulatory requirements and sector standards, and the Board has a clearly defined risk appetite to guide decision-making.

Appropriate decision-making, reporting and escalation protocols are in place to ensure that the Board monitors reputational and compliance risks and is kept informed of emerging issues. This enables timely and proportionate mitigation action to be taken to maintain public trust and confidence in the Foundation.

## Acting Fairly Between Members

In accordance with the Foundation's governing document, the trustees are also the members of the charitable company. The Board is committed to ensuring that all members are treated fairly and that decision-making processes are transparent, consistent and in line with the Articles of Association.

Members have equal voting rights at general meetings. At Board level, appropriate procedures are in place to manage conflicts of interest, with trustees required to declare any actual or potential conflicts to ensure that decisions are taken in the best interests of the Foundation.



Barratt Homes & Percy Hedley Foundation Partnership

# Financial Review

During the year, the Foundation improved the financial performance whilst operating with the continued impacts of higher inflation and cost increases due to UK government policy impacting employment costs (wage and employer national insurance contribution increases effective from April 2025), both of which continue to impact in 2025-26. As reported previously, the improved performance at Northern Counties School, following a successful Ofsted inspection outcome in early 2024, made a significant, positive impact on the overall financial performance of the Foundation for the full year. Student numbers steadily increased at the school throughout the academic year to the point where 100% capacity was achieved. As a result, the school generated a small financial surplus. During the year, it was agreed that further investment at this particular site would be made to support the expansion in the number of classrooms by six, over the next three academic years. The first development phase of the additional classrooms will become available early in the 2025-26 academic year. The previously reported de-registration of the out-of-date residential care facility, Chipchase House, was completed in line with the target closure date of July 2025. All of the residents successfully moved on to new locations with the majority taking up their own tenancy agreements in community based supported living homes. The Foundation is currently looking at a variety of options for the future use of this asset. During the year, the Foundation signed a lease for a new day service centre located in North Shields; operations at this location will go live in early 2025-26.

In the year to 31 August 2025, the Foundation made a surplus of £2.861m (2024 : £0.538m surplus) before actuarial gains and losses. Total income increased by £3.669m on the previous year with expenditure, before gains/(losses) on investment assets, increasing by £1.202m. The underlying operational performance remains mixed. However, the impact of wage inflation and increased employer national insurance contributions were significant enough to hold back the financial performance post April 2025. The investment assets held by the Foundation generated a gain of £0.181m (2024 : £0.325m). The performance of the Foundation was also supported by an actuarial gain on the defined benefit pension scheme of £1.713m (2024 : £1.095m gain).

The surplus post actuarial adjustments was £4.574m (2024 : £1.633m) representing an improving underlying performance by the Foundation during the financial year. This resulted from the full year impacts of the previous turnaround action plan that was implemented to address key performance concerns, better cost management and the improved student numbers in education resulting from a clear three-year strategic plan being implemented during the period.

Income from charitable activities increased by a reasonable 10.28% year on year at £39.6m. Most of the funding is received from approximately 20 UK wide local authorities responsible for the education and care of the children, young people and adults that use the services which the Foundation provides. These fees fund the day to day running costs of the services and support some level of investment and maintenance of the Foundations assets. The Foundation has a fundraising and engagement team, responsible for supplementing this income to help further improve facilities, the estate, enrich provision and support specific capital developments. Income from donations and legacies for 2025 was £0.291m, a reduction of 24.6% over 2024. During the period, a new head of fundraising was appointed to support the growth ambitions of the Foundation.

One key area of focus during the period was to further improve the cash position. The trade debtor balance, which has seen excellent reductions in the previous year, increased slightly during the period leaving the value of gross trade debtors at £3.299m (2024 : £3.132m). This increased by 5.33% versus an income increase of 10.28%. This increase in trade debtors also includes an element of VAT that the Foundation is now required to charge on school fees, effective from January 2025, due to their status as non-maintained special schools. In the year, some of the previous historic bad debt provision was released as well as being used to write off uncollectable debts, reducing from 2024 : £0.954m to 2025 : £0.877m. The provision for doubtful debts at the 2025 year end remains higher than target and remains a focus for 2025-26. As a result of the improving trading performance over the last two years, additional funds were allocated in relation to fixed asset investments. The outcome of this was that the level of capital expenditure for the year increased to £1.168m (2024 : £0.954m). Additionally, in order to achieve the holding of the funds required as per the reserves policy with the two investment managers, a one-off transfer of £1.400m was made from cash reserves during the period into the two investment portfolios. The cash generated from operations totalled £2.839m. As a result, the closing cash position at £11.704m increased over the prior year (2024 : £11.211m).

The consistency and stability of the chief executive officer and executive team during the year allowed for an evolution on the previously agreed three-year strategic plan, effective September 2025. This plan remains broadly the same and focuses on generating additional capacity to meet the demands for our current services through modernisation and improved utilisation of the existing estate, expansion and addition of, where appropriate, new locations, investing in enhanced terms and conditions for all employees and investing in our IT team, systems and security.

The 2025 UK government budget has added further financial pressures to the Foundation for 2025-26 in particular relating to wage inflation. A key part of attracting people to work at the Foundation is being a real living wage employer. In order to maintain this enhanced pay rate over the national living wage, the Foundation is requesting fee uplifts from commissioners that are sufficient to cover the wage increase and associated on costs as well as general inflationary increases. We understand the impact on our commissioners' budgets where there is continued pressure to obtain increased value for money.

# Financial Review

## Pension Schemes

The Percy Hedley Pension Scheme provides benefits on a final salary or defined benefit basis. It is closed to new members, with members' salaries frozen as at 31 March 2019 but open to future accrual of benefits for its active members. The actuarial deficit has been revalued, in accordance with FRS102, using up to date assumptions over discount rate, the rate of inflation and mortality rates. This revaluation has resulted in a decrease in the actuarial deficit by £2.380m from the previous year to £1.925m (2024 : £4.305m) which reflects the investment choices made by the pension trustees and market conditions. This positive movement has been credited against the operating deficit with £0.667m being posted into charitable activities' expenditure, leaving £1.713m shown as the actuarial gain for the period. The trustees of both the Foundation and the Percy Hedley Pension Scheme are acutely aware of the need to balance the interests of the members of the pension scheme with those of the current and future beneficiaries that the Foundation supports. Following the output from the actuarial valuation that was undertaken effective 31 March 2024, the Foundation agreed to make an additional ad hoc payment of £0.500m in the period. The pension scheme continues to perform well against the targets.

The Foundation also contributes to a defined benefit pension scheme in relation to teaching employees, which is the Teachers' Pension Scheme. The employer contribution rate increased from 22.8% to 28.6% effective as required from 1 April 2024. The next valuation result is due to be implemented from 1 April 2027.

## Balance Sheet

The Foundation has total funds of £28.575m (2024 : £24.001m). The increase of £4.574m primarily relates to an increase in the investment values, cash balance and reductions in both the pension scheme liability and long-term loan liability. The free reserves available increased to £10.235m (2024 : £9.489m). The increase resulted from the increased cash balance and trade debtors and a small reduction in creditors. The balance sheet highlights a reduction in net book value of tangible fixed assets to £16.556m (2024 : £17.006m) due to the reduced capital expenditure versus the depreciation charged. The capital investments in the year totalling £1.168m (2024 : £0.954m), the majority of which related to development of the estates and purchase of new operational and IT equipment. Depreciation was slightly higher than the prior year at £1.618m (an increase of £0.133m).

The value of restricted funds increased slightly to £88k (2024 : £74k). Restricted funds are those from funds raised from legacies and small donations along with fundraising carried out within a particular service and are used throughout the year to provide 'added extras' to enrich service provision.

The Foundation holds £nil (2024 : £nil) of designated funds at the period end. Designated funds have historically been the amounts set aside by the trustees to be spent during the following year. In 2024-25 these funds are incorporated as part of the budget approved by trustees and included in the unrestricted funds. In 2025-26, the trustees have agreed to designate £2.000m of funds to support the estates strategy, including the expansion of six additional classrooms at Northern Counties School and £1.000m of funds allocated against the carbon reduction programme. This is in addition to the usual annual capital expenditure requirement.

## Investment Policy

The Foundation has implemented a strategy for investments which ties in with the reserves policy whereby the investments held in the two investment manager portfolios will be equivalent to the funds required under the reserves policy (see next page). During the financial year 2024-25, the net value of the investments increased from £3.376m to £5.082m which included an additional cash transfer of £1.400m. This strategy allows for midterm reserves to be held in liquid assets until they are needed for specific projects and for an element of reserves to be held for the long-term in the event of future unknown uncertainties. It is the intention that the Foundation will add free cash in order to achieve the target value of investments by 31 August 2025 should the growth in the funds be insufficient. The longer-term strategy is to add to the investments at a similar rate to which Foundation itself grows. The trustees appoint investment managers to whom they delegate responsibility for managing the investment assets in accordance with an agreed policy statement. This statement sets out the trustees' aim, to produce the best financial return within an acceptable level of risk and includes the manner in which these assets may be ethically invested to ensure that they do not conflict with the aims of the Foundation. The investment policy statements are reviewed annually.

## Going Concern

After making appropriate enquiries, including evaluating any impact with the continued and ongoing effects of the cost of living crisis, the impact of the October 2025 UK government budget and reviewing forecasts into 2025-26, the trustees have a reasonable expectation that the charitable company has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements. Further details regarding the adoption of the going concern basis can be found in the accounting policies on page 46.

# Financial Review

## Reserves Policy

The trustees consider that the Foundation should invest unrestricted and undesignated reserves equivalent of between 13% and 16% of operating expenditure, excluding non-cash and significant one-off items, to allow for the Foundation to react to unforeseen circumstances, whilst providing sufficient flexibility to operate on a day to day basis and take any appropriate decisions to further the Foundation's strategic development. These funds are to be specifically held in the long-term investment portfolios managed by the two investment managers rather than bank accounts, as outlined in the investment policy section above.

The lower end of this range is equivalent to basically two months' employee costs for the Foundation and the higher end reflects the Foundation's aim to build a fund that will enable the modernisation of our services for the children, young people and adults for whom they are designed.

During the last few years, reserves have been built in line with the lower end of this policy. These are now reviewed annually as part of the corporate strategy with the intention to increase the value of the investments towards to the higher end of the range over the next three years. This will support targeted improvements to the estate and services provided, which is primarily funded through current cash balances. Currently the Foundation's free reserves are sufficient given the ongoing managed capital expenditure improvement programme. For 2025-26, the trustees have allocated £3.000m of designated funds to support the strategic plan. These are outlined above and sit outside of the normal capital expenditure programme.



Percy Hedley
College Student

# Trustee Responsibilities Statement

The trustees (who are also the directors of the charitable company for the purposes of company law) are responsible for preparing the combined Trustees', Strategic and Directors' Report and the financial statements in accordance with applicable law and regulations, the United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) including FRS 102 – The Financial Reporting Standard applicable in the UK and Republic of Ireland and the Charities SORP.

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

- Select suitable accounting policies and then apply them consistently
- Observe methods and principles in the Charities Statement of Recommended Practice (SORP)
- Make reasonable and prudent judgements and accounting estimates
- State whether applicable UK accounting standards, comprising FRS 102, have been followed, subject to any material departures disclosed and explained in the financial statements
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charitable company will continue in business

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

Azets Audit Services continued in their role as external auditors in accordance with a resolution of the members passed at a general meeting in March 2025.

In so far as each of the trustees of the Foundation is aware, at the date of approval of this report, there is no relevant audit information needed by the Foundation's auditor in connection with preparing the audit report of which the Foundation's auditor is unaware. Each trustee has taken all of the necessary steps in order to make themselves aware of any relevant audit information and to establish that the Foundation's auditor is aware of that information.

The Trustees' Report, which incorporates the requirements of the strategic report and the directors' report as set out in the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013, was approved by the Board of Trustees in their capacity as trustees and company directors and signed on its behalf by:

**Janet Donnelly**
Chair – Trustee
14 May 2026



Tyne House Resident Visits Community Orchard

# THE PERCY HEDLEY FOUNDATION

# ANNUAL REPORT AND FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 31 AUGUST 2025

Charity registration number 515943 (England & Wales)
Company registration number 01855026

# Independent Auditor's Report to the Members of The Percy Hedley Foundation

**Opinion**
We have audited the financial statements of The Percy Hedley Foundation (the 'charity') for the year ended 31 August 2025 which comprise the statement of financial activities, the statement of financial position, the statement of cash flows and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:
- give a true and fair view of the state of the charitable company's affairs as at 31 August 2025 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.

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

**Conclusions relating to going concern**
In auditing the financial statements, we have concluded that the trustees' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

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

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

**Other information**
The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. The trustees are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

**Opinions on other matters prescribed by the Companies Act 2006**
In our opinion, based on the work undertaken in the course of our audit:
- the information given in the trustees' report for the financial year for which the financial statements are prepared, which includes the directors' report prepared for the purposes of company law, is consistent with the financial statements; and
- the directors' report included within the trustees' report has been prepared in accordance with applicable legal requirements.

# Independent Auditor's Report to the Members of The Percy Hedley Foundation

**Matters on which we are required to report by exception**

In the light of the knowledge and understanding of the charity and its environment obtained in the course of the audit, we have not identified material misstatements in the directors' report included within the trustees' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of trustees' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the trustees were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies' exemptions in preparing the trustees' report and from the requirement to prepare a strategic report.

**Responsibilities of trustees**

As explained more fully in the statement of trustees' responsibilities, the trustees, who are also the directors of the charity for the purpose 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 charity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the trustees either intend to liquidate the charitable company or to cease operations, or have no realistic alternative but to do so.

**Auditor's responsibilities for the audit of the financial statements**

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

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

# Independent Auditor's Report to the Members of The Percy Hedley Foundation

**Extent to which the audit was considered capable of detecting irregularities, including fraud**

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above and on the Financial Reporting Council's website, to detect material misstatements in respect of irregularities, including fraud.

We obtain and update our understanding of the entity, its activities, its control environment, and likely future developments, including in relation to the legal and regulatory framework applicable and how the entity is complying with that framework. Based on this understanding, we identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. This includes consideration of the risk of acts by the entity that were contrary to applicable laws and regulations, including fraud.

We identified the following applicable laws and regulations as those most likely to have a material impact on the financial statements: Care Quality Commission, Ofsted, Health and Safety; employment law; and compliance with both the UK Companies Act and the UK Charities Act.

In response to the risk of irregularities and non-compliance with laws and regulations, including fraud, we designed procedures which included:

- Enquiry of management and those charged with governance around actual and potential litigation and claims as well as actual, suspected and alleged fraud;
- Reviewing minutes of meetings of those charged with governance;
- Assessing the extent of compliance with the laws and regulations considered to have a direct material effect on the financial statements or the operations of the entity through enquiry and inspection;
- Reviewing financial statement disclosures and testing to supporting documentation to assess compliance with applicable laws and regulations;
- Performing audit work over the risk of management bias and override of controls, including testing of journal entries and other adjustments for appropriateness, evaluating the business rationale of significant transactions outside the normal course of business and reviewing accounting estimates for indicators of potential bias.

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with regulation. This risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of instances of non-compliance. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

**Use of our report**

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

# Independent Auditor's Report to the Members of The Percy Hedley Foundation



**Simon Brown BA ACA DChA (Senior Statutory Auditor)**
**For and on behalf of Azets Audit Services, Statutory Auditor**
**Chartered Accountants**

Bulman House
Regent Centre
Gosforth
Newcastle upon Tyne
NE3 3LS

Date: 14 5 2026

# Statement of Financial Activities Including Income and Expenditure Account

## For the Year Ended 31 August 2025

| Current financial year | Notes | Unrestricted funds 2025 £'000 | Restricted funds 2025 £'000 | Total 2025 £'000 | Total 2024 £'000 |
|---|---|---|---|---|---|
| **Income and endowments from:** | | | | | |
| Donations and legacies | **3** | 226 | 65 | 291 | 386 |
| Charitable activities | **4** | 39,453 | - | 39,453 | 35,911 |
| Other trading activities | **5** | 144 | 1 | 145 | 90 |
| Investments | **6** | 519 | - | 519 | 447 |
| Other income | **7** | 75 | - | 75 | 131 |
| **Total income** | | 40,417 | 66 | 40,483 | 36,965 |
| **Expenditure on:** | | | | | |
| Charitable activities | **8** | 37,751 | 52 | 37,803 | 36,752 |
| **Total expenditure** | | 37,751 | 52 | 37,803 | 36,752 |
| Net gains/(losses) on investments | **14** | 181 | - | 181 | 325 |
| **Net income** | | 2,847 | 14 | 2,861 | 538 |
| **Other recognised gains and losses:** | | | | | |
| Actuarial gains on defined benefit pension schemes | | 1,713 | - | 1,713 | 1,095 |
| **Net movement in funds** | **10** | 4,560 | 14 | 4,574 | 1,633 |
| **Reconciliation of funds:** | | | | | |
| Fund balances at 1 September 2024 | | 23,927 | 74 | 24,001 | 22,368 |
| **Fund balances at 31 August 2025** | | 28,487 | 88 | 28,575 | 24,001 |

The statement of financial activities includes all gains and losses recognised in the year. All income and expenditure derive from continuing activities.

# Statement of Financial Activities Including Income and Expenditure Account

## For the Year Ended 31 August 2025

| Prior financial year | Notes | Unrestricted funds 2024 £'000 | Restricted funds 2024 £'000 | Total 2024 £'000 |
|---|---|---|---|---|
| **Income and endowments from:** | | | | |
| Donations and legacies | **3** | 242 | 144 | 386 |
| Charitable activities | **4** | 35,911 | - | 35,911 |
| Other trading activities | **5** | 90 | - | 90 |
| Investments | **6** | 447 | - | 447 |
| Other income | **7** | 131 | - | 131 |
| **Total income** | | 36,821 | 144 | 36,965 |
| **Expenditure on:** | | | | |
| Charitable activities | **8** | 36,606 | 146 | 36,752 |
| **Total expenditure** | | 36,606 | 146 | 36,752 |
| Net gains/(losses) on investments | **14** | 325 | - | 325 |
| **Net income/(expenditure)** | | 540 | (2) | 538 |
| **Other recognised gains and losses:** | | | | |
| Actuarial gains on defined benefit pension schemes | | 1,095 | - | 1,095 |
| **Net movement in funds** | **10** | 1,635 | (2) | 1,633 |
| **Reconciliation of funds:** | | | | |
| Fund balances at 1 September 2023 | | 22,292 | 76 | 22,368 |
| **Fund balances at 31 August 2024** | | 23,927 | 74 | 24,001 |

# Statement of Financial Position

## As at 31 August 2025

| | Notes | 2025 £'000 | 2025 £'000 | 2024 £'000 | 2024 £'000 |
|---|---|---|---|---|---|
| **Fixed assets** | | | | | |
| Tangible assets | **16** | | 16,556 | | 17,006 |
| Investments | **17** | | 5,082 | | 3,376 |
| | | | 21,638 | | 20,382 |
| **Current assets** | | | | | |
| Debtors | **18** | 3,201 | | 3,063 | |
| Cash at bank and in hand | | 11,704 | | 11,211 | |
| | | 14,905 | | 14,274 | |
| **Creditors: amounts falling due within one year** | **20** | (4,670) | | (4,785) | |
| **Net current assets** | | | 10,235 | | 9,489 |
| **Total assets less current liabilities** | | | 31,873 | | 29,871 |
| **Creditors: amounts falling due after more than one year** | **21** | | (1,373) | | (1,565) |
| Defined benefit pension liability | **23** | | (1,925) | | (4,305) |
| **Net assets** | | | 28,575 | | 24,001 |
| **The funds of the charity** | | | | | |
| Restricted income funds | **24** | | 88 | | 74 |
| Unrestricted funds | | | 28,487 | | 23,927 |
| | | | 28,575 | | 24,001 |

The financial statements were approved by the trustees on 14 May 2026...

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**Trustee - Janet Donnelly**

Company registration number 01855026 (England and Wales)

# Statement of Cash Flows

## For the Year Ended 31 August 2025

| | Notes | 2025 £'000 | 2025 £'000 | 2024 £'000 | 2024 £'000 |
|---|---|---|---|---|---|
| **Cash flows from operating activities** | | | | | |
| Cash generated from operations | **29** | | 2,849 | | 2,763 |
| **Investing activities** | | | | | |
| Purchase of tangible fixed assets | | (1,168) | | (954) | |
| Purchase of investments | | (1,859) | | (534) | |
| Proceeds from disposal of investments | | 334 | | 439 | |
| Investment income received | | 519 | | 447 | |
| **Net cash used in investing activities** | | | (2,174) | | (602) |
| **Financing activities** | | | | | |
| Repayment of bank loans | | (182) | | (173) | |
| **Net cash used in financing activities** | | | (182) | | (173) |
| **Net increase in cash and cash equivalents** | | | 493 | | 1,988 |
| Cash and cash equivalents at beginning of year | | | 11,211 | | 9,223 |
| **Cash and cash equivalents at end of year** | | | 11,704 | | 11,211 |

# Notes to the Financial Statements

## For the Year Ended 31 August 2025

### 1 Accounting policies

**Charity information**

The Percy Hedley Foundation is a private company limited by guarantee incorporated in England and Wales. The registered office is Hampeth Lodge, Station Road, Forest Hall, Newcastle upon Tyne, Tyne & Wear, NE12 8YY.

### 1.1 Accounting convention

The financial statements have been prepared in accordance with the charity's governing document, the Companies Act 2006, FRS 102 “The Financial Reporting Standard applicable in the UK and Republic of Ireland” (“FRS 102”) and the Charities SORP "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 charity is a Public Benefit Entity as defined by FRS 102.

The financial statements are prepared in sterling, which is the functional currency of the charity. Monetary amounts in these financial statements are rounded to the nearest £'000.

The financial statements have been prepared under the historical cost convention, modified to include certain financial instruments at fair value. The principal accounting policies adopted are set out below.

### 1.2 Going concern

At the time of approving the financial statements, the trustees have a reasonable expectation that the charity has adequate resources to continue in operational existence for the foreseeable future. Thus the trustees continue to adopt the going concern basis of accounting in preparing the financial statements.

### 1.3 Charitable funds

Unrestricted funds are available for use at the discretion of the trustees in furtherance of their charitable objectives.

Restricted funds are subject to specific conditions by donors or grantors as to how they may be used. The purposes and uses of the restricted funds are set out in the notes to the financial statements.

Endowment funds are subject to specific conditions by donors that the capital must be maintained by the charity.

### 1.4 Income

Income is recognised when the charity is legally entitled to it after any performance conditions have been met, the amounts can be measured reliably, and it is probable that income will be received.

Cash donations are recognised on receipt. Other donations are recognised once the charity has been notified of the donation, unless performance conditions require deferral of the amount. Income tax recoverable in relation to donations received under Gift Aid or deeds of covenant is recognised at the time of the donation.

Legacies are recognised on receipt or otherwise if the charity has been notified of an impending distribution, the amount is known, and receipt is expected. If the amount is not known, the legacy is treated as a contingent asset.

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

# Notes to the Financial Statements

## For the Year Ended 31 August 2025

**1 Accounting policies** **(Continued)**

**1.5 Expenditure**

Expenditure is recognised once there is a legal or constructive obligation to transfer economic benefit to a third party, it is probable that a transfer of economic benefits will be required in settlement, and the amount of the obligation can be measured reliably.

Expenditure is classified by activity. The costs of each activity are made up of the total of direct costs and shared costs, including support costs involved in undertaking each activity. Direct costs attributable to a single activity are allocated directly to that activity. Shared costs which contribute to more than one activity and support costs which are not attributable to a single activity are apportioned between those activities on a basis consistent with the use of resources. Central staff costs are allocated on the basis of time spent, and depreciation charges are allocated on the portion of the asset's use.

**1.6 Tangible fixed assets**

Tangible fixed assets are initially measured at cost and subsequently measured at cost or valuation, net of depreciation and any impairment losses.

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

| | |
|---|---|
| Freehold land and buildings | 40-100 years |
| Leasehold land and buildings | 100 years or length of lease if less |
| Fixtures and fittings | 3 years |
| Equipment, therapy, office and computer equipment | 3 years |
| Motor vehicles | 3 years |

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is recognised in the statement of financial activities.

**1.7 Fixed asset investments**

Fixed asset investments are initially measured at transaction price excluding transaction costs, and are subsequently measured at fair value at each reporting date. Changes in fair value are recognised in net income/(expenditure) for the year. Transaction costs are expensed as incurred.

**1.8 Impairment of fixed assets**

At each reporting end date, the charity reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

**1.9 Cash and cash equivalents**

Cash and cash equivalents include cash in hand, deposits held at call with banks and other short-term liquid investments with original maturities of three months or less.

**1 Accounting policies** **(Continued)**

**1.10 Financial instruments**

The charity has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the charity's balance sheet when the charity becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

***Basic financial assets***

Basic financial assets, which include debtors and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Financial assets classified as receivable within one year are not amortised.

***Basic financial liabilities***

Basic financial liabilities, including creditors and bank loans are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest. Financial liabilities classified as payable within one year are not amortised.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of operations from suppliers. Amounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

***Derecognition of financial liabilities***

Financial liabilities are derecognised when the charity's contractual obligations expire or are discharged or cancelled.

**1.11 Taxation**

The charity is considered to pass the tests set out in Paragraph 1 Schedule 6 of the Finance Act 2010 and therefore it meets the definition of a charitable company for UK corporation tax purposes. Accordingly, the charity is potentially exempt from taxation in respect of income or capital gains received within categories covered by Chapter 3 Part 11 of the Corporation Tax Act 2010 or Section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied exclusively to charitable purposes.

**1.12 Employee benefits**

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the charity is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

# Notes to the Financial Statements

## For the Year Ended 31 August 2025

**1 Accounting policies** **(Continued)**

**1.13 Retirement benefits**

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

Other retirement benefits to employees of the Charity are provided by the Teacher's Pension Scheme (TPS), and the Percy Hedley Pension Scheme (PHPS). These are defined benefit schemes, which are funded, with the assets being held separately from the charity. The PHPS is closed to new members, being replaced with a defined contribution scheme.

Contributions to the TPS are charged to the income and expenditure account as the amount paid or payable in the year. The contributions to all two schemes are determined by qualified actuaries on the basis of triennial valuations using the projected unit method for the PHPS and quinquennial valuations using a prospective benefit method for the TPS.

The assets of the PHPS are measured using fair value. PHPS liabilities are measured using the projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability. The increase in present value of the liabilities of the scheme expected to arise from employee service in the period is charged to the operating surplus.

The expected return on the scheme's assets and the increase during the period in the present value of the scheme's liabilities, arising from the passage of time, are included in pension finance costs.

Actuarial gains and losses are recognised within the Statement of Financial Activities.

**2 Critical accounting estimates and judgements**

In the application of the charity's accounting policies, the trustees are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

The present value of the defined benefit liability depends on a number of factors that are determined on an actuarial basis using a variety of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions will impact the carrying amount of the pension liability.

# Notes to the Financial Statements

## For the Year Ended 31 August 2025

### 3 Donations and legacies

| | Unrestricted funds | Restricted funds | Total | Unrestricted funds | Restricted funds | Total |
|---|---|---|---|---|---|---|
| | 2025 £'000 | 2025 £'000 | 2025 £'000 | 2024 £'000 | 2024 £'000 | 2024 £'000 |
| Legacies receivable | 137 | 10 | 147 | 183 | 2 | 185 |
| Grants including capital Grants | 89 | 55 | 144 | 59 | 142 | 201 |
| | 226 | 65 | 291 | 242 | 144 | 386 |

# Notes to the Financial Statements

## For the Year Ended 31 August 2025

### 4 Charitable activities

| | Education Services | Adult Residential/ ISL & Day Services | Total 2025 | Education Services | Adult Residential/ ISL & Day Services | Total 2024 |
|---|---|---|---|---|---|---|
| | 2025 £'000 | 2025 £'000 | £'000 | 2024 £'000 | 2024 £'000 | £'000 |
| Sale of goods | 24,921 | 14,532 | 39,453 | 21,243 | 14,668 | 35,911 |

### 5 Income from other trading activities

| | Unrestricted funds 2025 £'000 | Restricted funds 2025 £'000 | Total 2025 £'000 | Unrestricted funds 2024 £'000 | Restricted funds 2024 £'000 | Total 2024 £'000 |
|---|---|---|---|---|---|---|
| Fundraising events | 144 | 1 | 145 | 90 | - | 90 |

### 6 Investments

| | Unrestricted funds 2025 £'000 | Unrestricted funds 2024 £'000 |
|---|---|---|
| Dividends | 62 | 59 |
| Interest receivable | 457 | 388 |
| | 519 | 447 |

### 7 Other income

| | Unrestricted funds 2025 £'000 | Unrestricted funds 2024 £'000 |
|---|---|---|
| Other income | - | 61 |
| External Hires | 75 | 70 |
| | 75 | 131 |

# Notes to the Financial Statements

## For the Year Ended 31 August 2025

### 8 Charitable activities

| | Education Services | Adult residential/ ISL & Day Services | Total 2025 | Education Services | Adult residential/ ISL & Day Services | Total 2024 |
|---|---|---|---|---|---|---|
| | 2025 £'000 | 2025 £'000 | £'000 | 2024 £'000 | 2024 £'000 | £'000 |
| Staff costs | 15,383 | 10,195 | 25,578 | 19,549 | 6,137 | 25,686 |
| Direct charitable costs | 3,531 | 2,007 | 5,538 | 4,008 | 1,029 | 5,037 |
| | 18,914 | 12,202 | 31,116 | 23,557 | 7,166 | 30,723 |
| Share of support costs (see note 9) | 3,987 | 2,572 | 6,559 | 4,484 | 1,419 | 5,903 |
| Share of governance costs (see note 9) | 78 | 50 | 128 | 122 | 4 | 126 |
| | 22,979 | 14,824 | 37,803 | 28,163 | 8,589 | 36,752 |
| **Analysis by fund** | | | | | | |
| Unrestricted funds | 22,927 | 14,824 | 37,751 | 28,017 | 8,589 | 36,606 |
| Restricted funds | 52 | - | 52 | 146 | - | 146 |
| | 22,979 | 14,824 | 37,803 | 28,163 | 8,589 | 36,752 |

# Notes to the Financial Statements

## For the Year Ended 31 August 2025

### 9 Support costs allocated to activities

| | 2025 £'000 | 2024 £'000 |
|---|---|---|
| Staff costs | 3,755 | 3,569 |
| Depreciation | 1,618 | 1,485 |
| Professional cost | 354 | 145 |
| Other Direct Costs | 111 | 22 |
| Facilities Costs | 1 | 6 |
| IT Costs | 583 | 515 |
| Maintenance Costs | 29 | 67 |
| Investment fees | 24 | - |
| Interest | 84 | 94 |
| Governance costs | 128 | 126 |
| | 6,687 | 6,029 |
| **Analysed between:** | | |
| Educational Services | 4,065 | 4,606 |
| Adult Residential/ ISL & Day Services | 2,622 | 1,423 |
| | 6,687 | 6,029 |

| **Governance costs comprise:** | 2025 £'000 | 2024 £'000 |
|---|---|---|
| Audit fees | 21 | 19 |
| Legal and professional | 107 | 107 |
| | 128 | 126 |

### 10 Net movement in funds

The net movement in funds is stated after charging/(crediting):

| | 2025 £'000 | 2024 £'000 |
|---|---|---|
| Depreciation of owned tangible fixed assets | 1,618 | 1,485 |

### 11 Auditor's remuneration

Fees payable to the charity's auditor and associates:

| | 2025 £'000 | 2024 £'000 |
|---|---|---|
| **For audit services** | | |
| Audit of the financial statements of the charity | 21 | 19 |

### 12 Trustees

None of the trustees (or any persons connected with them) received any remuneration or benefits from the charity during the year.

# Notes to the Financial Statements

## For the Year Ended 31 August 2025

### 13 Employees

The average FTE monthly number of employees during the year was:

| | 2025 Number | 2024 Number |
|---|---|---|
| Direct staff | 780 | 797 |
| Admin and Support | 171 | 187 |
| Management | 6 | 6 |
| Total | 957 | 990 |

| Employment costs | 2025 £'000 | 2024 £'000 |
|---|---|---|
| Wages and salaries | 25,158 | 25,180 |
| Social security costs | 2,380 | 2,085 |
| Other pension costs | 1,795 | 1,990 |
| | 29,333 | 29,255 |

The total employee benefits of the key management personnel of the charity were £1,007,772 (2024 - £1,070,738).

The number of employees whose annual remuneration was more than £60,000 is as follows:

| | 2025 Number | 2024 Number |
|---|---|---|
| £60,001-£70,000 | 5 | 7 |
| £70,001- £80,000 | 4 | 4 |
| £80,001-£90,000 | 2 | 2 |
| £90,001-£100,000 | 1 | 1 |
| £100,001- £110,000 | 2 | 3 |
| £110,001-£120,000 | - | 1 |
| £130,001-£140,000 | 1 | - |
| £160,001-£170,000 | - | 1 |

### 14 Gains and losses on investments

| Gains/(losses) arising on: | Unrestricted funds 2025 £'000 | Unrestricted funds 2024 £'000 |
|---|---|---|
| Sale of investments | 181 | 325 |

# Notes to the Financial Statements

## For the Year Ended 31 August 2025

### 15 Taxation

The charity is exempt from taxation on its activities because all its income is applied for charitable purposes.

### 16 Tangible fixed assets

| | Freehold land and buildings | Leasehold land and buildings | Fixtures and fittings | Equipment, therapy, office and computer equipment | Motor vehicles | Total |
|---|---|---|---|---|---|---|
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| **Cost** | | | | | | |
| At 1 September 2024 | 2,725 | 22,740 | 2,091 | 2,887 | 468 | 30,911 |
| Additions | - | 490 | 72 | 542 | 64 | 1,168 |
| At 31 August 2025 | 2,725 | 23,230 | 2,163 | 3,429 | 532 | 32,079 |
| **Depreciation and impairment** | | | | | | |
| At 1 September 2024 | 1,037 | 8,394 | 1,578 | 2,483 | 413 | 13,905 |
| Depreciation charged in the year | 23 | 1,202 | 148 | 235 | 10 | 1,618 |
| At 31 August 2025 | 1,060 | 9,596 | 1,726 | 2,718 | 423 | 15,523 |
| **Carrying amount** | | | | | | |
| At 31 August 2025 | 1,665 | 13,634 | 437 | 711 | 109 | 16,556 |
| At 31 August 2024 | 1,688 | 14,346 | 513 | 404 | 55 | 17,006 |

### 17 Fixed asset investments

| | Listed investments £'000 | Cash in portfolio £'000 | Total £'000 |
|---|---|---|---|
| **Cost or valuation** | | | |
| At 1 September 2024 | 3,376 | - | 3,376 |
| Additions | 1,859 | 2,348 | 4,207 |
| Valuation changes | 181 | - | 181 |
| Disposals | (798) | (1,884) | (2,682) |
| At 31 August 2025 | 4,618 | 464 | 5,082 |
| **Carrying amount** | | | |
| At 31 August 2025 | 4,618 | 464 | 5,082 |
| At 31 August 2024 | 3,376 | - | 3,376 |

**Fixed asset investments revalued**
The historical cost of listed investments at 31 August 2025 is £4,584,777 (2024: £2,872,966).

### 17 Fixed asset investments

(Continued)

The Charity SORP requires disclosure of any individual investment of more than 5% of the total portfolio value. The charity holds the following investments with a value of more than 5%:

- Institutional Cash Series PLC BrR ICS Sterling-£511,709

### 18 Debtors

| Amounts falling due within one year: | 2025 £'000 | 2024 £'000 |
|---|---|---|
| Trade debtors | 2,422 | 2,178 |
| Other debtors | 64 | 57 |
| Prepayments and accrued income | 715 | 828 |
| | 3,201 | 3,063 |

Trade debtors includes a bad debt provision of £877,067 (2024: £954,212).

### 19 Loans and overdrafts

| | 2025 £'000 | 2024 £'000 |
|---|---|---|
| Bank loans | 1,565 | 1,747 |
| Payable within one year | 192 | 182 |
| Payable after one year | 1,373 | 1,565 |

The Foundation has a single loan with Barclays Bank plc which was renegotiated In July 2022 and is secured by way of a legal charge over the property at Station Road Forest Hall Newcastle Upon Tyne, West Lane Killingworth Newcastle Upon Tyne, Great North Road Jesmond Newcastle Upon Tyne all in favour of Barclays Bank plc and a Debenture granted by The Percy Hedley Foundation in favour of Barclays Bank plc. The loan is due for repayment by July 2027 with interest charged at 5.01% per annum. The ratio of the loan to the value of assets secured is 13%.

### 20 Creditors: amounts falling due within one year

| | Notes | 2025 £'000 | 2024 £'000 |
|---|---|---|---|
| Bank loans | 19 | 192 | 182 |
| Other taxation and social security | | 920 | 626 |
| Deferred income | 22 | 1,502 | 1,832 |
| Trade creditors | | 1,053 | 1,018 |
| Other creditors | | 357 | 304 |
| Accruals | | 646 | 823 |
| | | 4,670 | 4,785 |

# Notes to the Financial Statements

## For the Year Ended 31 August 2025

### 21 Creditors: amounts falling due after more than one year

| | Notes | 2025 £'000 | 2024 £'000 |
|---|---|---|---|
| Bank loans | 19 | 1,373 | 1,565 |

### 22 Deferred income

| | 2025 £'000 | 2024 £'000 |
|---|---|---|
| Other deferred income | 1,502 | 1,832 |

Deferred income is included in the financial statements as follows:

| | 2025 £'000 | 2024 £'000 |
|---|---|---|
| Deferred income is included within: | | |
| Current liabilities | 1,502 | 1,832 |
| Movements in the year: | | |
| Deferred income at 1 September 2024 | 1,832 | 1,471 |
| Released from previous periods | (1,832) | (1,471) |
| Resources deferred in the year | 1,502 | 1,832 |
| Deferred income at 31 August 2025 | 1,502 | 1,832 |

### 23 Retirement benefit schemes

**Defined contribution schemes**
The charity operates two defined contribution pension scheme for all qualifying employees. The assets of the scheme are held separately from those of the charity in an independently administered fund with AEGON and Peoples Pension.

The charge to profit or loss in respect of defined contribution schemes was £1,795k (2024 - £1,990k).

**23 Retirement benefit schemes** (Continued)

**Defined benefit schemes**
The two defined benefit pension schemes are: The Teachers' Pension Scheme England and Wales ("TPS"); and the Percy Hedley Pension Scheme ("PHPS"). The PHPS was closed to new members in 2012.

**Percy Hedley Pension Scheme**
The PHPS is a funded defined benefit pension scheme, with the assets held in separate trustee administered funds. The total contribution made for the year ended 31 August 2025 was £1,019,000 (2024 - £544,000), of which employer's contributions totalled £942,000 (2024 - £487,000) and employees' contributions totalled £77,000 (2024 - £57,000).

The pensions cost is assessed every three years in accordance with the advice of a qualified independent actuary. The assumptions and other data that have the most significant effect on the determination of the contribution levels are as follows:

- Latest actuarial valuation: 31 August 2025
- Annuity rate of interest: 4.9%
- Discount rate: 4.8%
- Fair value of assets at date of last valuation: £20.18million
- Present value of liabilities at date of the valuation: £22.1 million
- Life expectancy at age 65: men - 21.3 years, women - 23.8 years
- Life expectancy at age 65 for members currently aged 50: men - 22.2 years, women - 24.9 years

The group operates a defined benefit scheme in the UK. A full actuarial valuation of the Percy Hedley Pension Scheme was carried out as at 31 August 2025 by a qualified independent actuary. As required by FRS 102 the defined benefit liabilities have been measured using the projected unit method. The scheme is closed to new entrants and further benefit accrual.

*Key assumptions*

| | 2025<br>% | 2024<br>% |
|---|---|---|
| Discount rate | 5.8 | 4.8 |
| Expected rate of increase of pensions in payment | 3.4 | 3.25 |
| Expected rate of salary increases | 2.8 | 2.55 |

*Mortality assumptions*
The assumed life expectations on retirement at age 65 are:

| | 2025<br>Years | 2024<br>Years |
|---|---|---|
| Retiring today | | |
| - Males | 21 | 21 |
| - Females | 24 | 24 |
| Retiring in 20 years | | |
| - Males | 22 | 23 |
| - Females | 25 | 25 |

**23 Retirement benefit schemes** (Continued)

Amounts recognised in the income statement:

| | 2025 £'000 | 2024 £'000 |
|---|---|---|
| Current service cost | 85 | - |
| Net interest on defined benefit liability/(asset) | 190 | 267 |
| Other costs and income | - | 138 |
| Total costs | 275 | 405 |

Amounts taken to other comprehensive income:

| | 2025 £'000 | 2024 £'000 |
|---|---|---|
| Actual return on scheme assets | 121 | (1,905) |
| Less: calculated interest element | 970 | 942 |
| Return on scheme assets excluding interest income | 1,091 | (963) |
| Actuarial changes related to obligations | (2,804) | 703 |

The amounts included in the statement of financial position arising from the charity's obligations in respect of defined benefit plans are as follows:

| | 2025 £'000 | 2024 £'000 |
|---|---|---|
| Present value of defined benefit obligations | 22,091 | 24,437 |
| Fair value of plan assets | (20,166) | (20,132) |
| Deficit in scheme | 1,925 | 4,305 |

Movements in the present value of defined benefit obligations:

| | 2025 £'000 |
|---|---|
| Liabilities at 1 September 2024 | 24,437 |
| Current service cost | 85 |
| Benefits paid | (864) |
| Contributions from scheme members | 77 |
| Actuarial gains and losses | (2,804) |
| Interest cost | 1,160 |
| At 31 August 2025 | 22,091 |

**23 Retirement benefit schemes** (Continued)

The defined benefit obligations arise from plans funded as follows:

| | 2025 £'000 |
|---|---|
| Wholly unfunded obligations | - |
| Wholly or partly funded obligations | 22,091 |
| | 22,091 |

Movements in the fair value of plan assets:

| | 2025 £'000 |
|---|---|
| Fair value of assets at 1 September 2024 | 20,132 |
| Interest income | 970 |
| Return on plan assets (excluding amounts included in net interest) | (1,091) |
| Benefits paid | (864) |
| Contributions by the employer | 942 |
| Contributions by scheme members | 77 |
| At 31 August 2025 | 20,166 |

The actual return on plan assets was £121k (2024 - £1,905k).

The fair value of plan assets at the reporting period end was as follows:

| | 2025 £'000 | 2024 £'000 |
|---|---|---|
| Equity instruments | - | 96 |
| Property | 20,166 | 20,036 |
| | 20,166 | 20,132 |

**23 Retirement benefit schemes** **(Continued)**

**Other long term benefits**
**Teachers' Pension Scheme**

**Introduction**

The Teachers' Pension Scheme (TPS) is a statutory, contributory, defined benefit scheme, governed by the Teachers' Pension Scheme Regulations 2023. Membership is automatic for teachers in academy trusts. All teachers have the option to opt out of the TPS following enrolment.

The TPS is an unfunded scheme to which both the member and the employer make contributions, as a percentage of salary. These contributions are credited to the Exchequer. Retirement and other pension benefits are paid by public funds provided by Parliament.

**Valuation of the Teachers' Pension Scheme**

The Government Actuary, using normal actuarial principles, conducts a formal actuarial review of the TPS in accordance with the Public Service Pensions, (Valuations and Employer Cost Cap) Directions 2014 published by HM Treasury every 4 years. The aim of the review is to specify the level of future contributions. Actuarial scheme valuations are dependent on assumptions about the value of future costs, design of benefits and many other factors. The latest actuarial valuation of the TPS was carried out as at 31 March 2020. The valuation report was published by the Department for Education on 30 October 2023.

**Scheme Changes**

In December 2018, the Court of Appeal held that transitional protection provisions contained in the reformed judicial and firefighter pension schemes, introduced as part of public service pension reforms in 2015, gave rise to direct age discrimination and were therefore unlawful. The Supreme Court, in a decision made in June 2019, rejected the Government's application for permission to appeal the Court of Appeal's ruling and subsequently referred the case to an Employment Tribunal to determine a remedy which will need to be offered to those members of the two schemes who were subject of the age discrimination.

The key elements of the valuation and subsequent consultation are:
• employer contribution rates set at 28.68% of pensionable pay (including a 0.08% employer administration charge)
• total scheme liabilities (pensions currently in payment and the estimated cost of future benefits) forservice to the effective date of £262,000 million, and notional assets (estimated future contributions together with the notional investments held at the valuation date) of £222,200 million giving a notional past service deficit of £39,800 million.
• the SCAPE discount rate, set by HMT, is used to determine the notional investment return. Thecurrent SCAPE rate is 1.7% above the rate of CPI and is based on the Office for Budget Responsibility's forecast for long-term GDP growth.

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

The employer's pension costs paid to TPS in the period amounted to £737,000 (2024 - £529,000)

# Notes to the Financial Statements

## For the Year Ended 31 August 2025

### 24 Restricted funds

The restricted funds of the charity comprise the unexpended balances of donations and grants held on trust subject to specific conditions by donors as to how they may be used.

| | At 1 September 2024 £'000 | Incoming resources £'000 | Resources expended £'000 | Transfers £'000 | At 31 August 2025 £'000 |
|---|---|---|---|---|---|
| Education | 67 | 66 | (52) | 3 | 84 |
| Adult residential | 7 | - | - | (3) | 4 |
| | 74 | 66 | (52) | - | 88 |

**Previous year:**

| | At 1 September 2023 £'000 | Incoming resources £'000 | Resources expended £'000 | Transfers £'000 | At 31 August 2024 £'000 |
|---|---|---|---|---|---|
| Education | 40 | 142 | (115) | - | 67 |
| Adult Day Services | 6 | - | (6) | - | - |
| Adult residential | 30 | 2 | (25) | - | 7 |
| | 76 | 144 | (146) | - | 74 |

**Education**

Percy Hedley School, Northern Counties School and Percy Hedley college receive income from the Education Skills Funding Agency (ESFA) towards the education of our children and young people including grants that are set aside specifically for new sports equipment and for building maintenance improvements.

We also receive donations from Fundraising and Legacies that are restricted to a specific site or specific purpose.

**Adult Day Services**

Various small donations for use in our Adult Day Services.

**Adult Residential**

Various small donations for use in our Residential Services.

# Notes to the Financial Statements

## For the Year Ended 31 August 2025

### 25 Analysis of net assets between funds

| | Unrestricted funds 2025 £'000 | Restricted funds 2025 £'000 | Total 2025 £'000 |
|---|---|---|---|
| **At 31 August 2025:** | | | |
| Tangible assets | 16,556 | - | 16,556 |
| Investments | 5,082 | - | 5,082 |
| Current assets/(liabilities) | 10,147 | 88 | 10,235 |
| Long term liabilities | (1,373) | - | (1,373) |
| Provisions and pensions | (1,925) | - | (1,925) |
| | 28,487 | 88 | 28,575 |

| | Unrestricted funds 2024 £'000 | Restricted funds 2024 £'000 | Total 2024 £'000 |
|---|---|---|---|
| **At 31 August 2024:** | | | |
| Tangible assets | 17,006 | - | 17,006 |
| Investments | 3,376 | - | 3,376 |
| Current assets/(liabilities) | 9,415 | 74 | 9,489 |
| Long term liabilities | (1,565) | - | (1,565) |
| Provisions and pensions | (4,305) | - | (4,305) |
| | 23,927 | 74 | 24,001 |

### 26 Operating lease commitments

**Lessee**
At the reporting end date the charity had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

| | 2025 £'000 | 2024 £'000 |
|---|---|---|
| Within one year | 125 | 47 |
| Between two and five years | 457 | 81 |
| In over five years | 1,785 | 465 |
| | 2,367 | 593 |

# Notes to the Financial Statements

## For the Year Ended 31 August 2025

**27 Capital commitments**

| | 2025 £'000 | 2024 £'000 |
|---|---|---|
| Amounts contracted for but not provided in the financial statements: | | |
| Acquisition of property, plant and equipment | 161 | 34 |

**28 Related party transactions**

There were no disclosable related party transactions during the year (2024 - none).

**29 Cash generated from operations**

| | 2025 £'000 | 2024 £'000 |
|---|---|---|
| Surplus for the year | 2,861 | 538 |
| **Adjustments for:** | | |
| Investment income recognised in statement of financial activities | (519) | (447) |
| Gain on disposal of investments | (181) | (325) |
| Depreciation and impairment of tangible fixed assets | 1,618 | 1,485 |
| Difference between pension charge and cash contributions | (667) | - |
| **Movements in working capital:** | | |
| (Increase)/decrease in debtors | (138) | 1,597 |
| Increase/(decrease) in creditors | 205 | (446) |
| (Decrease)/increase in deferred income | (330) | 361 |
| **Cash generated from operations** | 2,849 | 2,763 |

**30 Analysis of changes in net funds**

| | At 1 September 2024 £'000 | Cash flows £'000 | At 31 August 2025 £'000 |
|---|---|---|---|
| Cash at bank and in hand | 11,211 | 493 | 11,704 |
| Loans falling due within one year | (182) | (10) | (192) |
| Loans falling due after more than one year | (1,565) | 192 | (1,373) |
| | 9,464 | 675 | 10,139 |

**THE PERCY HEDLEY FOUNDATION**

England & Wales - Charity number 515943

# Accounts

Percy Hedley FOUNDATION

# Annual Report & Accounts 2023-24

## For the year ending 31 August 2024

**The Percy Hedley Foundation**
**Charity Commission Registration Number: 515943**
**Registered in England & Wales Company Number: 01855026**



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***The Trustees' Annual Report incorporates the requirements of the strategic report and the directors' report.**

**The Percy Hedley Foundation Annual Report and Accounts for the year ending 31 August 2024**

Charity Commission Registration Number: 515943
Registered in England & Wales Company Number: 01855026

# Introductory Statement

We would like to start by saying thank you to all employees and everyone involved with The Percy Hedley Foundation family. Over the past 12 months, we have loved having the opportunity to spend time with colleagues and the people we support in our services, witnessing everything that makes our organisation so special. After a change of leadership, and the reverberations of the pandemic for the Foundation, 2023-24 has been a year of resetting, restoring, and remaining determined to deliver our mission. For our teams, we have focused on pay, workforce planning, removing barriers and factors essential to overall health and wellbeing; and for our beneficiaries we have improved services and ways of engaging with families and carers so we are better equipped to provide holistic support empowering learners and individuals to overcome barriers, achieve independence, and thrive.

This year has marked some significant milestones: we continued to advance our health and wellbeing strategy, through modernising services guided by our commitment to improving the quality of life for those we support. Northern Counties School achieved an Ofsted rating of Good with Outstanding features and our plans to open an early years class at Percy Hedley School came closer to reality. We have seen new experiences being facilitated such as beneficiaries taking part in accessible surfing sessions at South Shields, participation in the national wellbeing initiative known as the BRIT challenge to mental health and a celebration of musical and performance skills through Hedleys Got Talent and Hedleys Fest. It has been particularly pleasing to see beneficiaries influence organisations through working with the Newcastle Discovery Museum helping to improve accessibility for people with disabilities, as active members of Natspec (The National Association of Specialist Colleges) participating in the national student parliament and working with organisations to develop and deliver a disability awareness programme about their lived experiences of disability.

In the year not only did we achieve accreditation as a real living wage employer but we also celebrated National Employee Appreciation Day, asking people to share shout-outs. We saw so many heartfelt messages to teams and employees and the words of one in particular summed up Foundation employees - “incredible positivity, skills, enthusiasm and dedication”. It is the commitment of the entire team, senior managers and support teams who provide care and support, that enables us to deliver such quality care and learning. We thank them for their outstanding efforts.

Of course, whilst we celebrate our successes, we must not ignore the considerable challenges that continue to face the sector. The economic environment continues to add increasing pressure to the special educational needs and disabilities (SEND) sector. Unprecedented cost of living increases has meant that many providers of specialist care and education have closed or reduced their services. Social care is still grappling with the issue of low pay, meaning providers are unable to pay their colleagues fairly for the work they do. Difficulty in recruiting and retaining employees in critical roles such as health and social care is an ongoing battle and requires continued investment in time and financial resources from the charity.

Throughout the year, we have put significant effort into strengthening and stabilising our charity’s core – making progress by dealing with some difficult decisions, whilst transforming and investing in the quality of our services. Recognising the continuing demand for our services, we can now focus on future priorities. As we head into 2024-25 we look forward to refreshing the corporate strategy and delivering the next chapter of our charity’s proud history together with all stakeholders. We look forward to the coming year with confidence and a realistic sense of excitement around developments yet to come.

**John Preston**
Chief Executive Officer

**Janet Donnelly**
Chair of Trustees

# At a Glance

## Who we are and what we do

The Percy Hedley Foundation is a charitable organisation based in the North-East of England dedicated to providing quality education, residential care, independent supported living and adult day services. Our services support hundreds of young people and adults with complex disabilities and learning difficulties every year from across the UK and predominantly from the North-East of England.

### Our Vision

**To inspire and empower every individual to believe in their potential, achieve their dreams, and realise their ambitions in an inclusive and supportive community.**

### Our Mission

**To enhance the lives of people with disabilities and their families by delivering tailored education, unwavering support and compassionate care. We strive to inspire individuals to believe in their potential and achieve their goals. We are committed to improving quality of life through empowerment, inclusion and opportunity.**

### Our Values




### Schools

We have two schools based in Killingworth, North Tyneside and Jesmond, Newcastle upon Tyne, providing specialist education to young people aged 3 to 19.

### College

We have one college based in North Tyneside with services delivered across two sites in Forest Hall and Killingworth, providing specialist further education to young people and adults aged 16 to 25.

### Homes

We have four adult residential care homes based in Forest Hall and Killingworth, North Tyneside and Jesmond, Newcastle upon Tyne, providing specialist person-centred care within a safe, homely environment.

### Day Services

We have an adult day service based in North Tyneside with services delivered across two sites in Forest Hall and Killingworth. The day service provides purposeful activities and enterprise.

### Independent Supported Living (ISL)

We currently deliver ISL services within North Tyneside providing specialist person-centred support to enable those in our care to live fulfilling lives independently within their communities.

# Impact

## Health & Wellbeing

**100%**
Of our regulated and inspected services rated as Good by CQC

CareQuality Commission Rated GOOD

Digitalisation of *all care plans*

We have successfully expanded our support offerings to include independent supported living, *enabling 9 individuals* greater independence by the end of the year.



**51**
People supported in our residential care

**9**
People have transitioned into independent supported living, gaining greater independence

## Green & Environment

**5.21%**
Reduction in carbon emissions

## Employees

**978**
Employees

Applied to become a **Real Living Wage** accredited employer

**22**
Employees supported in further education

**75%**
Employees participated in our employee engagement survey

**117**
*Staff Shout Outs*
to colleagues going that extra mile

*6.8*
Employee Engagement Index

## Health & Safety

**100%**
Services have completed our annual comprehensive internal health and safety audit

**97%**
H&S Training Compliance

**95%**
IPC Training Compliance

## Education

**100%**
Of our regulated and inspected services rated as a minimum of Good by Ofsted

Ofsted raising standards improving lives



**322**
Students supported in our schools and college

**186**
People supported in our adult day services

## Finance

Income from charitable activities increased by **7.5%**

Donations and legacies increased by **19.9%**

Cash in the bank increased by **21.5%**

# Percy Hedley School

## What we achieved

Percy Hedley School (PHS) continues as an Outstanding (2013, 2018, 2022, 2023) day special school with up to 175 students of all ages and over 200 employees, located in West Lane, Killingworth. Students' needs are complex; the students have high levels of need in medical, learning and other therapeutic and educational areas of their development and growth; they come from all over the North-East of England, with nearly half from Newcastle. The school was inspected in a no-notice inspection (which is uncommon) in September 2022 and had another inspection in September 2023. PHS could be inspected in the 2024-25 school year, although inspection rules have changed and will change more.

The school operates a multidisciplinary model where therapists and others work in the school as substantive employees alongside teachers, counsellors, nurses and support and other employees to provide the most holistic input for every student that we possibly can. It is unusual for schools to have such a staffing set-up and model.

The school does not use agency, is rigorous about employee attendance and generally closes off vacancies quickly.

From effectively September 2023, the school shared a Director of Education with the other two education services within the Foundation and has started to work more closely with them.

### School Improvement Plan and School Evaluation Form (SEF)

The school's priorities this past year were to develop the concept of physical development for our students in a similar way to the established concept of personal development; we worked on that idea and put it at the centre of our improvement plan for two years, alongside literacy, personal development for a second year and subject leadership. Later in the year we added the planning for an early years class as well. Priorities came from our school SEF, which is a dynamic document written by senior leaders which looks at the service's journey and makes judgements on practice and future direction. Documents are shared and discussed with stakeholders such as governors, school improvement partners, senior leaders and the like, and worked on throughout the year.

### School Improvement Partner

The school continued its relationship with its host local authority, North Tyneside's Schools Improvement Service. This service has become our school improvement partner and has proved very helpful for consultancy, guidance, connectivity and governance. We have a range of partners under this arrangement, who make visits, make links, write reports and work with employees. Teachers have also joined subject groups, which is a valuable network, and made other connections.



Percy Hedley School student and staff member during PE

# Percy Hedley School

## What we achieved

**Other Stakeholders**

We have an active group of governors consisting of a small number of committed colleagues, including two parents and two employee members; the governing body was renamed by the Foundation as the local advisory committee during the year. One of our parents is a Percy Hedley Foundation trustee, and we have had trustee visits over the course of the year, as well as visits from governors. We are delighted that from September 2024 we will have a new Chair of Governors, who is the Chair of the Foundation's Northern Counties School.

Our Friends of PHS (FoPHS), set up last year, goes from strength to strength – it is a fun, dynamic, fundraising and awareness-raising body of parents, carers, some employees and others. We consult with parents and carers regularly over a range of issues and have percentage satisfaction rates consistently in the 90s. The school had its work with parents as partners recognised in gaining the Leading Parent Partnership Award during the year.

We use Clennell as a safeguarding training partner, which has proved highly beneficial, to the point of being essential.

The school posts three blogs every week, which contain a large amount of information and to which a good number of employees contribute: the topics are news and stars, family liaison and online safety. They are a good way to keep in touch with what is happening at the school.

The school plans to open an early years provision in September 2024 as the need is there, it would suit the ethos of the school, we have skilled and experienced people, and we can convert space. Also, the school's current students are top-heavy in terms of age.

We are working to improve our website, now on a regular basis.

We plan to focus to a large part on physical development next year, as we have with personal development, broaden our reading focus into literacy, and move on from curriculum design to subject leadership. We have added offices, learning spaces and more overhead hoists throughout the school with the support of our Estates colleagues and CapEx arrangements; this is something that continues to be a priority every year.

We have had support from parents and others for fundraising, and have a new sensory motor suite, a pilates studio, an outdoor learning pod, and other plans to improve our site for our students and employees: we already have a hydrotherapy pool, sensory space, sports hall and other important specialist spaces and resources.

The school continues in its mission of delivering on its key drivers of communication, wellbeing and independence for all, and using our school values of respect, teamwork and resilience as our guiding principles, school rules, and guides for awards and recruitment. Our vision is for multidisciplinary teams to work together so that our students receive the best support possible for their additional needs.

Percy Hedley School welcomes visits, questions, challenge and scrutiny, and is determined to improve constantly on its current practice, knowledge, skills, experience and relationships with partners. We need to be a modern, progressive, connected service for the communities we serve. We aim to have a good impact on society by working with our students and their families to develop their cultural capital and positive, engaged citizenship.

**Ambitions for the year ahead**

- For an early years class to open in September 2024.
- To improve our website.
- To continue developing the concept of physical development.
- To pursue ambitiously all the improvements in our plan.

**What we achieved last year**

- Quality improvement: school self-evaluation, school improvement plan, Ofsted, planned an early years provision in the school.
- School improvement partners, curriculum and other networks with North Tyneside, two schools in Northumberland, and other professional links in therapy and education.
- Improved relationship with parents and other partners and stakeholders. Appointed new Chair of Governors. Strong and on-going links with local authorities.
- Pursuit of several relevant external awards to drive up quality, governance and improvement.

# Northern Counties School

## What we achieved

Northern Counties School (NCS) is a day special school with a capacity for up to 91 students and over 150 employees, located in Tankerville Terrace, Jesmond. Students' needs are complex and high in medical, learning, and other therapeutic and educational areas of their development and growth; students attend from all over the North-East.

**School Improvement Plan and School Evaluation Form (SEF)**

In February 2024, the school was judged Good with Outstanding features. After assessing the Ofsted report, the school's priorities this year were to incrementally improve the standards of the quality of education and sixth form to also become outstanding, and at the same time keep the outstanding standards in behaviour and attitudes and personal development.

Priorities came from our school SEF, a dynamic document in which school leaders look at the school's journey and judge practice and future direction. We created a created a detailed school improvement plan (SIP) from the evidence within the SEF. Documents are shared with stakeholders such as governors, school improvement partners, senior leaders, and the like and referenced in monthly review meetings upwards.

**Service Improvement Partner**

The school commissioned the School Development Partner services from North Tyneside local authority in May 2024.

They provided independent monitoring and guidance regarding writing our school improvement plan and SEF. They assess and inspect various elements of the school, reporting back to the headteacher and other stakeholders, and advise on the formulation of a plan to gain rapid improvement. Their advice on school improvement has been very insightful, and they provided connectivity and governance for the whole process.

**Other Stakeholders**

We have an active local advisory committee of governors – which are committed colleagues, including two parents and two employee members. The Chair of Governors has extensive education knowledge and has worked in many different educational organisations across Newcastle during his career. We currently have five governors that are employed by local schools, providing us with unique insights into the quality of education that we provide. We have had several governor and trustee monitoring visits over the year.

We have established Friends of NCS, which is strengthening the link between school and families and advising on how to make it more holistic and sustainable. They host the annual summer school picnic. In the last twelve months, they have helped and advised us on how best to increase our engagement with parents, which has helped to increase our parental satisfaction rates, we also provide informal advice and support to our parents via this group.

We use Clennell as a safeguarding training partner, which has proved highly beneficial and provides excellent supervision and support to our safeguarding team.

The school communicates daily to all parents via a written diary. We produce a half-termly newsletter for each class group, and all parents are invited to visit the school half-termly for various curriculum enrichment events. The headteacher produces a monthly vlog to keep families, stakeholders, and families informed.

The Foundation has continued to invest heavily in Northern Counties School's estate over the last twelve months, creating a fun and modern school.

Within our improvement plan for the year ahead, we will focus on making all areas of teaching and learning outstanding. Therapy services will work closely with teachers, in providing therapeutic support so our students can access the innovative curriculum and reach their full potential.

As we approach the end of the year, there is enthusiasm across the school, students, employees, and parents that Northern Counties School will become an outstanding school, full of energy, fun, and progressive learning for all. This is in part achieved because Northern Counties School welcomes visits, questions, challenges, and scrutiny and aims to improve constantly on its practice, knowledge, skills, experience, and relationships with partners every day.



Northern Counties School student during lesson

# Northern Counties School

### Ambitions for the year ahead

- That Northern Counties School incrementally improves yearly and will become an outstanding school again.
- That all our students will achieve above national standards in all areas of learning.
- That Northern Counties School population will increase to over 100 within the next 12 months.
- To increasingly demonstrate the impact of therapies as a key driver to increased access to learning for all students.

### What we achieved last year

- In February 2024, Northern Counties School passed special measures and achieved a Good with Outstanding features grade from Ofsted.
- The majority of students made significant progress in all areas of learning.
- Fifteen new students joined our school population.
- Very high levels of employee engagement and job satisfaction were demonstrated via the Hive employee survey.




Northern Counties School teacher in class

# Hedleys College

## What we achieved

Hedleys College is a specialist college with a capacity for up to 90 students and over 140 employees, providing further education to students with complex needs. The college is located in Forest Hall and Killingworth, North Tyneside. The college was last inspected by Ofsted in November 2022 and has a Good rating. We continued this year to be part of a peer development group alongside National Star College and Treloar's with groups of employees visiting each other's college and focusing on a key area for a deep dive "Mocksted". As part of a visit to Treloar's we reviewed a curriculum area that they were considering adapting to allow for a more bespoke approach for their profound and multiple learning disabilities (PMLD) students. This led us to consider and review our communication and choices pathway where numbers enrolled had been steadily increasing. The result was to split out an additional pathway - developing our new immersive programme, aimed at PMLD students who often have very complex health needs, and require a curriculum that allows interventions embedded into the programme by our therapy and nursing team, to support student health and wellbeing throughout the day.

The National Autistic Society (NAS) college accreditation for the Autism Specialist Award has resulted in key improvement to curriculum design. We continue to bespoke each programme to allow students to develop skills linked to the preparation for adulthood agenda, while also allowing space in the curriculum for self-regulation, strategy learning and creating environments that support everyday tasks.

Further development of the Education, Health and Care Plan (EHCP) and Destinations Manager role introduced last year has seen meaningful impact on fully planned good transitions post college. The role has worked into tutorial sessions and has delivered 1-1 planning sessions with students about their next steps clearly capturing their own voices in the process. There were increases in the number of students leaving to access volunteering, independent supported living and general further education as well as other areas. The focused work of the Destinations Manager has positively impacted on student destinations.

A new format was introduced for internal work placements involving a competitive application process and student interviews for positions. The whole process is explained and where success is celebrated, unsuccessful applicants are also learning how to cope with disappointment and coping strategies when things do not always go the way they planned. This topic is followed up in group tutorial sessions.

Hedleys College continues to be an active member of Natspec (The National Association of Specialist Colleges); our college students attend regular national student parliaments to have their voices heard on national issues affecting the sector. Many student council members and additional peers have developed a disability awareness programme which they delivered to a number of employers last year and to six schools in the region speaking to children from primary age through to sixth form about their lived experiences of disability.



Percy Hedley School student

### Ambitions for the year ahead

- To deliver a range of training to support understanding of wellbeing to support student need linked to positive behaviour support.
- To sustain and further strengthen our vocational student offer by involving employers in the curriculum design process for a relaunch in September 2025.
- The EHCP and Destinations Manager to develop a "next steps" resource for students and their families when graduating college.

### What we achieved last year

- We appointed an EHCP and Destinations Manager to support students' destinations post college; this had a positive impact on destinations with more moving onto volunteering and social enterprise placements.
- The National Autistic Society (NAS) college accreditation for the Autism Specialist Award has continued to see highy bespoke programmes being delivered to individual students.
- As part of a peer development group we completed visits to and had colleagues from National Star and Treloar's acting as a critical friend, all reviewing a part of the curriculum offer on visits to each site.

# Hedleys Horizons Day Services

## What we achieved

This year we took part in accessible surfing sessions at South Shields Surf School. These sessions are accessible for all, with adapted surf boards allowing access. This for many was the first time they had been able to access the water in this way. Engagement in these sessions gave new experiences, built confidence and gave service users social opportunities alongside friends.

The British Inspiration Trust (BRIT) challenge started life in universities and looked at providing activities for people to engage in and support promoting wellbeing. We are one of the first organisations to access the challenge outside of mainstream providers. This year the theme was “24” and we delivered twenty four wellbeing sessions accessed by service users, college students and employees. These included a sea dip at Tynemouth, positivity stones workshop, pamper sessions, music and food from around the world to name a few. We asked employees to share their talents with us and many of our own employees delivered their own sessions based on their interests and pastimes that support their wellbeing.

Hedleys Got Talent took place on an evening at a local venue. It showcased performances from many Horizons service users and employees across the Foundation. There were also sales of “Handmade by Hedleys” products made by service users in print, art and ceramics. The audience of 120 people had a fantastic night seeing the many talents and skills of our service users. The evening promoted inclusivity, ability and passion for the arts.

A steering group at the Discovery Museum was attended by Horizons’ service users to discuss improving accessibility for the cultural venue in Newcastle. The advice shared by service users resulted in sensory bags being introduced for visitors, accessible written information and a greater understanding of the many various needs of people visiting and living in the city.

### Ambitions for the year ahead

- Our Horizons service will be integrated within the within the Foundation’s health and wellbeing directorate as part of our goal to modernise the service.
- Modernising the service, which will involve integrating innovative practices and technology to enhance service delivery, meet individual needs, and adapt to evolving social and health care demands. We will do this by fostering a new person-centred approach, leveraging on new technology, and rethinking traditional models so that we can create dynamic, inclusive, and impactful opportunities.
- Expansion of our services into a new location.

### What we achieved last year

- Horizons’ service users accessed a number of opportunities to support wellbeing and quality of life, including taking part in regular accessible surfing sessions at South Shields Surf School. We also took part for the first time this year in the BRIT challenge, supporting wellbeing.
- Service users celebrated their musical and performance skills at Hedleys Got Talent and Hedleys Fest.
- Horizons’ service users worked with the Newcastle Discovery Museum joining a steering group developing greater accessibility at the museum for people with disabilities.



# Health and Wellbeing Services

## What we achieved

This year has marked a transformative period for the health and wellbeing directorate as we continue advancing our health and wellbeing strategy with a focus on modernising our services, embracing digital innovation, enhancing our quality assurance framework, and actively addressing the broader determinants of social care, health, and wellbeing. Our approach is guided by our commitment to creating impactful, sustainable, and person-centred services that are fit for the future whilst improving the quality of life for those we support.

In alignment with our mission, we have made significant progress in modernising our service delivery model to be more adaptive and responsive to the needs of our community. This includes expanding our capacity to deliver independent supported living (ISL) services, strengthening our offerings in the least restrictive model of care, and enhancing flexibility in our support. Through modernisation, we aim to empower those we support to live independently within their communities, supported by personalised care that is both accessible and effective.

We have embraced digital transformation to streamline the health and wellbeing operations, improve service delivery, and create seamless, accessible care. Our investment in digital tools, including our online care management platform Nourish and mobile applications, enables better communication, co-ordination, and transparency. Additionally, our digital resources support individuals and professionals to stay connected, monitoring their care and support needs for better annual care reviews. Our goal is to leverage technology to enhance the experience of those we support, provide data-driven insights, and foster proactive, preventative support.

The implementation of our comprehensive quality assurance framework ensures that we maintain the highest standards of care and continuously improve service quality. The framework provides structured assessments, regular audits, and feedback mechanisms to monitor and enhance service delivery across all our services. By embedding quality assurance into our daily operations, we can better support our employees, respond to the needs of those we serve, and uphold accountability in every aspect of our work.

Recognising that positive care delivery is influenced by a range of social determinants, we have adopted an integrated approach that goes beyond traditional methods of support. Our programmes actively address factors such as pay inequalities, workforce plan, negative cultures, barriers to co-production, social inclusion, and financial security, which are essential to overall health and wellbeing. By working with community partners and stakeholders, we are better equipped to provide holistic support that empowers individuals to overcome barriers, achieve independence, and thrive.



Leybourne House

# Health and Wellbeing Services

## What we achieved

**Residential**

Over the past year we have made progress in our commitment to modernising the residential care services. By embracing a mixture of new quality assurance frameworks, innovative practices, digitalisation and fostering a culture of continuous improvement, we enhanced the quality of care for our residents. Key milestones include the completion of infrastructure upgrades, the rollout of personalised digital care plans and interactions, and increased engagement with residents and their families. Despite challenges, we remain dedicated to ensuring our services meet the highest standards of safety, accessibility, and inclusivity.

**Independent Supported Living**

One of our most significant achievements this year has been the successful registration of personal care with the Care Quality Commission (CQC), a milestone that has expanded our to deliver independent supported living (ISL). ISL represents a more modernised, person-centred approach to care, designed to support individuals in their own homes, enabling those we support to lead more autonomous and fulfilling lives.

This service model allows us to offer flexible, tailored care that adjusts to each person's evolving needs and preferences, in contrast to traditional residential care.

The shift towards ISL aligns with our commitment to providing choice and independence for those we support. By focusing on empowering individuals within their communities, we aim to foster environments where they feel in control, respected, and part of the larger community. This personalised approach helps each person to develop essential life skills, build meaningful relationships, and experience a sense of belonging. In delivering ISL services, partnership working is vital in creating a sustainable, person-centred model that fully supports individuals with care and support needs. This collaborative approach brings together key expertise and resources to deliver high-quality, inclusive, and effective services. We will continue to work in partnerships with housing providers and commissioners to make a positive difference to those we support.

We look forward to continuing to expand our ISL services in the coming years, ensuring that our Foundation remains at the forefront of modern, compassionate care practices.





## Looking Ahead

**Further digital transformation:**

- Electronic rota system.
- Transforming care delivery by enabling data-driven decision-making, improving efficiency, and enhancing outcomes for individuals receiving care.

**Research, engagement and partnerships:**

- Continue collaboration and integration with assistive tech and organisations who can support us to exceed in our transformation and come together to achieve highest quality care and support.

**Appropriate model of care:**

- Continue with the framework of positive behaviour support (PBS) and reducing restrictive practice. Creating a skilled workforce to promote safe and effective environments.
- Our Horizons service will be integrated within the health and wellbeing directorate as part of our goal to modernise the service as outlined on page 11.

# Safeguarding

**Safeguarding the people we support**

Safeguarding is of paramount importance to the Foundation and it will always be a fundamental priority at the core of our services, as are our vulnerable children, young people and adults that we support on a daily basis.

Understandably safeguarding is high on our agenda and all employees are subject to safer recruitment practices to ensure that employees are suitable to work with our beneficiaries. Regardless of role within the Foundation, all employees are required to maintain compliance with core mandatory safeguarding training and this is monitored closely.

Safeguarding is everyone's responsibility and we promote an open-door policy for any concerns to be raised by our employees, service users, governors, trustees, and visitors.

Mechanisms to promote and encourage employee voice from the previous year continued, such as Safecall and Hive surveys, local employee forums, a Foundation wide people network, and visible leadership from the executive team, senior leaders, governors and trustees.

We actively engaged throughout the year with our beneficiaries, parents and families through a variety of channels, aimed at encouraging feedback and service user voice, which contributes to our ability to keep those in our care and education safe.

The Foundation adheres to comprehensive and robust safeguarding policies and works collaboratively with a multi-disciplinary partnership in the area – such as working with departments of adult social services and departments of children's services, the police, local authority officers, health professionals, and relevant others.

Each service has a designated safeguarding lead and team. Safeguarding is continuously monitored and reported by our services and routinely discussed within supervisions and team meetings at all levels throughout the Foundation. In accordance with our people strategy, employee voice is a priority and in the coming year we will enhance our existing channels for employee voice by introducing a introducing a freedom to speak up (FTSU) guardian and trustee. FTSU provides an alternative avenue for our employees to raise concerns about anything that gets in the way of employee wellbeing or the care, education and support we provide to our beneficiaries.

Our safeguarding professionals come together as members of the Foundation's safeguarding group on a regular basis to share lessons learned and identify and share innovation and best practice. The safeguarding group reports to the Board's Quality and Standards Committee (QSC). The QSC is chaired by the Foundation's safeguarding trustee.

Over the reporting period the QSC and the Board was strengthened with the appointment of members from the care sector, to enhance the skills and knowledge in the communities we serve. Looking at the year ahead we aim to to enhance the Board skills and knowledge in relation to the education sector further.

Our education services routinely report safeguarding to our education local advisory committees (LACs), and our safeguarding link governors regularly conduct site visits, as do all governors and trustees. Our governor and trustee site visits enable the LACs and Board to be better informed about the work of our services, monitor the progress against service objectives and performance including safeguarding, and to help inform decision making and strategy.

In the reporting period, the Board set an objective for the executive to strengthen safeguarding reporting over the coming year, embracing the ongoing systems' digitalisation and improvements being made as part of our IT strategy.

**Achievements against our aims and objectives**

Throughout the year we delivered against our positive behaviour support (PBS) strategic objectives and commissioned the BILD programme for our leaders, focused on improving the quality of life for the people we support. We significantly reduced the use of agency across the Foundation compared to the former year, we continued to closely monitor risk associated with managing dysphagia needs and developed measures to respond appropriately to the risk – including plans to appoint a dysphagia lead therapist, we strengthened governance in relation to restrictive practices, continued to develop and maintain positive working relationships with external organisations and consultants in relation to safeguarding, and continued to monitor safeguarding on our operational and strategic risks registers in the interests of our employees, beneficiaries and other stakeholders.

**Ambitions for the year ahead**

Looking ahead we will be reviewing and refreshing our PBS strategy, embarking on the BILD programme for our leaders, developing a safeguarding strategy, seeking to appoint a clinical professional to strengthen our clinical governance, embracing technology to strengthen our safeguarding reporting, implementing our implementing our freedom to speak up guardian and trustee, enhancing our education skills and experience at the Board, continuously monitoring and responding to the dysphagia risk including the appointment of a dysphagia lead therapist, which is high on our safeguarding agenda, and continuously seeking to improve signposting and promotion of safeguarding as we embark on our new three year strategy.

**Ewen Weir**
Safeguarding Trustee

# Our People

The Foundation cannot provide the quality of services it does without highly skilled, talented and committed employees.

Our people strategy for 2024-26 highlights our four people priorities:

- Prioritise Wellbeing and Balance
- Focus on Attraction, Retention and Development
- People First Culture
- Harness Compassionate Leadership and Management

The Foundation, like other care and specialist education organisations, is operating in sectors challenged by high vacancy and turnover rates. Our operational, recruitment and communication teams continue to work tirelessly to ensure recruitment campaigns attract talented and committed people through careers fairs, open days, and working together with local job centres, colleges and universities. This has put us in a much stronger position to deliver our high-quality services by achieving required staffing levels and minimising the need for agency usage.

Over the past year we have reviewed our pay structures and taken action to develop a career progression framework aimed at attracting and retaining high quality healthcare professionals. This year we have pledged our commitment, as a responsible employer, to paying our employees a 'real living wage' which meets the costs of living, not just the government minimum.

As an accredited 'real living wage' employer this commitment is only part of the wide range of employee benefits we have introduced to our package to support our valued workforce and combat the pressures of the rising cost of living. Our suite of reward and support benefits already in place include employee referral payments, life assurance, hardship loans, eye care, cycle-to-work, 'smart tech' loans and employee discount scheme.

The Foundation has 978 employees (as at 31 August 2024), many of whom are part–time or term–time, representative of and drawn from the surrounding local communities, with 14% declaring a disability and 10% declared as non–white British or black and minority ethnic. The gender split is 79% female and 21% male. Our employee average age has increased by 3.5% to 41.7 over the last five years.

We operate an operate an equity, diversity and inclusion policy in respect of all employees and prospective employees and our leaders are dedicated to building an inclusive, positive culture where everyone is inspired to achieve their full potential.



Percy Hedley School employee and student

# Our People

We maintain the highest standards in safer recruitment and safe working practices through all of our employment practices in the recruitment, selection, retention, and training of all employees. Inspection outcomes by local authorities, Ofsted, and the Care Quality Commission confirm that processes and people are in place to maintain a high standard of provision.

We remain committed to being an organisation that provides opportunities for employees to receive the training they need to do their role and also to be able to progress their careers within the Foundation. Through the Percy Hedley Academy, employees can access apprenticeships at various levels, ranging from 2 to 7, in areas such as adult care worker, leadership and management, teaching assistant, finance and occupational therapy. Seventeen employees are enrolled on apprenticeship qualifications and five employees completed during the period.

As well as apprenticeship qualifications, we also provide a number of other learning opportunities such as face-to-face events, e-learning, distance learning and on-the-job training. At least 253 face-to-face events were provided with over 2,102 attendances last year with further investment into post-graduate studies, coaching and mentoring.

We work closely with a range of networks to ensure our employees are represented and heard, through our Joint Union Committee, our Foundation wide people network and local employee forums. This year, we committed to developing plans for introducing health advocate roles within operational teams and putting a freedom to speak up guardian and trustee in place alongside our whistleblowing policy and procedures – all aimed at giving employees a voice and encouraging them to raise any concerns they may have through whichever route they feel most comfortable.

Foundation leaders and trustees continue to seek and encourage employee views through individual, local and Foundation wide groups and via a comprehensive Foundation wide employee survey conducted by an external company. Overall, the results of the survey are steadily increasing year on year, and in April this year we achieved an amazing 75% response rate (an increase of 10% from the previous year). This shows that our teams really care about the Foundation and are passionate about its success. This year's survey has highlighted that '*Our staff feel they are able to maintain a healthy work-life balance working at Percy Hedley*' and '*Our direct line managers help our staff to stay motivated and focused to deliver their best work*'. Our survey continues to give us a more accurate picture of how our people feel about working here and has provided us with detailed feedback on their opinions about our culture, relationships and how we go about our work here in the Foundation.



Northern Counties employee and student

**Ambitions for the year ahead include:**

- Maintaining commitment to real living wage and improving our employee benefits package.
- Working together towards achieving Better Health at Work Awards, demonstrating our ongoing commitment to our employee wellbeing.
- Continue to focus on engagement through employee voice and launching the health advocate, freedom to speak up guardian and trustee roles.
- Introducing new apprenticeship roles.
- Progressing the adult social care pathway and building an inclusive, positive culture where everyone is inspired to achieve their full potential.

# Fundraising

Much of the Foundation's income is derived through statutory sources, however we rely on fundraising to fund further specialist provisions, equipment and opportunities to enhance the everyday experiences of those we support. The reliance on fundraising income is increasingly important as the cost of providing our services increases.

Our fundraising effort involves encouraging donations and running events. Thanks to the amazing support and generosity of our supporters we raised £459,557 (gross income) during 2023-24. This was an increase of 31.26% on the previous year. We are grateful for the continued support as we look to continue to grow this vital income stream to enable us to further progress the Foundation and widen our strength and support more people.

There are several key areas that contributed to our increase in fundraising income:

**Trusts and Foundations**

We received a total of £124,233 (£110,442 restricted and £13,791 unrestricted) in donations thanks to generous support from trusts and foundations.

**Percy Hedley Ball**

The Foundation's Mistletoe Ball was held for the fifteenth time in the charity's 70th anniversary year and raised an impressive £75,000 – bringing the total raised by the events to over £1million.
80 businesses from across the North-East supported the event through monetary and prize donations, hosting tables and sponsorship.

**Great North Run**

73 runners joined the fantastic Team Percy Hedley and raised a total of £26,554 for the Foundation by completing the landmark half marathon, the Great North Run.

**Sensory Tyne Tunnel**

As part of Tyne Tunnel's corporate social responsibility programme, they kindly funded a new Sensory Tyne Tunnel at Northern Counties School. This enables students to get outdoors and take part in the various sensory activities in the tunnel.

**Golf Day**

We held our inaugural Percy Hedley Golf Day in June 2024, which raised £10,533.54 and is set to return in 2025.

**Legacies**

£185,000 was kindly gifted to the Foundation in legacies which was higher than anticipated and a welcome source of unrestricted funding.

**Growing Our Community**

We have continued to focus on growing our community across the North-East and further afield, telling our story and increasing the number of people that know about the Foundation and our impact.




*Great North Run*




*Percy Hedley Ball*



*Growing our community*

# Fundraising

**Highlights during the year included;**

- 23.82% increase in sessions on our website.
- Increased social media audience by 17.91% across our channels.
- 3,002,259 impressions across our social media.
- Launched a series of corporate networking events to develop relationships with regional businesses and enable businesses to come together.

**Fundraising practices**

We have high standards about how we fundraise, communicate with supporters and the public as set out in our Supporter Promise. We are registered with the Fundraising Regulator and comply with all the relevant standards set out in the Code of Fundraising Practice. We have a customer relationship management (CRM) database in place to support our fundraising oversight, ongoing adherence to General Data Protection Regulation (GDPR), financial record keeping, monitoring and evaluation. In 2023-24 there were no compliance issues raised about our fundraising by the Charity Commission, Fundraising Regulator or Information Commissioner's Office.

In 2023-24 we did not engage any professional fundraisers or commercial participators, for example face-to-face or door-to-door fundraisers. Our complaints process is clear and easily accessible.

Complaints received are recorded and investigated in line with the Foundation's complaints policy. In 2023-24, there were no complaints about fundraising activities carried out by the Foundation or someone on behalf of the Foundation. We make it as easy as possible for people to contact us to opt out of receiving communications from us, or to change the method of communication.

**Thank you for your support**

We are grateful to all the people and organisations that have supported the Foundation. Together we have made a huge difference to the lives of young people with complex disabilities. We need to meet the growing demand for our specialist support and ensure we have the right specialist facilities and opportunities and experiences to enable our beneficiaries to live life to the full. By raising awareness of the impact of our work, by working closely with supporters and by engaging new ones, we will strive to achieve this. The Foundation would like to express its sincere thanks to all its supporters throughout the year.




Percy Hedley Foundation
Golf Day 2024

**Ambitions for the year ahead:**

Develop new fundraising and engagement strategy that will support us to:

- Increase public awareness of the Foundation, its work and impact across the North-East and further afield.
- Continue to grow and develop the supporter database through our supporter engagement first approach to fundraising.
- Increase income through fundraising.
- Grow our community of stakeholders, building engagement and support and deepening our understanding of the issues affecting disabled people.

# Future Plans and Strategy

The need for the Foundation's services continues to rise with the total number of children and young people with Education, Health and Care (EHC) plans continuing to increase year on year, up by 11.4% from 2023, according to national statistics published by the government in January 2024. The three year strategy that we will launch next year will lay out how we will continue to deliver on the Foundation's mission to enhance the lives of people with disabilities and further the charity's purpose for the public benefit. The Foundation will be entering this next period stronger and more focused so we can continue our commitment to improve the quality of life of our beneficiaries through empowerment, inclusion and opportunity.

At the forefront of our plans will be ensuring that we are a sustainable employer able to modernise services and generate a surplus to re-invest. We will be focusing on harnessing our existing estate and explore options to grow outside our existing footprint.

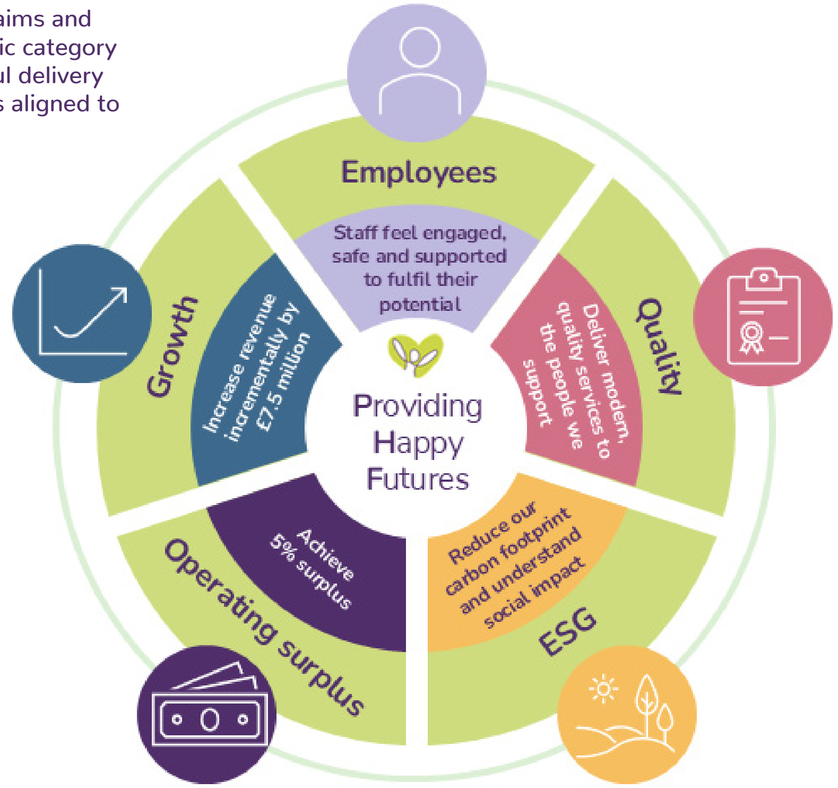
**In the year ahead our ambitions include the following aims and objectives aligned to our vision, mission and our new corporate strategy:**

- Launch our new corporate strategy.
- Remain as a real living wage employer, make continued investment in our people focusing on equity, inclusion, diversity and health and wellbeing.
- Continue our commitment to positive behaviour support promoting safe and effective environments to impact the wellbeing of all our beneficiaries.
- Open an early years class.
- See incremental improvement across all our settings so we retain or improve existing regulatory ratings.
- Develop plans with our teams and services to help reduce the environmental impact of the Foundation.
- Support our learners to achieve above national standards in all areas of learning.
- Develop plans that help us increase admissions and continue to show the impact that therapies provide in enabling learners to accessing education.
- Develop plans that help us to increase and Expand our health and wellbeing service to provide holistic support that empowers individuals to overcome barriers, achieve independence, and thrive.
- Strengthen engagement, collaboration and partnerships with employers, developers and assistive technology organisations.

**New Corporate Strategy Overview**

By September 2027, be a sustainable employer that delivers integrated, modernised high-quality services for all our stakeholders, generating a financial surplus for re-investment and incremental growth.

Our new corporate strategy is based on five strategic categories: growth, employees, quality, ESG and operating surplus. The diagram to the right outlines the aims and objectives aligned to each strategic category and we will monitor the successful delivery of our strategy by measuring KPIs aligned to these aims and objectives.



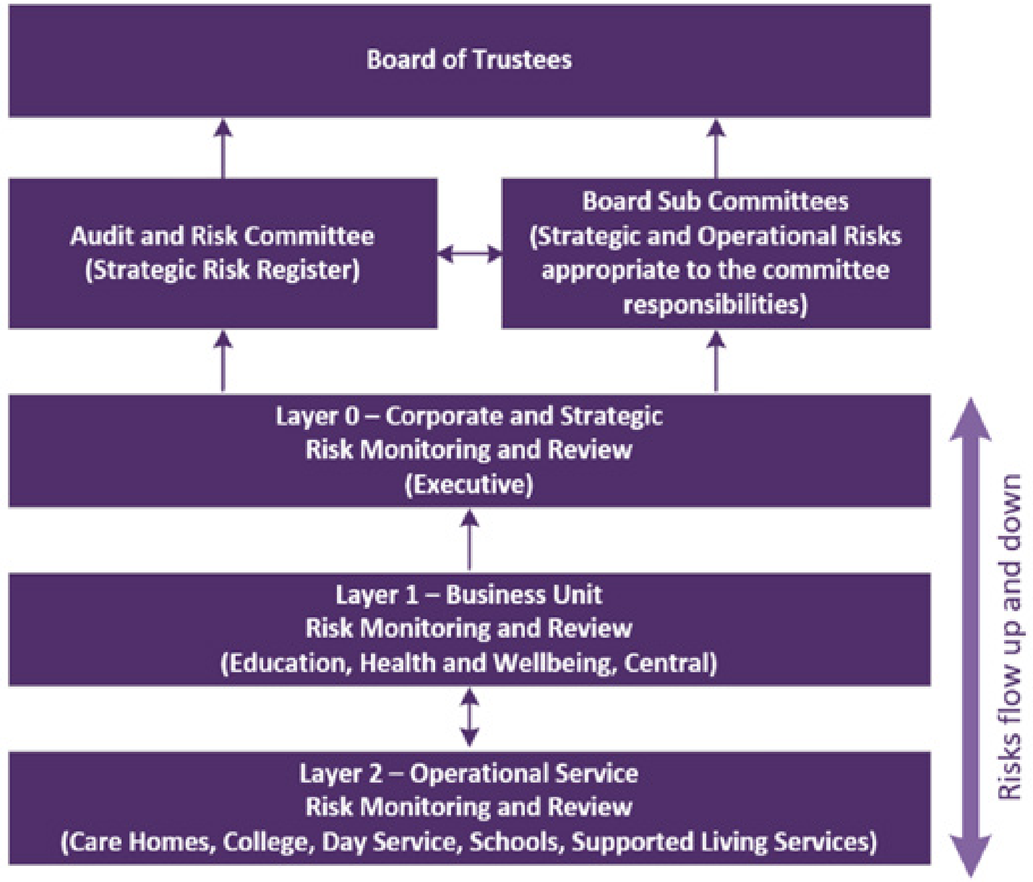
# Principal Risks and Uncertainties

The trustees are responsible for ensuring that there are effective and adequate risk management and internal control systems in place for the management of risks to the Foundation. This includes setting the risk appetite and ensuring that appropriate policies and procedures are in place for the prevention and detection of major risks, including fraud and other irregularities.

The Foundation recognises the fundamental importance of effective risk management in the successful delivery of the Foundation's strategy and charitable objectives, and therefore risk management is exercised throughout the Foundation. The Foundation's risk management framework is aligned to the Charity Governance Code and sets out the process that we use to identify and manage risks within the Foundation whilst ensuring they do not exceed the level of risk the Foundation is willing to accept. It is designed to manage, rather than eliminate, the risks and provide reasonable assurance against material risks.
The operational business units continuously monitor risk by applying their business assurance frameworks and through the Foundation's project management and governance arrangements. The executive team reviews significant business unit risks on a monthly basis and assesses the impact on the strategic risks to ensure the strategic risk register remains dynamic. The executive monitors strategic risks on a monthly basis and reviews and reports strategic risks to the Audit and Risk Committee on a quarterly basis. The Audit and Risk Committee maintains oversight of the Foundation's activities and strategic risks, exercising appropriate challenge to ensure robust mitigation actions and controls are managed by the executive, having regard to the Foundation's risk management framework. The Foundation's strategic risks are reported to the Board on a quarterly basis for oversight and assurance that effective risk management processes are in place.

The Audit and Risk Committee annually reviews the Foundation's Board assurance and risk management frameworks for Board approval, and during the reporting period it was determined that both remained effective.

The table on the following pages presents the principal strategic risks which are currently monitored closely by the trustees and executive team.



# Principal Risks and Uncertainties

| Risk | Mitigation |
|---|---|
| **IT Security and Resilience** – the lack of IT skills, capacity, appropriate protection, controls, and security. | • Delivery of technology strategic objectives focused on infrastructure modernisation, IT management optimisation, improving business intelligence and quality centric digital solutions.<br>• Infrastructure modernisation – enhancing operational efficiency through advanced infrastructure, integrating resilient systems and embedding cyber protections to safeguard business continuity.<br>• IT management optimisation – refining governance process, enhancing organisational structures, clarifying responsibilities, and fostering a collaborative culture to support business objectives.<br>• Improving business intelligence – improving Foundation insight by improving analytics capabilities, streamlining reporting process, fostering data literacy, and embedding intelligence driven practices.<br>• Quality centric digital solutions – driving excellence across the Foundation by leveraging digital tools to streamline processes, enhance data consistency, empower teams, and deliver superior outcomes. |
| **Regulatory and Statutory** – failure to comply with requirements. | • Regular and routine impact monitoring of regulatory authority changes to legislation, advice, and guidance.<br>• Attendance at professional regional and national sector groups.<br>• Regular and routine monitoring through regular audits, planned and preventative maintenance schedules and application of business assurance frameworks within operational units to ensure statutory, regulatory, and quality standards are achieved, and that changes and associated risks are proactively managed.<br>• Effective and adequate framework is in place to allow issues and concerns to be captured ie internal HR, health and safety, safeguarding and formal operational processes, alongside whistleblowing and freedom to speak up mechanisms, clear policies, procedures and practices in place which are regularly reviewed.<br>• Appropriate, effective and adequate procedures in place, which are regularly reviewed to ensure compliance with statutory and regulatory obligations.<br>• A skilled and competent workforce, compliant with mandatory training which is reviewed annually. |

| Risk | Mitigation |
|---|---|
| **Safeguarding Our People** – the lack of adequate and effective policies and practice.<br>**Regulatory and Statutory** – failure to comply with requirements. | • Development of a new safeguarding strategy and delivery of associated objectives.<br>• Adequate and effective safeguarding and child protection policies, procedures, and training, which are regularly reviewed.<br>• Robust governance and reporting structures, with collaborative working practices across the Foundation to share lessons learned and identify and share innovation and best practice.<br>• Legally compliant with health and safety statutory responsibilities employing a dedicated health and safety manager who undertakes the 'competent person' role as required legally by The Management of Health and Safety at Work Regulations.<br>• Robust and timely incident response, investigation, supervision and reflective practice processes in place.<br>• Workforce compliance with mandatory safeguarding training, policies, and practice. |
| **Quality of Care/Outcomes** – failure to deliver the standard of care and education to meet the needs of beneficiaries and enable positive outcomes. | • Investment in digitalisation, data and reporting to support business unit strategic plans and objectives.<br>• Effective and adequate business continuity plans which are regularly reviewed and tested to ensure they remain fit for purpose.<br>• Robust quality and clinical assurance frameworks in place, which are regularly monitored and reviewed.<br>• Delivery of the Foundation's positive behaviour support strategy and associated objectives.<br>• Sufficient and appropriate employee resourcing levels to maintain safe and secure environments for our people and beneficiaries.<br>• A skilled and competent workforce, compliant with mandatory training. |
| **External Factors** – failure to understand the impact of the external political, economic, social, technological and environmental landscape on the charities strategy and objectives. | • Routine monitoring and horizon scanning of the external environment to identify potential changes, opportunities and risks.<br>• Regular impact assessments of changing external factors on the Foundation's operations, strategic objectives and risks.<br>• Engagement and interaction with appropriate external networks within the sectors applicable to the Foundation. |

# Principal Risks and Uncertainties

| Risk | Mitigation |
|---|---|
| **Our People** – the inability to attract, develop and retain employees. | • Delivery of the people strategy priorities focused on creating an environment whereby employees feel engaged, safe at work, appropriately rewarded, valued and supported.<br>• A focus on key areas such as:<br>- maintaining strong pay awards and benefits arrangements<br>- improving ways to hear and strengthen the employee voice<br>- develop an EDI strategy that is designed for the Foundation's needs using our data to inform it<br>- seeking accreditations to inform plans to improve health and wellbeing and demonstrate that we are a strong employer in this sector in our local region<br>- reducing time to recruit<br>- increasing investment in learning and development, apprenticeships and professional development<br>- ensuring adequate and effective employee induction<br>- developing new policies and procedures, which are regularly reviewed to ensure we can support the whole workforce. |
| **Environmental, Social and Governance (ESG)** – inability to meet stakeholder expectations and statutory and regulatory obligations. | • Development of a new environmental strategy and delivery of associated objectives focused on compliance and ESG improvements.<br>• Stakeholder engagement and collaboration on ESG initiatives and objectives.<br>• Effective and adequate monitoring of statutory and regulatory obligations and compliance including delivery of action plan.<br>• Effective and adequate ESG related policies and procedures, which are regularly reviewed.<br>• Investments conducted in a responsible manner with due consideration of ESG issues. |

| Risk | Mitigation |
|---|---|
| **Business and Finance Strategy** – failure to deliver the strategic objectives. | • The Foundation's corporate three year strategy sets out clear goals and objectives for success to be measured against, which is monitored and reviewed by the executive and Board of Trustees on a regular basis.<br>• Enabling strategies and plans underpinning the Foundation's corporate strategy are developed and delivered in areas such as IT, ESG, people, safeguarding, education, health and wellbeing.<br>• A three year financial plan financial plan aligned to the corporate strategy is in place, with robust annual financial planning, budgetary and monitoring processes to allow for appropriate and proportionate measures to be taken as required.<br>• Sufficient financial reserves in place in line with the Foundation's reserves policy as regularly reviewed and approved by the trustees. |
| **Reputation** – the loss of public trust and confidence. | • Adequate and effective risk management framework ensuring risks are identified, assessed, monitored and mitigated as far as reasonably possible within acceptable risk tolerance thresholds.<br>• Appropriate, adequate and effective codes of conduct, which are regularly reviewed.<br>• Appropriate specialist resource applied in key areas such as health and safety, safeguarding, legal, human resources, etc.<br>• Compliance with statutory, regulatory and contractual obligations.<br>• Effective and adequate supplier management and due diligence processes.<br>• Effective and adequate whistleblowing and speak up policies, procedures and practices in place, which are regularly reviewed.<br>• A robust stakeholder communication plan with responsive communication and media management procedures in place. |
| **Cultural Maturity** | • Having moved the organisation to beyond compliance over the next three years, move to an organisation driven by passionate value based commitment to the Foundation, society and environment.<br>• Provide a roadmap for the change through establishing a three year corporate strategy for the Foundation with clear strategic objectives.<br>• Set realistic targets for improvement on the core strategic objectives.<br>• Restate/review the organisation's vision, mission and values.<br>• Develop Foundation leadership strategy and framework.<br>• Embed talent and performance improvement. |

# Structure, Governance and Management

The Percy Hedley Foundation was founded in 1953 and is a charity registered in England and Wales (Charity Commission registration number 515943), and a company limited by guarantee (registered in England, company number 01855026). This Trustees' Report for 2023-24 incorporates the strategic report and the directors' report, required under the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013.

The charity is governed by its Articles of Association incorporated on 12 October 1984, adopted on 1 November 2005, and last amended on 8 November 2014. Northern Counties School, now an integrated part of the Foundation as a result of the merger in October 2005, was founded in 1838. The trustees are cognisant of the charity's purpose as set out in the Articles of Association when making decisions, which is to promote the care, welfare, interest, opportunities, education, treatment and advancement of disabled persons.

Our Board of Trustees are both trustees of the charity and legal directors of the company in accordance with the Companies Act 2006. The trustees have overall responsibility for the governance and strategy of the Foundation and are legally responsible for the actions of the Foundation, and ensuring that the charity is solvent, properly run and delivers its charitable purpose.

Each trustee agrees to contribute £1 in the event of the charity winding up. Our Chief Executive Officer, working with the executive team, has delegated responsibility for delivery of the Board's vision and strategy and for the day-to-day management of the operations, and the Board holds them to account for the performance of the charity. During the year the former CEO left the organisation, and the Board acknowledged with thanks the role that he played in leading the delivery of the strategic priorities and long-term goals of the Foundation. The Board appointed the CFO as the Interim CEO to maintain focus on the Foundation's strategic priorities and objectives whilst maintaining a quality and safe service for all beneficiaries and families. The Board plans to appoint a permanent CEO in the year 2024-25.

The trustees are volunteers who give their time freely and do not receive any financial benefits or emoluments from the charity. No trustees received any reimbursed expenses during the year.

**Trustee Recruitment and Appointment**

Trustee recruitment and appointments are led by the Nomination and Remuneration Committee, and trustees are appointed by the Board on the recommendation of the Nomination and Remuneration Committee.

The Nomination and Remuneration Committee meets at least annually to review the composition of the Board and its committees, to review succession plans, identify development needs and to ensure the Board has the appropriate breadth and balance of competency.

The recruitment of new trustees is carried out through a process of open advertisement followed by interview assessment against the role profile and the Board competency framework, which is designed to reflect the breadth of the Foundation's work and the Board's responsibilities, to ensure the right balance of diverse skills, competence, interests and experiences needed to govern the charity in the long term, ensuring that the Board is fit for purpose.

The Articles of Association does not define a maximum number of trustees and trustees in office during the year and, up to the date of signing the financial statements, are set out on page 30.

The Board is seeking to appoint a minimum of two additional trustees in 2024-25 in accordance with areas of competence identified by an evaluation of the Board competency framework.

Trustees are appointed for a three year term, after which they are eligible for re-appointment by the Board of Trustees for up to a maximum of two further three year terms.

**Trustee Induction, Development and Appraisal**

New trustees receive an induction programme including training as appropriate, meetings with executive team members, operational site visits to meet employees, managers, and beneficiaries, and access to an electronic board portal containing all key documents relating to the charity's constitution, governance arrangements, roles and responsibilities, and Board and committee business. This is to ensure trustees gain a greater understanding about the work of the Foundation, the expectations of a trustee, and can identify opportunities to become more involved. Trustees perform an individual assessment annually and participate in an appraisal conducted jointly with the Chair of the Board, to review and support individual needs including training and development.

# Structure, Governance and Management

Trustees also complete an annual re-assessment against the Board competency framework to enable the Nomination and Remuneration Committee to perform an accurate evaluation of the Board's composition annually.

**Trustees' Indemnities**

Trustee indemnity insurance up to the value of £5m is provided at an annual charge of £1,736 (2023: £1,736).

**Public Benefit**

Trustees have due regard to the Charity Commission's guidance on public benefit in accordance with the Charities Act 2011, and the Board is satisfied that it meets the public benefit requirements, particularly in delivering its education, care and day services as summarised throughout this report, which are for the public benefit now and into the future.

**Executive Pay Policy**

The executive team is considered as the key management personnel. Executive team pay is set, monitored and reviewed annually in accordance with the executive pay policy and procedure by the Nomination and Remuneration Committee.

The trustees believe that the levels of remuneration should be sufficient to attract, retain and motivate whilst also being commensurate of the knowledge, skills, behaviours, performance and responsibilities of the role. The Foundation ensures that remuneration levels are linked to a performance appraisal system and benchmarked against comparable roles in relevant job markets. The executive team is paid on the basis of a fixed salary.

**Charity Governance Code**

The Foundation supports the principles of the Charity Governance Code for larger charities, setting the recommended practice for good governance. Following the delivery of an extensive governance improvement work plan in 2022 to strengthen the charity's governance, the Board will be planning its external Board effectiveness survey in 2024-25.

In the meantime, the Board will be cognisant of successfully delivering the governance effectiveness improvement plans generated in response to internal committee and Board effectiveness surveys conducted.



Hedley's College student

# Structure, Governance and Management

**Our Board and Committee Structure**

The Board of Trustees meets at least four times per year and generally holds an away day once a year to focus on strategy. To ensure that all decisions are informed and appropriate it delegates specific responsibilities and activities to various Board committees as summarised in the colour blocks to the right.. All Board committees are accountable to, and report to, the Board and adhere to their respective terms of reference setting out the committees' duties and responsibilities. Board committees are chaired by a trustee and comprise of members with relevant skills, competence and experience in accordance with the Board competency framework. The Quality and Standards Committee and the Audit and Risk Committee have independent external members with skills and experience appropriate to the work of the committees.

All Board meetings held throughout the year were quorate and no member was absent for more than two meetings.

In addition, the Foundation has three educational local advisory committees for Percy Hedley School, Northern Counties School and Hedleys College, and the Board appoints an independent chair for each local advisory committee. Local advisory committees contribute to the development of the Foundation's policies, provide scrutiny and challenge over how our schools and college is managed and provides assurance to trustees.

In the year 2023-24 the Board welcomed new trustees L Parker and L Craig. The Board would also like to extend its particular thanks to former trustees D Kent and B Snaith, our former vice chair, having both retired during the year and who played a huge role in the direction of the Foundation during their tenures. The election of a new vice chair will be performed in the year 2024-25.

**Conflicts of Interest**

The Foundation operates a conflicts of interest policy and any conflicts of interest held by trustees and executive team members are collated annually. Declarations of conflicts of interest appear as a standard agenda item at every Board and committee meeting, with any declarations recorded and managed appropriately in accordance with the policy.

**Audit and Risk Committee** – is responsible for the oversight of the processes relating to financial reporting, internal and external audit, systems of internal control, risk management, and compliance with laws and regulations. The committee oversees the appointment of the external auditor, reviews findings of the annual audit, ensuring the integrity of the financial statements and announcements.

**Finance Committee** – is responsible for the oversight of financial affairs including investments.

**Quality and Standards Committee** – is responsible for the oversight of the quality and standards of the Foundation's operations including safeguarding.

**People and Culture Committee** – is responsible for the oversight of a range of activities relating to the delivery of the people strategy.

**Nomination and Remuneration Committee** – is responsible for the annual review of the Board composition and for setting, monitoring and reviewing executive pay. The committee is also responsible for leading on local advisory committee chair and trustee recruitment.

# Trustees' duty to promote the success of the charity Section 172(1) Statement

The trustees, as company directors in accordance with the Companies Act, consider that they have individually and collectively acted in good faith and fairly to promote the success of the charity in achieving its charitable purposes. The Act states that in doing so, the trustees should have due regard, amongst other matters, to matters set out in section 172(1)(a) to (f) when performing their duty under section 172. The following paragraphs are not intended to be exhaustive, but are illustrative of how the trustees have fulfilled their duty:

**(a) The likely consequences of any decision in the long term**

The trustees have concluded a corporate strategy refresh to launch in the coming year, which takes a long term view of the Foundation's work, sets ambition and provides focus for decision making. The strategy aims to ensure that the Foundation is a sustainable employer with the ability to modernise services, generate a surplus for future re-investment and furtherance of its charitable purposes, and achievement of the Foundation's vision and mission.

Trustees approve and oversee the implementation of the corporate strategy. Whilst the strategy helps inform the trustees' decision making processes, decisions are also informed by the Foundation's engagement with stakeholders as described in (c).

New trustees are inducted on their role and duties, which are partly fulfilled through the structure, governance and management as described on pages 23-25. The Board discussions and decisions are also informed by the executive reports supplied on a regular basis. In addition, the risk management framework is applied throughout the Foundation to identify and manage risks and inform decision making. Information on our principal risks and uncertainties can be found on pages 20-22.

Throughout the year, colleagues were kept up to date with the Foundation's corporate strategy refresh and achievements against the previous year's strategic objectives, including financial performance.

**(b) The interest of the company's employees**

The trustees take great pride in the Foundation's workforce on whom it depends for the delivery of its services. The trustees recognise that our people are our biggest asset and they listen to the voice of our people through a range of mechanisms as described on page 16. Our People and Culture Committee oversees our people related risks, our remuneration and reward packages, our succession, talent and performance management approaches, and key people related policies to make sure that we can continue to attract, retain and develop our employees. We aim to be a responsible employer in our approach to pay and benefits, and the health, safety, wellbeing and working environment is of paramount importance to us. Trustees consider the future impact of their decisions on employees and wider workforce where relevant and feasible.

Read more about how we engage with our people on page 16.

**(c) The need to foster the company's business relationships with suppliers, customers and others**

The Board recognises the importance of employee and stakeholder engagement in promoting the company success, and of the value in understanding their views and interests to be successful over the long term. Employee and stakeholder engagement can help inform future development and trends, help the Board to understand significant changes in the landscape, and develop objectives, policies and strategy that is aligned and considerate of employee and stakeholder interests. References to various stakeholders are referenced throughout the strategic report.

**Our Employees and Volunteers**

The executive team provides employees and volunteers with a range of information through a variety of communication and feedback tools, used to ensure that employee and volunteer views are taken into account in the Foundation's decision-making processes, particularly in relation to matters that may impact employees and volunteers directly. An annual survey was carried out in 2024 which resulted in actions led by the Foundation's executive team and wider leadership team.

The Board is assisted in fulfilling its governance duties in relation to employees and volunteers by various committees, and most predominantly via the People and Culture Committee which is aligned to overseeing the delivery of our people strategy.

**Local Authorities**

The Foundation's core income comes from fees paid by local authority commissioners and the Foundation works closely with commissioners to build effective long term relationships and to ensure it meets the needs of the people it supports.

# Trustees' duty to promote the success of the charity Section 172(1) Statement

**Our Service Users**

Our service users are the children, young people and adults, who are supported by the Foundation, and their families. Service user voice is extremely important to the Foundation and every day we communicate, listen and learn from the people we support. Feedback is encouraged on a regular basis and a variety of tools are adopted by the Foundation to communicate and obtain feedback, to ensure that the views of the people we support are taken into account in the Foundation's decision making processes, particularly in relation to matters that have a direct impact on them personally and collectively.

Our services continuously review service user progress, outcomes and support, and in doing so ensure services users, families and carers, as appropriate, have a voice in their lives. Trustees and governors meet service users during regular site visits. Our Board and committees regularly receive updates in relation to service users, and parent governors are appointed on our school local advisory committees.

Trustees continuously consider what more can be done to improve the quality of services and the lives of the people we support. The refresh of corporate strategy to launch in the coming year focuses on delivering modernised high quality services for all of our stakeholders and particularly for the people we support.

**Our Supporters**

Building effective and lasting relationships with our supporters is vitally important to us. The Foundation engages with supporters on a regular basis in a variety of ways including including face-to-face visits, telephone, virtual conversations and written communications. We aim to provide the right opportunities for people to support us and the right level of experience, support and engagement that they would expect from us.

A number of supporters participate in our celebratory events, providing them with the opportunity to meet service users, employees, senior management and trustees. We thank all our supporters for their continued support and donations.

For further information on our fundraising activities please refer to pages 17-18.

**Suppliers, Customers, Landlords, Regulators and Others**

Fundamental to the delivery of our services are the strategic relationships we hold with our suppliers, customers, landlords and regulators, all of whom are integral to the successful delivery of the Foundation's strategy. The trustees recognise the importance of the Foundation's supply chain in the delivery of services. Trustees encourage the development of trusted and mutually beneficial strategic business relationships with stakeholders, based on openness, transparency, and integrity.

The Foundation aims to maintain positive relationships with suppliers, ensuring that non-disputed invoices are paid within agreed payment terms. The Foundation's purchasing policy is focused on conducting procurement legally and ethically, as well as achieving best value in pursuance of the Foundation's overall aims and objectives.

Open and honest dialogue with regulators including Ofsted, Care Quality Commission and the Charity Commission is of key importance to the Foundation, to provide the best possible outcomes for the people we support.

**(d) The impact of the organisation's operations on the community and environment**

Trustees recognise that the Foundation's activities have both direct and indirect environmental impacts. We are developing a new environment and sustainability strategy and policy to launch in the coming year, in line with our commitment to being a socially responsible and sustainable organisation, reducing our impact on the environment, and providing the best outcomes for the communities we serve now and in the future.

We are also developing our processes to improve how we monitor and manage our carbon reporting and environmental impact. The Foundation's streamlined energy and carbon reporting is outlined in the environment and sustainability section of this report on pages 28-29.

**(e) The desirability of the organisation maintaining a reputation for high standards of business conduct**

The Foundation has in place a range of policies, procedures and processes that promote corporate responsibility and ethical behaviour, covering matters such as, but not limited to, fundraising (see pages 17-18), conflicts of interest, safeguarding (see page 14), equity, diversity and inclusion, (see page 15), and whistleblowing. The Foundation operates a business assurance framework to manage regulatory and legal risk and is committed to complying with applicable laws and regulations.

**(f) The need to act fairly between members of the organisation**

The trustees understand the need to avoid and effectively manage potential conflicts of interest in accordance with the Foundation's conflicts of interests policy. Each trustee has an equal right to a vote when decisions are presented to the Board.

We respect people's diversity and foster an inclusive workplace where all are treated fairly.

# Environment and Sustainability

The Percy Hedley Foundation recognises its activities have both direct and indirect environmental impacts and as a socially responsible organisation has committed to reducing its impact on the environment and being a sustainable organisation, to provide the best outcomes for the communities it serves now and in the future.

Our vision for sustainability and climate change is to strive to proactively promote and operate eco-friendly practices which protect and sustain the environment.

During the year, as part of demonstrating our commitment to sustainability, we have invested in resources by expanding environment into the health and safety manager role, a key appointment in helping us drive actions across the Foundation. During the year, the manager successfully completed a IEMA (Institute of Environmental Management and Assessment) professional qualification in environmental management and worked with our employee network to increase awareness and conversations around environmental matters.  The network started to share plans for a “swap shop” to help us recycle where we can and began reviewing other waste re-cycling initiatives.

Over the next year we will launch our environment and sustainability policy and strategy, accompanied by performance metrics, focused on three main areas summarised below:

## 1. Education and Awareness

**Making sustainable every day practice a key part of the culture at the Foundation and ensuring everyone is aware of the impact of climate change to support strategies for sustainable practices.**

## 2. Our Estate

**Analysing and reducing energy and water usage, carbon emissions and waste.**

## 3. Operations

**Reviewing procurement processes, contracts, policies and work practices (to include travel) to ensure we are efficient in our use of valuable resources.**



# Environment and Sustainability

## Streamlined Energy and Carbon Reporting (SECR)

The Foundation is compliant with the Streamlined Energy and Carbon Reporting (SECR) and the Energy Savings Opportunity Scheme (ESOS) requirements, both of which are statutory requirements.

We continue to look for cost effective ways of reducing our carbon footprint and are committed to reduce carbon emissions. Our new environment and sustainability strategy will support us in measures to reduce our carbon footprint in the years ahead.

An energy agency manages our gas and electricity supply and we own and lease several vehicles. During the year, we appointed an energy management consultant to advise and support us in preparing our ESOS reports, engaged an environmental consultant to advise in relation to our carbon emission calculations and reporting, undertook lighting upgrades as part of energy saving measures using LEDs (light emitting diodes), continued use of building management systems (BMS) and, within parts of our estate, upgraded boilers and installed insulation.

During the year the environmental consultant supported with the review and calculation of our carbon emissions reporting to ensure accuracy, and in doing so we re-stated our former reporting periods effective from our first year of reporting for year ending 31 August 2022 (1,234 total metric tonnes of CO2e emitted for 11 months of available data) and 31 August 2023 (1,382 total metric tonnes of CO2e emitted).

Under The Companies (Directors' Report) and Limited Liability Partnerships (Amendment) Regulations 2018 (SI 2018/1155), we report on greenhouse gas emissions and energy and fuel consumption. The methodology used for reporting of emissions was in line with Green House Gas (GHG) Conversion Factors for Company Reporting.

The environmental impact of our activities has reduced in the current reporting period with a reduction in carbon emissions of 5.21% and a reduced intensity ratio per employee, as per the table to the right.

| UK Greenhouse gas emissions and energy use data for the year ended 31 August 2024 | 2023 | 2024 |
|---|---|---|
| **Energy consumptions used to calculate emissions (kWh):** | | |
| Total energy and fuel consumption | 7,220,438 | 6,842,375 |
| Total gross emissions in metric tonnes CO2e | 1,382 | 1,310 |
| **Scope 1 emissions in metric tonnes CO2e (Gas and Transport Fuel)** | | |
| Total scope 1 | 1,049 | 999 |
| **Scope 2 emissions in metric tonnes CO2e (Purchased Electricity)** | | |
| Total scope 2 | 333 | 311 |
| **Scope 3 emissions in metric tonnes CO2e (Business travel in employee owned vehicles)** | | |
| Total scope 3 | 0 | 0 |
| Total gross emissions in metric tonnes CO2e | 1,382 | 1,310 |
| Intensity ratio tonnes CO2e per employee | 1.41 | 1.31 |

# Reference and Administrative Details

**Trustees (Non Executive):**

L Craig (from 26 April 2024)
J Donnelly
P L Emerson
P A Foreman
N C Hutchinson
D L Kent (until 1 June 2024)
L E Parker (from 9 February 2024 until 7 November 2024)
W Snaith (until 7 June 2024)
C J Thompson
E G Weir

**Company Number:**
01855026

**Charity Number:**
515943

**Registered Name:**
The Percy Hedley Foundation

**Registered Office:**
Hampeth Lodge, Station Road, Forest Hall, Newcastle upon Tyne, NE12 8YY

The Charity is incorporated in England and Wales.

**Company Secretary:**
L Dawson

**Independent Auditors:**
Azets, Bulman House, Regent Centre, Gosforth, Newcastle upon Tyne, NE3 3LS

**Bankers:**
Barclays Bank Plc, Bank House, East Pilgrim St, Newcastle upon Tyne NE1 6QE

**Solicitors:**
Womble Bond Dickinson (UK), The Spark, Draymans Way, Helix, Newcastle upon Tyne, NE4 5DE

**Investment Managers:**
Rathbones Investment Management, Earl Grey House, 75-85 Grey Street, Newcastle upon Tyne, NE1 6EF

RBC Brewin Dolphin, Time Central, Gallowgate, Newcastle upon Tyne, NE1 4SR

**Key Management Personnel:**

| | |
|---|---|
| Chief Executive Officer (until 13 June 2024) | Rob McDonald |
| Chief Executive Officer (formerly Interim CEO and CFO) | John Preston |
| Company Secretary | Lynsey Dawson |
| Director of Corporate Services | Alison Williams |
| Director of Education and Percy Hedley School Headteacher | John Steward |
| Director of Health and Wellbeing | Charlotte Jones |
| Director of Business Development (until 17 December 2024) | Andrew McGreevy |

# Financial Review 2023-24

During the year, the Foundation improved the financial performance whilst operating with the continued impacts of higher inflation creating a challenging environment. A significant, positive impact on the overall financial performance came from Northern Counties School as it recommenced taking new student packages in the final term of the academic year, following a successful and well deserved Ofsted inspection where an overall rating of Good was awarded. This additional revenue, as well as positive impacts from a restructure at the school, meant that there was a significant reduction in the trading deficit at this service. The ongoing adverse financial impact from operating an out-of-date residential care facility, Chipchase House, continued throughout the period. However, the decision to close this facility was made during the period, with a target closure date in July 2025.

In the year to 31 August 2024, the Foundation made a surplus of £0.538m (2023 : £0.273m surplus) before actuarial gains and losses. Income increased by £0.986m on the previous year with expenditure, before gains/(losses) on investment assets, increasing by £1.110m. The underlying operational performance has been mixed. Compared to the prior period, there was greater offset of cost inflation by the increase in income generated through fee uplifts and the additional volumes, particularly in the education portfolio. The investment assets held by the Foundation generated a gain of £0.325m (2023 : £0.064m deficit). The performance of the Foundation was also supported by an actuarial gain on the defined benefit pension scheme of £1.095m (2023 : £0.213m gain).

The surplus post actuarial adjustments was £1.633m (2023 : £0.486m surplus) representing an improving underlying performance by the charity during the financial year. This resulted from the turnaround action plan that was implemented to address these key performance concerns.

Income from charitable activities increased by a reasonable 7.53% year on year at £35.9m. Most of the funding is received from approximately 20 local authorities responsible for the education and care of the children, young people and adults that use the services the Foundation provides. These fees fund the day to day running costs of the services. The Foundation has a fundraising and engagement team, responsible for supplementing this income to help improve facilities, the estate, enrich provision and support specific capital developments. Income from donations and legacies for 2024 was £0.386m, an increase of 19.9% over 2023.

One key area of focus during the period was to further improve the cash position. In addition to the excellent reduction in the trade debtor balance in the previous year, further improvements were made during the period leaving the value of gross trade debtors at £3.132m (2023 : £4.131m). This allowed for some of the previous historic bad debt provision to be released as well as be used to write off uncollectable debts, reducing from 2023 : £1.699m to 2024 : £0.954m. The provision for doubtful debts at the 2024 year end remains higher than target and remains a focus for 2024-25. Due to the ongoing trading challenges, tighter controls were implemented in relation to fixed asset investments. The outcome of this was that the level of capital expenditure for the year reduced to £0.954m (2023 : £2.298m). As a result, the closing cash position at £11.211m increased over the prior year (2023 : £9.223m).

There was a change in the CEO during the year which has allowed for a new three year strategic plan to be implemented, effective September 2024. This plan builds on the improvements seen in the year by generating additional growth to meet the demands for our current services through improved utilisation of the existing estate. Some additional estate and services are expected to be established over the period of the plan where there is sufficient demand for the services.

The 2024 UK government budget has added further financial pressures to the organisation for 2024-25. The Foundation is requesting fee uplifts from commissioners that are sufficient to cover the increases in national insurance contributions as well as general inflationary increases. We understand the impact on our commissioners' budgets where there is continued pressure to obtain increased value for money.

# Financial Review 2023-24

**Pension Schemes**

The Percy Hedley Pension Scheme provides benefits on a final salary or defined benefit basis. It is closed to new members, with members' salaries frozen as at 31 March 2019 but open to future accrual of benefits for its active members. The actuarial deficit has been revalued, in accordance with FRS 102, using up to date assumptions over discount rate, the rate of inflation and mortality assumptions. This revaluation has resulted in a decrease in the actuarial deficit by £1.095m from the previous year to £4.305m (2023 : £5.400m) which reflects the investment choices made by the pension trustees and market conditions. This positive movement has been credited against the operating deficit. The trustees of both the Foundation and the Percy Hedley Pension Scheme are acutely aware of the need to balance the interests of the members of the pension scheme with those of the current and future beneficiaries that the charity supports. A new professional trustee has been appointed as chair during the year following the resignation of the previous chair. A decision was taken to bring the triennial valuation forward by one year, effective 31 March 2024. The pension scheme continues to perform well against the targets.

The Foundation also contributes to a defined benefit pension scheme in relation to teaching employees, which is the Teachers' Pension Scheme. The proposed increase to the employer contribution rate, increasing from 22.8% to 28.6%, was implemented as required from 1 April 2024.

The Foundation has total funds of £24.001m (2023 : £22.368m). The increase of £1.633m relates to an increase in the cash balance and reductions in both the pension scheme liability and long term loan liability. The balance sheet highlights a reduction in net book value of tangible fixed assets to £17.006m (2023 : £17.538m) due to the reduced capital expenditure versus the depreciation charged. The capital investments in the year totalling £0.954m (2023 : £2.298m), the majority of which related to development of the estates. Due to the higher prior year capital expenditure value, depreciation was slightly higher than the prior year at £1.485m (an increase of £0.134m).

The value of restricted funds reduced to £74k (2023 : £76k). Restricted funds are those from funds raised from legacies and small donations along with fundraising carried out within a particular service and are used throughout the year to provide 'added extras' to enrich service provision.

The Foundation holds £nil (2023 : £nil) of designated funds. Designated funds have historically been the amounts set aside by the trustees to be spent during the following year. In 2024-25 these funds are incorporated as part of the budget approved by trustees and included in the unrestricted funds.

**Investment Policy**

The Foundation has a short-term strategy for investments by increasing the value to a minimum of £4.625m (book value) which ties in with the reserves policy. During the financial year 2023-24, the net value of the investments increased from £2.955m to £3.376m after considering additions, disposal and revaluation. This strategy allows for mid-term reserves to be held in liquid assets until they are needed for specific projects and for an element of reserves to be held for the long term in the event of future unknown uncertainties. It is the intention that the charity will add free cash when a specific fixed deposit investment matures in order to achieve the target value of investments by 31 August 2025. The longer-term strategy is to add to the investments at a similar rate to which Foundation itself grows. The trustees appoint investment managers to whom they delegate responsibility for managing the investment assets in accordance with an agreed policy statement. This statement sets out the



# Financial Review 2023-24

trustees' aim, to produce the best financial return within an acceptable level of risk and includes the manner in which these assets may be ethically invested to ensure that they do not conflict with the aims of the charity.

**Going Concern**

After making appropriate enquiries, including evaluating any impact with the continued and ongoing effects of the cost of living crisis, the impact of the October 2024 UK government budget and reviewing forecasts into 2024-25, the trustees have a reasonable expectation that the charitable company has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements. Further details regarding the adoption of the going concern basis can be found in the accounting policies on page 43.

**Reserves Policy**

The trustees consider that the Foundation should invest unrestricted and undesignated reserves equivalent of between 13% and 16% of non-cash operating expenditure to allow for the Foundation to react to unforeseen circumstances, whilst providing sufficient flexibility to operate on a day-to-day basis and take any appropriate decisions to further the Foundation's strategic development. These funds are to be specifically held in the long term investments rather than investments and bank accounts.

The lower end of this range is equivalent to two months' employee costs for the Foundation and the higher end reflects the Foundation's aim to build a fund that will enable the modernisation of our services for the children, young people and adults for whom they are designed.

During the last few years, reserves have been built in line with the policy. These are now reviewed annually as part of the corporate strategy in order to make targeted improvements to the estate and services provided, with options appraisals being reviewed during 2024-25. Currently the Foundation's reserves are sufficient given the ongoing managed capital expenditure improvement programme. There are currently no designated funds set aside outside of this capital expenditure programme.



# Trustee Responsibilities Statement

The Board of Trustees (who are also the directors for the purposes of company law) is responsible for preparing the Trustees' Report (including including the strategic report) and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) including FRS 102 – The Financial Reporting Standard applicable in the UK and Republic of Ireland.

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

- Select suitable accounting policies and then apply them consistently.
- Observe methods and principles in the Charities Statement of Recommended Practice (SORP).
- Make reasonable and prudent judgements and accounting estimates.
- State whether applicable UK accounting standards, comprising FRS 102, have been followed, subject to any material departures disclosed and explained in the financial statements.
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charitable company will continue in business.

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

Over the course of the year, Azets Audit Services continued in their role as external auditors in accordance with a General Meeting resolution agreed in June 2022 to appoint them for three financial years.

In so far as each of the trustees of the charity is aware, at the date of approval of this report, there is no relevant audit information needed by the charity's auditor in connection with preparing the audit report of which the charity's auditor is unaware. Each trustee has taken all of the necessary steps in order to make themselves aware of any relevant audit information and to establish that the charity's auditor is aware of that information.

The Trustees' Report, which incorporates the requirements of the strategic report and the directors' report as set out in the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013, was approved by the Board of Trustees in their capacity as trustees and company directors and signed on its behalf by:

29-4-2025

**J Donnelly**
**Chair – Trustee**



# PERCY HEDLEY FOUNDATION

## ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2024

**The Percy Hedley Foundation Annual Report and Financial Statements for the year ended 31 August 2024**

Charity Commission Registration Number: 515943
Registered in England & Wales Company Number: 01855026

# Independent Auditor's Report to the Members of The Percy Hedley Foundation

**Opinion**
We have audited the financial statements of Percy Hedley Foundation (the 'charity') for the year ended 31 August 2024 which comprise the statement of financial activities, the statement of financial position, the statement of cash flows and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice)*.

**In our opinion the financial statements:**
- give a true and fair view of the state of the charitable company's affairs as at 31 August 2024 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.

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

**Conclusions relating to going concern**
In auditing the financial statements, we have concluded that the trustees' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

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

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

**Other information**
The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. The trustees are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

# Independent Auditor's Report to the Members of The Percy Hedley Foundation

**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; and
- 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 charity and its environment obtained in the course of the audit, we have not identified material misstatements in the Trustees' Report.

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of trustees remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.
- the trustees were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies' exemptions in preparing the trustees' report and from the requirement to prepare a strategic report.

**Responsibilities of trustees**
As explained more fully in the statement of trustees' responsibilities, the trustees, who are also the directors of the charity for the purpose 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 charity'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 responsibilities for the audit of the financial statements**
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

**Extent to which the audit was considered capable of detecting irregularities, including fraud**
Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above and on the Financial Reporting Council's website, to detect material misstatements in respect of irregularities, including fraud.

# Independent Auditor's Report to the Members of The Percy Hedley Foundation

We obtain and update our understanding of the entity, its activities, its control environment, and likely future developments, including in relation to the legal and regulatory framework applicable and how the entity is complying with that framework. Based on this understanding, we identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. This includes consideration of the risk of acts by the entity that were contrary to applicable laws and regulations, including fraud.

We identified the following applicable laws and regulations as those most likely to have a material impact on the financial statements: Care Quality Commission, Ofsted, Health and Safety; employment law; and compliance with both the UK Companies Act and the UK Charities Act.

In response to the risk of irregularities and non-compliance with laws and regulations, including fraud, we designed procedures which included:

- Enquiry of management and those charged with governance around actual and potential litigation and claims as well as actual, suspected and alleged fraud;
- Reviewing minutes of meetings of those charged with governance;
- Assessing the extent of compliance with the laws and regulations considered to have a direct material effect on the financial statements or the operations of the entity through enquiry and inspection;
- Reviewing financial statement disclosures and testing to supporting documentation to assess compliance with applicable laws and regulations;
- Performing audit work over the risk of management bias and override of controls, including testing of journal entries and other adjustments for appropriateness, evaluating the business rationale of significant transactions outside the normal course of business and reviewing accounting estimates for indicators of potential bias.

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with regulation. This risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of instances of non-compliance. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

**Use of our report**
This report is made solely to the charitable company's trustees, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the charity's 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 and its trustees as a body, for our audit work, for this report, or for the opinions we have formed.

Simon Brown

**Simon Brown BA ACA DChA (Senior Statutory Auditor)**
**for and on behalf of Azets Audit Services**

29 April 2025

Chartered Accountants
Statutory Auditor

Bulman House,
Regent Centre,
Gosforth,
Newcastle upon Tyne
NE3 3LS

# Statement of Financial Activities for the Year Ended 31 August 2024 (Including Income and Expenditure Account)

**Current financial year**

| | Notes | Unrestricted funds 2024 £'000 | Restricted funds 2024 £'000 | Total 2024 £'000 | Total 2023 £'000 |
|---|---|---|---|---|---|
| **Income and endowments from:** | | | | | |
| Donations and legacies | **3** | 242 | 144 | 386 | 322 |
| Charitable activities | **4** | 35,911 | - | 35,911 | 33,395 |
| Other trading activities | **5** | 90 | - | 90 | 36 |
| Investments | **6** | 447 | - | 447 | 301 |
| Other income | **7** | 131 | - | 131 | 1,925 |
| **Total income** | | 36,821 | 144 | 36,965 | 35,979 |
| **Expenditure on:** | | | | | |
| Charitable activities | **8** | 36,606 | 146 | 36,752 | 35,642 |
| Net gains/(losses) on investments | **12** | 325 | - | 325 | (64) |
| **Net income/(expenditure) for the year/ Net incoming/(outgoing) resources** | | 540 | (2) | 538 | 273 |
| **Other recognised gains and losses** | | | | | |
| Actuarial gain on defined benefit pension schemes | | 1,095 | - | 1,095 | 213 |
| **Net movement in funds** | | 1,635 | (2) | 1,633 | 486 |
| Fund balances at 1 September 2023 | | 22,292 | 76 | 22,368 | 21,882 |
| **Fund balances at 31 August 2024** | | 23,927 | 74 | 24,001 | 22,368 |

The statement of financial activities includes all gains and losses recognised in the year.

All income and expenditure derive from continuing activities.

The statement of financial activities also complies with the requirements for an income and expenditure account under the Companies Act 2006.

# Statement of Financial Activities for the Year Ended 31 August 2024 (Including Income and Expenditure Account)

**Prior financial year**

| | Notes | Unrestricted funds 2023 £'000 | Restricted funds 2023 £'000 | Total 2023 £'000 |
|---|---|---|---|---|
| **Income and endowments from:** | | | | |
| Donations and legacies | **3** | 281 | 41 | 322 |
| Charitable activities | **4** | 33,395 | - | 33,395 |
| Other trading activities | **5** | 35 | 1 | 36 |
| Investments | **6** | 301 | - | 301 |
| Other income | **7** | 1,925 | - | 1,925 |
| **Total income** | | 35,937 | 42 | 35,979 |
| **Expenditure on:** | | | | |
| Charitable activities | **8** | 35,496 | 146 | 35,642 |
| Net gains/(losses) on investments | **12** | (64) | - | (64) |
| Gross transfers between funds | | 565 | (565) | - |
| **Net income/(expenditure) for the year/ Net incoming/(outgoing) resources** | | 942 | (669) | 273 |
| **Other recognised gains and losses** | | | | |
| Actuarial gain on defined benefit pension schemes | | 213 | - | 213 |
| **Net movement in funds** | | 1,155 | (669) | 486 |
| Fund balances at 1 September 2022 | | 21,137 | 745 | 21,882 |
| **Fund balances at 31 August 2023** | | 22,292 | 76 | 22,368 |

# Statement of Financial Position
# As at 31 August 2024

| | Notes | 2024 £'000 | 2024 £'000 | 2023 £'000 | 2023 £'000 |
|---|---|---|---|---|---|
| **Fixed assets** | | | | | |
| Tangible assets | **14** | | 17,006 | | 17,538 |
| Investments | **15** | | 3,376 | | 2,955 |
| | | | 20,382 | | 20,493 |
| **Current assets** | | | | | |
| Debtors | **16** | 3,063 | | 4,660 | |
| Cash at bank and in hand | | 11,211 | | 9,223 | |
| | | 14,274 | | 13,883 | |
| **Creditors: amounts falling due within one year** | **18** | (4,785) | | (4,861) | |
| Net current assets | | | 9,489 | | 9,022 |
| **Total assets less current liabilities** | | | 29,871 | | 29,515 |
| **Creditors: amounts falling due after more than one year** | **19** | | (1,565) | | (1,747) |
| **Provisions for liabilities** | | | (4,305) | | (5,400) |
| **Net assets** | | | 24,001 | | 22,368 |
| **Income funds** | | | | | |
| Restricted funds | **23** | | 74 | | 76 |
| Unrestricted funds | | | 23,927 | | 22,292 |
| | | | 24,001 | | 22,368 |

The financial statements were approved by the Trustees on 29-4-2025.

.....
**J**.Donnelly
Chair - Trustee

Company registration number 01855026

# Statement of Cash Flows
# For the Year Ended 31 August 2024

| | Notes | 2024 £'000 | 2024 £'000 | 2023 £'000 | 2023 £'000 |
|---|---|---|---|---|---|
| **Cash flows from operating activities** | | | | | |
| Cash generated from operations | **28** | | 2,763 | | 3,073 |
| | | | | | |
| **Investing activities** | | | | | |
| Purchase of tangible fixed assets | | (954) | | (2,298) | |
| Purchase of investments | | (534) | | - | |
| Proceeds from disposal of investments | | 439 | | (104) | |
| Investment income received | | 447 | | 301 | |
| **Net cash used in investing activities** | | | (602) | | (2,101) |
| | | | | | |
| **Financing activities** | | | | | |
| Repayment of bank loans | | (173) | | (165) | |
| **Net cash used in financing activities** | | | (173) | | (165) |
| | | | | | |
| **Net increase in cash and cash equivalents** | | | 1,988 | | 807 |
| | | | | | |
| Cash and cash equivalents at beginning of year | | | 9,223 | | 8,416 |
| | | | | | |
| **Cash and cash equivalents at end of year** | | | 11,211 | | 9,223 |

# Notes to the Financial Statements for the Year Ended 31 August 2024

## 1 Accounting policies

### Charity Information

Percy Hedley Foundation is a private company limited by guarantee incorporated in England and Wales. The registered office is Hampeth Lodge, Station Road, Forest Hall, Newcastle upon Tyne, Tyne & Wear, NE12 8YY.

### 1.1 Accounting convention

The financial statements have been prepared in accordance with the charity's governing document, the Companies Act 2006, FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the Charities SORP "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 charity is a Public Benefit Entity as defined by FRS 102.

The financial statements are prepared in sterling, which is the functional currency of the charity. Monetary amounts in these financial statements are rounded to the nearest £'000.

The financial statements have been prepared under the historical cost convention, modified to include certain financial instruments at fair value. The principal accounting policies adopted are set out below.

### 1.2 Going concern

At the time of approving the financial statements, the trustees have a reasonable expectation that the charity has adequate resources to continue in operational existence for the foreseeable future. Thus the trustees continue to adopt the going concern basis of accounting in preparing the financial statements.

### 1.3 Charitable funds

Unrestricted funds are available for use at the discretion of the trustees in furtherance of their charitable objectives.

Restricted funds are subject to specific conditions by donors as to how they may be used. The purposes and uses of the restricted funds are set out in the notes to the financial statements.

Endowment funds are subject to specific conditions by donors that the capital must be maintained by the charity.

### 1.4 Income

Income is recognised when the charity is legally entitled to it after any performance conditions have been met, the amounts can be measured reliably, and it is probable that income will be received.

Cash donations are recognised on receipt. Other donations are recognised once the charity has been notified of the donation, unless performance conditions require deferral of the amount. Income tax recoverable in relation to donations received under Gift Aid or deeds of covenant is recognised at the time of the donation.

Legacies are recognised on receipt or otherwise if the charity has been notified of an impending distribution, the amount is known, and receipt is expected. If the amount is not known, the legacy is treated as a contingent asset.

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

# Notes to the Financial Statements for the Year Ended 31 August 2024

(Continued)

## 1 Accounting policies

### 1.5 Expenditure

Expenditure is recognised once there is a legal or constructive obligation to transfer economic benefit to a third party, it is probable that a transfer of economic benefits will be required in settlement, and the amount of the obligation can be measured reliably.

Expenditure is classified by activity. The costs of each activity are made up of the total of direct costs and shared costs, including support costs involved in undertaking each activity. Direct costs attributable to a single activity are allocated directly to that activity. Shared costs which contribute to more than one activity and support costs which are not attributable to a single activity are apportioned between those activities on a basis consistent with the use of resources. Central staff costs are allocated on the basis of time spent, and depreciation charges are allocated on the portion of the asset's use.

### 1.6 Tangible fixed assets

Tangible fixed assets are initially measured at cost and subsequently measured at cost or valuation, net of depreciation and any impairment losses.

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

| | |
|---|---|
| Freehold land and buildings | 40-100 years |
| Leasehold land and buildings | 100 years or length of lease if less |
| Fixtures and fittings | 3 years |
| Equipment, therapy, office and computer equipment | 3 years |
| Motor vehicles | 3 years |

### 1.7 Fixed asset investments

Fixed asset investments are initially measured at transaction price excluding transaction costs, and are subsequently measured at fair value at each reporting date. Changes in fair value are recognised in net income/(expenditure) for the year. Transaction costs are expensed as incurred.

### 1.8 Impairment of fixed assets

At each reporting end date, the charity reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

### 1.9 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

# Notes to the Financial Statements for the Year Ended 31 August 2024

(Continued)

**1 Accounting policies**

**1.10 Financial instruments**

The charity has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the charity's balance sheet when the charity becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

*Basic financial assets*
Basic financial assets, which include debtors and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Financial assets classified as receivable within one year are not amortised.
*Basic financial liabilities*
Basic financial liabilities, including creditors and bank loans are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest. Financial liabilities classified as payable within one year are not amortised.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of operations from suppliers. Amounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

*Derecognition of financial liabilities*
Financial liabilities are derecognised when the charity's contractual obligations expire or are discharged or cancelled.

**1.11 Taxation**

The charity is considered to pass the tests set out in Paragraph 1 Schedule 6 of the Finance Act 2010 and therefore it meets the definition of a charitable company for UK corporation tax purposes. Accordingly, the charity is potentially exempt from taxation in respect of income or capital gains received within categories covered by Chapter 3 Part 11 of the Corporation Tax Act 2010 or Section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied exclusively to charitable purposes.

**1.12 Employee benefits**

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the charity is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

# Notes to the Financial Statements for the Year Ended 31 August 2024

(Continued)

## 1 Accounting policies

### 1.13 Retirement benefits

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

Other retirement benefits to employees of the Charity are provided by the Teacher's Pension Scheme (TPS), and the Percy Hedley Pension Scheme (PHPS). These are defined benefit schemes, which are funded, with the assets being held separately from the charity. The PHPS is closed to new members, being replaced with a defined contribution scheme.

Contributions to the TPS are charged to the income and expenditure account as the amount paid or payable in the year. The contributions to all two schemes are determined by qualified actuaries on the basis of triennial valuations using the projected unit method for the HPS and quinquennial valuations using a prospective benefit method for the TPS.

The assets of the PHPS are measured using fair value. PHPS liabilities are measured using the projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability. The increase in present value of the liabilities of the scheme expected to arise from employee service in the period is charged to the operating surplus.

The expected return on the scheme's assets and the increase during the period in the present value of the scheme's liabilities, arising from the passage of time, are included in pension finance costs.

Actuarial gains and losses are recognised within the Statement of Financial Activities.

## 2 Critical accounting estimates and judgements

In the application of the charity's accounting policies, the trustees are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

The present value of the defined benefit liability depends on a number of factors that are determined on an actuarial basis using a variety of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions will impact the carrying amount of the pension liability.

# Notes to the Financial Statements for the Year Ended 31 August 2024

## 3 Donations and legacies

| | Unrestricted funds | Restricted funds | Total | Unrestricted funds | Restricted funds | Total |
|---|---|---|---|---|---|---|
| | 2024 £'000 | 2024 £'000 | 2024 £'000 | 2023 £'000 | 2023 £'000 | 2023 £'000 |
| Legacies receivable | 183 | 2 | 185 | 98 | - | 98 |
| Grants including capital Grants | 59 | 142 | 201 | 183 | 41 | 224 |
| | 242 | 144 | 386 | 281 | 41 | 322 |

# Notes to the Financial Statements for the Year Ended 31 August 2024

## 4 Charitable activities

| | Education and Adult Day Services | Adult Residential | Total 2024 | Education and Adult Day Services | Adult Residential | Total 2023 |
|---|---|---|---|---|---|---|
| | 2024 | 2024 | | 2023 | 2023 | |
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Sales within charitable activities | 28,194 | 7,717 | 35,911 | 25,423 | 7,972 | 33,395 |

## 5 Other trading activities

| | Unrestricted funds | Unrestricted funds | Restricted funds | Total |
|---|---|---|---|---|
| | 2024 | 2023 | 2023 | 2023 |
| | £'000 | £'000 | £'000 | £'000 |
| Fundraising events | 90 | 27 | 1 | 28 |
| Trading activity income: other | - | 8 | - | 8 |
| Other trading activities | 90 | 35 | 1 | 36 |

## 6 Investments

| | Unrestricted funds | Unrestricted funds |
|---|---|---|
| | 2024 | 2023 |
| | £'000 | £'000 |
| Dividends | 59 | 58 |
| Interest receivable | 388 | 243 |
| | 447 | 301 |

# Notes to the Financial Statements for the Year Ended 31 August 2024

## 7 Other income

| | Unrestricted funds | Unrestricted funds |
|---|---|---|
| | 2024 | 2023 |
| | £'000 | £'000 |
| Other income | 61 | - |
| LGPS Exit valuation refund | - | 1,758 |
| Insurance proceeds | - | 70 |
| External hires | 70 | 97 |
| | 131 | 1,925 |

The charity was previously an approved employer of the Tyne & Wear Pension Fund.

The Percy Hedley Foundation gave notice to exit the scheme before the prior year end, which triggered a section 75 review and the calculation of an exit valuation. This was performed by AON and on the 16 May 2024, the charity received notice that the exit valuation would result in a repayment to the value of £1,758k. This was included in other income and accrued income in the 2023 accounts.

## 8 Charitable activities

| | Educational adult day services | Adult residential | Total 2024 | Educational adult day services | Adult residential | Total 2023 |
|---|---|---|---|---|---|---|
| | 2024 | 2024 | | 2023 | 2023 | |
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Staff costs | 19,549 | 6,137 | 25,686 | 18,712 | 6,238 | 24,950 |
| Direct charitable costs | 4,008 | 1,029 | 5,037 | 3,633 | 1,312 | 4,945 |
| | 23,557 | 7,166 | 30,723 | 22,345 | 7,550 | 29,895 |
| Share of support costs (see note 9) | 4,484 | 1,419 | 5,903 | 4,310 | 1,326 | 5,636 |
| Share of governance costs (see note 9) | 122 | 4 | 126 | - | 111 | 111 |
| | 28,163 | 8,589 | 36,752 | 26,655 | 8,987 | 35,642 |
| **Analysis by fund** | | | | | | |
| Unrestricted funds | 28,017 | 8,589 | 36,606 | 26,509 | 8,987 | 35,496 |
| Restricted funds | 146 | - | 146 | 146 | - | 146 |
| | 28,163 | 8,589 | 36,752 | 26,655 | 8,987 | 35,642 |

# Notes to the Financial Statements for the Year Ended 31 August 2024

## 9 Support costs

| | Support costs £'000 | Governance costs £'000 | 2024 £'000 | Support costs £'000 | Governance costs £'000 | 2023 £'000 |
|---|---|---|---|---|---|---|
| Staff costs | 3,569 | - | 3,569 | 2,975 | - | 2,975 |
| Depreciation | 1,485 | - | 1,485 | 1,349 | - | 1,349 |
| Professional costs | 145 | - | 145 | 369 | - | 369 |
| Other direct costs | 22 | - | 22 | 175 | - | 175 |
| Facilities cost | 6 | - | 6 | 26 | - | 26 |
| IT costs | 515 | - | 515 | 548 | - | 548 |
| Maintenance costs | 67 | - | 67 | 29 | - | 29 |
| Interest | 94 | - | 94 | 165 | - | 165 |
| Audit fees | - | 19 | 19 | - | 18 | 18 |
| Legal and professional | - | 107 | 107 | - | 93 | 93 |
| | 5,903 | 126 | 6,029 | 5,636 | 111 | 5,747 |
| Analysed between | | | | | | |
| Charitable activities | 5,903 | 126 | 6,029 | 5,636 | 111 | 5,747 |

Governance costs includes payments to the auditors of £19,500 (2023- £18,000) for audit fees.

## 10 Trustees

None of the trustees (or any persons connected with them) received any remuneration or benefits from the charity during the year.

# Notes to the Financial Statements for the Year Ended 31 August 2024

## 11 Employees

The average monthly number of employees during the year was:

| | 2024 Number | 2023 Number |
|---|---|---|
| Direct staff | 797 | 764 |
| Admin and Support | 187 | 136 |
| Management | 6 | 5 |
| Total | 990 | 905 |

| Employment costs | 2024 £'000 | 2023 £'000 |
|---|---|---|
| Wages and salaries | 25,180 | 24,285 |
| Social security costs | 2,085 | 1,810 |
| Other pension costs | 1,990 | 1,830 |
| | 29,255 | 27,925 |

The total employee benefits of the key management personnel of the charity were £1,070,738 (2023 - £844,269).

The number of employees whose annual remuneration was more than £60,000 is as follows:

| | 2024 Number | 2023 Number |
|---|---|---|
| £60,001-£70,000 | 7 | 3 |
| £70,001- £80,000 | 4 | 2 |
| £80,001-£90,000 | 2 | - |
| £90,001-£100,000 | 1 | - |
| £100,001- £110,000 | 3 | 1 |
| £110,001 - £120,000 | 1 | - |
| £160,001 - £170,000 | 1 | - |

# Notes to the Financial Statements for the Year Ended 31 August 2024

## 12 Net gains/(losses) on investments

| | Unrestricted funds | Unrestricted funds |
|---|---|---|
| | 2024 | 2023 |
| | £'000 | £'000 |
| Gain/(loss) on sale of investments | 325 | (64) |

## 13 Taxation

The charity is exempt from tax on income and gains falling within section 505 of the Taxes Act 1988 or section 252 of the Taxationof Chargeable Gains Act 1992 to the extent that these are applied to its charitable objects.

# Notes to the Financial Statements for the Year Ended 31 August 2024

## 14 Tangible fixed assets

| | Freehold land and buildings | Leasehold land and buildings | Fixtures and fittings | Equipment, therapy, office and computer equipment | Motor vehicles | Total |
|---|---|---|---|---|---|---|
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| **Cost** | | | | | | |
| At 1 September 2023 | 2,725 | 22,158 | 1,902 | 2,704 | 468 | 29,957 |
| Additions | - | 582 | 189 | 183 | - | 954 |
| At 31 August 2024 | 2,725 | 22,740 | 2,091 | 2,887 | 468 | 30,911 |
| **Depreciation and impairment** | | | | | | |
| At 1 September 2023 | 1,014 | 7,444 | 1,422 | 2,154 | 386 | 12,420 |
| Depreciation charged in the year | 23 | 950 | 156 | 329 | 27 | 1,485 |
| At 31 August 2024 | 1,037 | 8,394 | 1,578 | 2,483 | 413 | 13,905 |
| **Carrying amount** | | | | | | |
| At 31 August 2024 | 1,688 | 14,346 | 513 | 404 | 55 | 17,006 |
| At 31 August 2023 | 1,711 | 14,715 | 480 | 550 | 82 | 17,538 |

# Notes to the Financial Statements for the Year Ended 31 August 2024

## 15 Fixed asset investments

| | Listed investments £'000 |
|---|---|
| **Cost or valuation** | |
| At 1 September 2023 | 2,955 |
| Additions | 534 |
| Valuation changes | 325 |
| Disposals | (438) |
| At 31 August 2024 | 3,376 |
| **Carrying amount** | |
| At 31 August 2024 | 3,376 |
| At 31 August 2023 | 2,955 |

**Fixed asset investments revalued**

The historical cost of listed investments at 31 August 2024 is £2,872,966 (2023: £2,825,619).

The Charity SORP requires disclosure of any individual investment of more than 5% of the total portfolio value. The charity holds the following investments with a value of more than 5%:

- Treasury 5/8% bonds 31/07/2025 £119,430
- SPDR series trust S&P 500 ETF (GBP) £80,798
- ISHARES PLC Physical Gold ETC (GBP) £103,796
- Vanguard Funds Plc S&P 500 UCITS ETF USD £129,482
- ISHARES Core S&P 500 ucits ETF USD £104,150

## 16 Debtors

| | 2024 £'000 | 2023 £'000 |
|---|---|---|
| **Amounts falling due within one year:** | | |
| Trade debtors | 2,178 | 2,432 |
| Other debtors | 57 | 25 |
| Prepayments and accrued income | 828 | 2,203 |
| | 3,063 | 4,660 |

Trade debtors includes a bad debt provision of £954,212 (2023: £1,698,852).

Prepayments and accrued income in 2023 includes the LGPS exit valuation refund.

# Notes to the Financial Statements for the Year Ended 31 August 2024

## 17 Loans and overdrafts

| | 2024 £'000 | 2023 £'000 |
|---|---|---|
| Bank loans | 1,747 | 1,920 |
| Payable within one year | 182 | 173 |
| Payable after one year | 1,565 | 1,747 |

The Foundation has a single loan with Barclays Bank plc which was renegotiated In July 2022 and is secured by way of a legal charge over the property at Station Road Forest Hall Newcastle Upon Tyne, West Lane Killingworth Newcastle Upon Tyne, Great North Road Jesmond Newcastle Upon Tyne all in favour of Barclays Bank plc and a Debenture granted by The Percy Hedley Foundation in favour of Barclays Bank plc. The loan is due for repayment by July 2027 with interest charged at 5.01% per annum. The ratio of the loan to the value of assets secured is 13%.

## 18 Creditors: amounts falling due within one year

| | Notes | 2024 £'000 | 2023 £'000 |
|---|---|---|---|
| Bank loans | 17 | 182 | 173 |
| Other taxation and social security | | 626 | 430 |
| Deferred income | 21 | 1,832 | 1,471 |
| Trade creditors | | 1,018 | 1,069 |
| Other creditors | | 304 | 246 |
| Accruals and deferred income | | 823 | 1,472 |
| | | 4,785 | 4,861 |

## 19 Creditors: amounts falling due after more than one year

| | Notes | 2024 £'000 | 2023 £'000 |
|---|---|---|---|
| Bank loans | 17 | 1,565 | 1,747 |

**Provisions for liabilities**

| | Notes | 2024 £'000 | 2023 £'000 |
|---|---|---|---|
| Retirement benefit obligations | 22 | 4,305 | 5,400 |
| | | 4,305 | 5,400 |

# Notes to the Financial Statements for the Year Ended 31 August 2024

## 21 Deferred income

| | 2024<br>£'000 | 2023<br>£'000 |
|---|---|---|
| Other deferred income | 1,832 | 1,471 |

Deferred income is included in the financial statements as follows:

| | 2024<br>£'000 | 2023<br>£'000 |
|---|---|---|
| Deferred income is included within: | | |
| Current liabilities | 1,832 | 1,471 |
| | | |
| Movements in the year: | | |
| Deferred income at 1 September 2023 | 1,471 | 1,149 |
| Released from previous periods | (1,471) | (1,149) |
| Resources deferred in the year | 1,832 | 1,471 |
| Deferred income at 31 August 2024 | 1,832 | 1,471 |

## 22 Retirement benefit schemes

**Defined contribution schemes**

The charity operates two defined contribution pension scheme for all qualifying employees. The assets of the scheme are held separately from those of the charity in an independently administered fund with AEGON and Peoples Pension.

The charge to profit or loss in respect of defined contribution schemes was £1,990k (2023 - £1,830k).

# Notes to the Financial Statements for the Year Ended 31 August 2024

**22 Retirement benefit schemes** **(Continued)**

**Defined benefit schemes**

The two defined benefit pension schemes are: The Teachers' Pension Scheme England and Wales ("TPS"); and the Percy Hedley Pension Scheme ("PHPS"). The PHPS was closed to new members in 2012.

**Percy Hedley Pension Scheme**

The PHPS is a funded defined benefit pension scheme, with the assets held in separate trustee administered funds. The total contribution made for the year ended 31 August 2024 was £544,000 (2023 - £567,000), of which employer's contributions totalled £487,000 (2023 - £503,000) and employees' contributions totalled £57,000 (2023 - £64,000).

The pensions cost is assessed every three years in accordance with the advice of a qualified independent actuary. The assumptions and other data that have the most significant effect on the determination of the contribution levels are as follows:

- Latest actuarial valuation: 31 March 2022
- Annuity rate of interest: 2.3%
- Discount rate: 4.05%
- Fair value of assets at date of last valuation: £27.6 million
- Present value of liabilities at date of the valuation: £35.1 million
- Life expectancy at age 65: men - 21.9 years, women - 24.3 years
- Life expectancy at age 65 for members currently aged 45: men - 23.2 years, women - 25.7 years

The date of the most recent comprehensive actuarial valuation was 31 March 2022. The group operates a defined benefit scheme in the UK. A full actuarial valuation of the Percy Hedley Pension Scheme was carried out as at 31 March 2022 and the results of this valuation have been updated to 31 August 2024 by a qualified independent actuary. As required by FRS 102 the defined benefit liabilities have been measured using the projected unit method. The scheme is closed to new entrants and further benefit accrual.

| | 2024<br>% | 2023<br>% |
|---|---|---|
| Discount rate | 4.8 | 5.1 |
| Expected rate of increase of pensions in payment | 3.25 | 3.55 |
| Expected rate of salary increases | 2.55 | 2.85 |

*Mortality assumptions*

The assumed life expectations on retirement at age 65 are:

| | 2024<br>Years | 2023<br>Years |
|---|---|---|
| Retiring today | | |
| - Males | 21 | 21 |
| - Females | 24 | 24 |
| Retiring in 20 years | | |
| - Males | 23 | 23 |
| - Females | 25 | 25 |

# Notes to the Financial Statements for the Year Ended 31 August 2024

**22 Retirement benefit schemes** **(Continued)**

Amounts recognised in the income statement:

| | 2024 £'000 | 2023 £'000 |
|---|---|---|
| Net interest on defined benefit liability/(asset) | 267 | 237 |
| Other costs and income | 138 | 194 |
| Total costs | 405 | 431 |

Amounts taken to other comprehensive income:

| | 2024 £'000 | 2023 £'000 |
|---|---|---|
| Actual return on scheme assets | (1,905) | 2,714 |
| Less: calculated interest element | 942 | 930 |
| Return on scheme assets excluding interest income | (963) | 3,644 |
| Actuarial changes related to obligations | 703 | (4,086) |

The amounts included in the statement of financial position arising from the charity's obligations in respect of defined benefit plans are as follows:

| | 2024 £'000 | 2023 £'000 |
|---|---|---|
| Present value of defined benefit obligations | 24,437 | 24,132 |
| Fair value of plan assets | (20,132) | (18,732) |
| Deficit in scheme | 4,305 | 5,400 |

Movements in the present value of defined benefit obligations:

| | 2024 £'000 |
|---|---|
| Liabilities at 1 September 2023 | 24,132 |
| Past service cost | 138 |
| Plan introductions, changes, curtailments and settlements | (752) |
| Benefits paid | (1,050) |
| Contributions from scheme members | 57 |
| Actuarial gains and losses | 703 |
| Interest cost | 1,209 |
| At 31 August 2024 | 24,437 |

# Notes to the Financial Statements for the Year Ended 31 August 2024

**22 Retirement benefit schemes** **(Continued)**

The defined benefit obligations arise from plans funded as follows:

| | 2024<br>£'000 |
|---|---|
| Wholly unfunded obligations | - |
| Wholly or partly funded obligations | 24,437 |
| | 24,437 |

Movements in the fair value of plan assets:

| | 2024<br>£'000 |
|---|---|
| Fair value of assets at 1 September 2023 | 18,732 |
| Interest income | 942 |
| Return on plan assets (excluding amounts included in net interest) | 963 |
| Benefits paid | (1,050) |
| Contributions by the employer | 488 |
| Contributions by scheme members | 57 |
| At 31 August 2024 | 20,132 |

The fair value of plan assets at the reporting period end was as follows:

| | 2024<br>£'000 | 2023<br>£'000 |
|---|---|---|
| Equity instruments | 96 | 3 |
| Property | 20,036 | 18,729 |
| | 20,132 | 18,732 |

# Notes to the Financial Statements for the Year Ended 31 August 2024

**22 Retirement benefit schemes** **(Continued)**

**Other long term benefits**
**Teachers' Pension Scheme**

**Introduction**

The Teachers' Pension Scheme (TPS) is a statutory, contributory, defined benefit scheme, governed by the Teachers' Pension Scheme Regulations 2014. Membership is automatic for teachers andlecturers. All teachers and lecturers are able to opt out of the TPS following enrolment.

The TPS is an unfunded scheme to which both the member and the employer make contributions, as a percentage of salary. These contributions are credited to the Exchequer. Retirement and other pension benefits are paid by public funds provided by Parliament.

**Valuation of the Teachers' Pension Scheme**

The Government Actuary, using normal actuarial principles, conducts a formal actuarial review of the TPS in accordance with the Public Service Pensions, (Valuations and Employer Cost Cap) Directions 2014 published by HM Treasury every 4 years. The aim of the review is to specify the level of future contributions. Actuarial scheme valuations are dependent on assumptions about the value of future costs, design of benefits and many other factors. The latest actuarial valuation of the TPS was carried out as at 31 March 2020. The valuation report was published by the Department for Education on 30 October 2023.

Scheme Changes

In December 2018, the Court of Appeal held that transitional protection provisions contained in the reformed judicial and firefighter pension schemes, introduced as part of public service pension reforms in 2015, gave rise to direct age discrimination and were therefore unlawful. The Supreme Court, in a decision made in June 2019, rejected the Government's application for permission to appeal the Court of Appeal's ruling and subsequently referred the case to an Employment Tribunal to determine a remedy which will need to be offered to those members of the two schemes who were subject of the age discrimination.

The key elements of the valuation and subsequent consultation are:

- employer contribution rates set at 28.68% of pensionable pay (including a 0.08% employer administration charge)
- total scheme liabilities (pensions currently in payment and the estimated cost of future benefits) forservice to the effective date of £262,000 million, and notional assets (estimated future contributions together with the notional investments held at the valuation date) of £222,200 million giving a notional past service deficit of £39,800 million.
- the SCAPE discount rate, set by HMT, is used to determine the notional investment return. The current SCAPE rate is 1.7% above the rate of CPI and is based on the Office for Budget Responsibility's forecast for long-term GDP growth.

The next valuation result is due to be implemented from 1 April 2024.

The employer's pension costs paid to TPS in the period amounted to £529,000 (2023 - £529,000)

# Notes to the Financial Statements for the Year Ended 31 August 2024

## 23 Restricted funds

The income funds of the charity include restricted funds comprising the following unexpended balances of donations and grants held on trust for specific purposes:

| | Balance at 1 September 2022 | Movement in funds: Incoming resources | Movement in funds: Resources expended | Movement in funds: Transfers | Balance at 1 September 2023 | Movement in funds: Incoming resources | Movement in funds: Resources expended | Balance at 31 August 2024 |
|---|---|---|---|---|---|---|---|---|
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Education | 654 | 33 | (142) | (505) | 40 | 142 | (115) | 67 |
| Adult Day Services | 24 | 9 | (2) | (25) | 6 | - | (6) | - |
| Central | 35 | - | - | (35) | - | - | - | - |
| Adult residential | 32 | - | (2) | - | 30 | 2 | (25) | 7 |
| | 745 | 42 | (146) | (565) | 76 | 144 | (146) | 74 |

**Education**
Percy Hedley School, Northern Counties School and Percy Hedley college receive income from the Education Skills Funding Agency (ESFA) towards the education of our children and young people including grants that are set aside specifically for new sports equipment and for building maintenance improvements.

We also receive donations from Fundraising and Legacies that are restricted to a specific site or specific purpose. EG: a large legacy donation was received in May 2022 for use at our Northern Counties site.

**Adult Day Services**
Donations from IMUSE and Heritage Funds for use at Hedley's Horizons.

**Adult Residential**
Various small donations for use in our Residential Services.

# Notes to the Financial Statements for the Year Ended 31 August 2024

## 24 Analysis of net assets between funds

| | Unrestricted funds 2024 £'000 | Restricted funds 2024 £'000 | Total 2024 £'000 | Unrestricted funds 2023 £'000 | Restricted funds 2023 £'000 | Total 2023 £'000 |
|---|---|---|---|---|---|---|
| Fund balances at 31 August 2024 are represented by: | | | | | | |
| Tangible assets | 17,006 | - | 17,006 | 17,538 | - | 17,538 |
| Investments | 3,376 | - | 3,376 | 2,955 | - | 2,955 |
| Current assets/(liabilities) | 9,415 | 74 | 9,489 | 8,946 | 76 | 9,022 |
| Long term liabilities | (1,565) | - | (1,565) | (1,747) | - | (1,747) |
| Provisionsand pensions | (4,305) | - | (4,305) | (5,400) | - | (5,400) |
| | 23,927 | 74 | 24,001 | 22,292 | 76 | 22,368 |

## 25 Operating lease commitments

At the reporting end date the charity had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

| | 2024 £'000 | 2023 £'000 |
|---|---|---|
| Within one year | 47 | 47 |
| Between two and five years | 81 | 108 |
| In over five years | 465 | 486 |
| | 593 | 641 |

## 26 Capital commitments

| | 2024 £'000 | 2023 £'000 |
|---|---|---|
| At 31 August 2024 the charity had capital commitments as follows: | | |
| Contracted for but not provided in the financial statements: | | |
| Acquisition of property, plant and equipment | 34 | 188 |

## 27 Related party transactions

There were no disclosable related party transactions during the year (2023 - none).

# Notes to the Financial Statements for the Year Ended 31 August 2024

## 24 Analysis of net assets between funds

| | Unrestricted funds 2024 £'000 | Restricted funds 2024 £'000 | Total 2024 £'000 | Unrestricted funds 2023 £'000 | Restricted funds 2023 £'000 | Total 2023 £'000 |
|---|---|---|---|---|---|---|
| Fund balances at 31 August 2024 are represented by: | | | | | | |
| Tangible assets | 17,006 | - | 17,006 | 17,538 | - | 17,538 |
| Investments | 3,376 | - | 3,376 | 2,955 | - | 2,955 |
| Current assets/(liabilities) | 9,415 | 74 | 9,489 | 8,946 | 76 | 9,022 |
| Long term liabilities | (1,565) | - | (1,565) | (1,747) | - | (1,747) |
| Provisionsand pensions | (4,305) | - | (4,305) | (5,400) | - | (5,400) |
| | 23,927 | 74 | 24,001 | 22,292 | 76 | 22,368 |

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| Acquisition of property, plant and equipment | 34 | 188 |

## 27 Related party transactions

There were no disclosable related party transactions during the year (2023 - none).

# Notes to the Financial Statements for the Year Ended 31 August 2024

**28 Cash generated from operations**

| | 2024 £'000 | 2023 £'000 |
|---|---|---|
| Surplus for the year | 538 | 273 |
| Adjustments for: | | |
| Investment income recognised in statement of financial activities | (447) | (301) |
| (Gain)/loss on disposal of investments | (325) | 64 |
| Depreciation and impairment of tangible fixed assets | 1,485 | 1,351 |
| Difference between pension charge and cash contributions | - | (72) |
| Movements in working capital: | | |
| Decrease in debtors | 1,597 | 1,421 |
| (Decrease)/increase in creditors | (446) | 15 |
| Increase in deferred income | 361 | 322 |
| **Cash generated from operations** | 2,763 | 3,073 |

**29 Analysis of changes in net funds**

| | At 1 September 2023 £'000 | Cash flows £'000 | At 31 August 2024 £'000 |
|---|---|---|---|
| Cash at bank and in hand | 9,223 | 1,988 | 11,211 |
| Loans falling due within one year | (173) | (9) | (182) |
| Loans falling due after more than one year | (1,747) | 182 | (1,565) |
| | 7,303 | 2,161 | 9,464 |

**THE PERCY HEDLEY FOUNDATION**

England & Wales - Charity number 515943

# Accounts



Percy Hedley
FOUNDATION

# Annual Report & Accounts 2022/2023

## Year ended 31 August 2023





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# Who We Are

## The Percy Hedley Foundation is a charity dedicated to improving the every day lives of people with disabilities.

We want to help people with disabilities to live their best lives. We are driven by our vision for a world in which people with disabilities can realise their potential as equal and active citizens in control of their lives. This sits at the heart of everything we do. All of this is underpinned by both our passion to enrich people's lives and by our moral and statutory responsibilities.

We get to work with extraordinary people every day. Some of our students, residents and service users have challenging needs and they and their families are an inspiration to us every day. Our commitment as a charity is simple, but one we do not take lightly. Some of our students, residents and service users have very complex needs and to enable them to live their best lives and reach their full potential, we need the best team, special facilities and equipment.

## Our Vision

**Inspire, Believe, Achieve**

## Our Promise

**We put people at the heart of everything we do**

## Our Values



**We continually seek to improve**



**We inspire others**



**We do the right thing**



**We work together. One team, one Foundation**



**People at the heart of everything we do**





# What We Do

We help people develop their abilities, live the life they want and be happy by providing top quality care, education, day services, social enterprise and employment opportunities at our two schools, college, homes, and day service.





### Schools

We are specialist education providers in North Tyneside and Newcastle upon Tyne. We have two schools that offer specialist education for a range of complex physical disabilities and learning difficulties and cater for children and young people aged 3 to 19.



### College

Our college is a specialist further education provider for young people aged 16-25 with a range of learning disabilities. These young people require specialist programmes to develop communication, independence and employability in order to make a successful transition into adulthood.



### Homes

We have four residential homes in Newcastle upon Tyne for people aged 18+. We offer a high standard of specialist person-centred care within a safe, homely environment.



### Day Services

We offer bespoke day service programmes for people with complex disabilities and learning difficulties, where people can continue their day service goals, improve their mental well-being and take part in purposeful activities and enterprise.

# Our Impact

## The Percy Hedley Foundation is a charity dedicated to improving the every day lives of people with disabilities.

We want to help people with disabilities to live their best lives. We are driven by our vision for a world in which people with disabilities can realise their potential as equal and active citizens in control of their lives. This sits at the heart of everything we do. All of this is underpinned by both our passion to enrich people's lives and by our moral and statutory responsibilities.



**1.2 Million**

Hours of special education, lifelong learning, therapy and care



**980**

Employees across the Foundation in 2022/2023



**68**

Residents within our homes



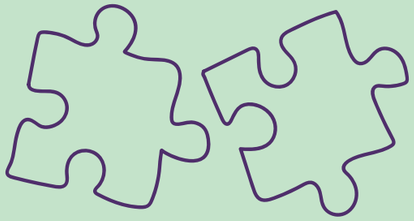
**160**

People accessed lifelong learning through Adult Horizons



**405,840**

Hours of learning across our schools and college



**584**

People with disabilities supported across the Foundation

# Introductory Statement

**So, let us start by saying thank you once more to all our employees and everyone who has been involved in keeping the Foundation strong during the difficult last few years, your resilience and courage has kept so many safe and well.**

Despite adversity the Foundation has continued to do what it does best in providing a place where beneficiaries can inspire, believe, achieve and live their best lives possible.

We would like to take this opportunity to focus on a few areas of the Foundation, which have a particular resonance for us. Developing our ability to actively seek out and hear the voices of the people we support, as well as colleagues, is hugely important, and so it has been a personal pleasure to have been able to visit services regularly throughout the year.

We will also continue in our efforts to build a Foundation wide People Network to achieve our vision that the group can be the game changing voice for employees, beneficiaries and their families. This will mean we are better able to benefit from important insights and challenges.

Not least in our achievements throughout the year has been the work to refresh our corporate strategy - the heart of which is to get even better at improving the lives of everyone we support. This starts with a turnaround phase and witnessing the progress already being made gives us great pride.

We know the leaders of the Foundation want to continue to collaborate and drive ahead with the significant work we have planned. This will set us up for the launch of our three year strategy in 2025.

The focus we have on improving the working lives of our employees will be captured in a new people strategy, and we are pleased that the Foundation was in a position during the year to deliver a significant pay and wellbeing investment.

Let us look forward to the coming year with confidence and a realistic sense of excitement around developments yet to come. However you support the Foundation, whether you are a family member or loved one, a partner, a commissioner or an education and care professional, I hope this report provides you with insight into some of the Foundation's most memorable moments of 2022/2023.

**John Preston**
***Interim CEO***

**Janet Donnelly**
***Chair***






*Martino Lounge partnership*




*Donation to NCS for forest school*



*PHS This Is Me Festival*

**"We are so lucky that we work with this amazing school and feel like we are part of their magic! What a brilliant day with the most amazing people!"**







*College awards & graduation*

**"We are blown away by the talent shown"**



*Hedley's Got Talent*




*Highly Commended Award for Corporate Charity Partnership at North East Charity Awards for Hellens 50 for 50*



#PaintTheToon



Corporate signing sessions



Joe Wicks visits PHS

"The session was brilliant and we can't wait to attend future events!"





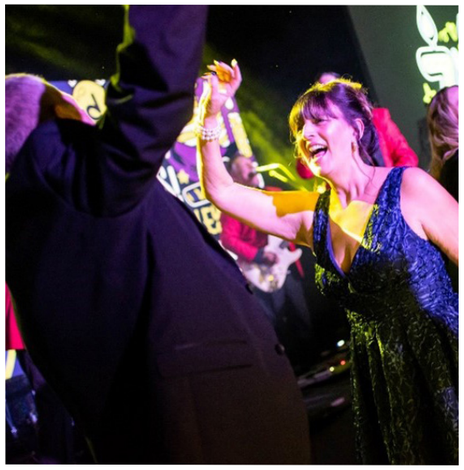


Lord Mayor visits college



Percy Hedley Turns 70

"My favourite night of the year"



Percy Hedley Ball 2023

# Percy Hedley School

**Percy Hedley School (PHS) continues as an outstanding (since 2013) day special school with up to 175 pupils and over 200 staff, located in West Lane, Killingworth. Pupils' needs are complex and they have high levels of need in medical, learning and other therapeutic and educational areas of their development and growth; pupils attend from all over the North East.**

## School Plan and School Evaluation Form (SEF)

The school's priorities this year were to improve personal development, literacy across the curriculum, subject leadership, physical development, and follow through on plans and actions in safeguarding and therapy.

Priorities came from our school SEF, which is a dynamic document in which school leaders look at the service's journey and makes judgements on practice and future direction. Documents are shared with stakeholders such as governors, school improvement partners, senior leaders and the like, and referenced in monthly review meetings upwards.



## Service Improvement Partner

The school has joined its host local authority, North Tyneside Council, Schools' Improvement Service. This service has become our School Improvement Partner (SIP) and has proved very helpful for consultancy, guidance, connectivity and governance. We have a range of partners under this arrangement who make visits, make links, write reports and work with staff. Teachers have also joined subject groups.

## Other Stakeholders

We have an active local advisory committee of governors - a small number of committed colleagues, including two parents and two staff members. One of our parents is also a PHF trustee and we have had trustee visits over the course of the year.








**Have satisfaction rates consistently at 90% and above**




**Up to 175 pupils and over 200 staff**



**Rated Outstanding since 2013**

We have set up a Friends of PHS (FoPHS) which is a fun, dynamic, fundraising and awareness-raising body; the summer fayre is an example of this. We consult with parents and carers regularly over a range of issues and have satisfaction rates consistently at 90% and above.

We use Clennell as a safeguarding training partner, which has proved highly beneficial.

The school sends out three blogs every week: School News, Family Liaison and Online Safety, and continuously explores ways to improve communication including website enhancements.

The school plans to extend its provision and set up an early years service to meet the clear need in the community.

Within our improvement plan for the year ahead we plan to focus to a large part on physical development, leadership in the Foundation subjects particularly, behaviour for learning and preparation for adulthood.

We have invested in additional office and learning spaces throughout the school and this is something that continues to be reviewed every year.

We have had support from parents and others for fundraising and have plans to improve our site for our pupils and staff.

The school continues in its mission of delivering on its key drivers of communication, wellbeing and independence for all, and using our school values of respect, teamwork and resilience as our guiding principles – and school rules! Our vision is for multidisciplinary working to be so effective that our pupils get the best help possible for their additional needs.

PHS welcomes visits, questions, challenge and scrutiny, and aims to improve constantly on its practice, knowledge, skills, experience and relationships with partners. We have recently set up a group with two other schools for improvement, training, monitoring and networking purposes.



# Percy Hedley School

## Ambitions for the year ahead:

- Early years
- Improved website
- Physical development, preparation for adulthood, behaviour for learning, leadership in foundation subjects
- Site improvements for pupil and staff

## What we achieved last year:

- Quality improvement: school plan, site improvements, school improvement partners and other professional links
- Retained Ofsted outstanding status following a no notice inspection in September 2022
- Improved relationship with parents and other partners and stakeholders
- Improved metrics and management information

# Northern Counties School

**Northern Counties School is a day special school with a capacity for up to 91 pupils and over 150 staff, located in Tankerville Terrace, Jesmond. Pupils' needs are complex and high in medical, learning, and other therapeutic and educational areas of their development and growth; pupils attend from all over the North East.**

## School Plan and School Evaluation Form (SEF)

The school's priorities this year were to improve all measurable areas within the Ofsted inspection framework: quality of education, personal development, behaviour and attitudes, leadership and management and safeguarding.

Priorities came from our school SEF, a dynamic document in which school leaders look at the school's journey and judge practice and future direction. We created a detailed School Improvement Plan (SIP) from the evidence within the SEF. Documents are shared with stakeholders such as governors, school improvement partners, senior leaders, and the like and referenced in monthly review meetings upwards.

## Service Improvement Partner

The school appointed an independent school improvement partner in May 2023. They provided independent monitoring and guidance regarding writing our SEF and SIP. They assess and inspect various elements of the school, reporting back to the headteacher and other stakeholders, and advise on the formulation of a plan to gain rapid improvement. Their advice on school improvement has been very insightful, and they provided connectivity and governance for the whole process.

## Other Stakeholders

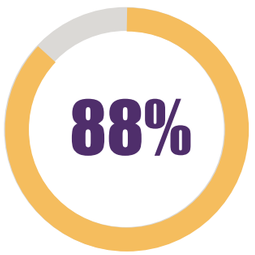
We have an active local advisory committee of governors – which are committed colleagues, including two parents and two staff members. The chair of governors has extensive education knowledge and has worked in many different educational organisations across Newcastle during his career. We have had several governor and trustee monitoring visits over the year.

We have established Friends of NCS, which is strengthening the link between school and families and advising on how to make it more holistic and sustainable. They host the annual summer school picnic.

In the last twelve months, they have helped and advised us on how best to increase our engagement with parents, which has helped to increase our parental satisfaction rates from 73% to 88%.








**Increased parent satisfaction rates from 73% to 88% over the past 12 months**




**Up to 91 pupils**



**On track to achieve Good Ofsted rating in 2023/2024**

We use Clennell as a safeguarding training partner, which has proved highly beneficial and provides excellent supervision and support to our safeguarding team.

The school communicates daily to all parents via a written diary. We produce a half-termly newsletter for each class group, and all parents are invited to visit the school half-termly for various curriculum enrichment events. The headteacher produces a monthly Vlog to keep families, stakeholders, and families informed.

The Foundation has invested heavily in NCS's estate over the last twelve months, creating a fun and modern school.

Within our improvement plan for the year ahead, we will focus on making all areas of teaching and learning outstanding. We are also working on a project to measure the impact of therapies on our learners and monitor the positive outcomes over time.

NCS continues on its journey of school improvement. During the academic year of 2022/2023, we received three positive Ofsted monitoring inspections, each progressively better than the last. We anticipate a full inspection in the academic year of 2023/2024 when we are confident that we will be able to demonstrate significant progress and be judged a good school or better.

As we approach the end of the year, there is enthusiasm across the school, pupils, staff, and parents that 2023/2024 will be a clean start for NCS, full of energy, fun, and progressive learning for all. This is in part achieved because NCS welcomes visits, questions, challenges, and scrutiny and aims to improve constantly on its practice, knowledge, skills, experience, and relationships with partners every day.




# Northern Counties School

## Ambitions for the year ahead:

- The school achieves a good or better Ofsted rating and re-opens admissions for new placements
- All our pupils will achieve above national standards in all areas of learning
- Northern School Counties can grow its student numbers over 12 months
- To evidence the impact of therapies on the positive progress of our learners

## What we achieved last year:

- The majority of pupils made significant progress in all areas of learning
- Investment in the school estate to create new and improved learning and outdoor spaces
- Very high levels of staff engagement and job satisfaction
- Increased engagement with parents and families within our learning community

# Hedleys College

## This year was a year of achievements, awards and a very successful Ofsted for Hedleys College!

Hedleys College welcomed Ofsted in November 2022 for a full inspection. As a college we achieved good in all areas with positive feedback. In our annual report 2021/2022 we detailed the growth of our service and in our Ofsted report it states "Since the previous inspection, leaders have expanded the provision so that more students can benefit from the care and education provided by leaders and staff at the college. Leaders have successfully sustained the quality of education that students receive", a fact we are very proud of, with our students benefitting from a "strong focus on developing students' independence, confidence and self-esteem".

In July 2023 we achieved National Autistic Society (NAS) accreditation which is the UK's only autism-specific quality assurance programme of support and development for all those providing services to autistic people. Achieving accreditation proves that an organisation is committed to understanding autism and setting the standard for autism practice. Autism accreditation is an internationally recognised quality standard.

Our report stated students "enjoy an increasing range of sensory experiences whilst developing regulation strategies to help them avoid sensory overload. Support enables autistic young people to take part in activities which are purposeful and engaging and which promotes their emotional wellbeing and social inclusion. Proactive and preventative strategies are employed to help each autistic individual avoid anxiety or distress and to help them understand and regulate their emotions".

Hedleys College supports sharing of best practice in the sector and is a firm advocate for being part of the specialist college community regionally and nationally. This year we worked with other outstanding rated colleges to allow colleagues to learn from each other, observing practice and bringing back new ideas to develop our provision further.

Hedleys College continues to be an active member of the National Association of Specialist Colleges (Natspec) and each year Natspec recognise a number of colleges in their annual awards.





**Achieved National Autistic Society (NAS) accreditation**

**2**

**Two awards from Natspec**

**Rated Good November 2022**

This year Hedleys College for the first time was successful in two categories – winning Curriculum Innovation of the Year and Innovator of the Year, both being awarded for the Volunteer Police Cadet Programme alongside Northumbria Police which saw our first group of students enrol and graduate from the programme, which is also accessed by attendees in Hedleys Horizons.

We introduced a new role of EHCP and Destinations Manager this year and held our Beyond Education Event in March 2023. The event was to share with our students and their families possible services and destinations post-college. Thirty five exhibitors attended, improving our student outcomes and ensuring we fully support them to achieve their aspirations.






# Hedleys College

## Ambitions for the year ahead:

- Further develop and expand the delivery of our student led disability awareness training
- Develop family sessions supporting student aspirations and destinations post college
- Ensure all students have equal access to enrichment activities to broaden their horizons and raise aspirations

## What we achieved last year:

- Received National Autistic Society (NAS) accreditation quality mark for how we support students with autism
- Won Innovator of the Year at the annual National Association of Specialist Colleges (Natspec) awards
- A full Ofsted inspection in November 2022 graded us as “Good” with very positive feedback in the area of personal development

# Hedleys Horizons Day Services

**As part of the development of Hedleys Horizons our activity leads completed their Award in Education and Training. The course allowed staff to develop their skills to differentiate activities, individualise goals and develop personal interests of our attendees.**

Following the national drive to digitalise social care, all our attendees' support plans are now digital. This ensures updates can happen regularly and be easily shared between all departments and staff. Staff training has been delivered and local authority quality assurance visits over the year have welcomed the change.

Enterprise continues to be a major focus in Horizons and a new enterprise brochure has been developed seeing key products identified in all departments – ceramics, art, horticulture, print, digital and media. Sales are then being reinvested to purchase new equipment and marketing materials. Those involved are gaining skills and have a great sense of achievement from their successes. We received a grant of £2,500 to purchase uniforms for enterprise areas, promoting work skills and pride in their role within Horizons.

Our attendees on our sensory and activity programmes have enjoyed multiple community visits accessing leisure, transport and the local area supporting health and wellbeing, personal interests and new experiences. Visits from community groups such as Animal Antics, Northumbria Police, Jack and Josephine Project, a workshop delivered by the Theatre Royal, Wet Wheels Speed boat trips and canoeing with the Phoenix Youth Project to name a few. Trips away including residentials to Beamsley and Kielder.

Accessible surfing has been a new activity offered this year in partnership with South Shields Surf School and is accessible to all – one attendee this year commented it was the first time they had ever felt the sea. Building on its success, a grant has been achieved to train our own staff as lifeguards to further develop this programme next year.











# Hedleys Horizons Day Services

## Ambitions for the year ahead:

- Further develop and expand the delivery of accessible surfing
- Launch an online sales platform for Handmade by Hedleys enterprise products
- Identify additional space to expand the Horizons offer and meet its demand

## What we achieved last year:

- Delivered accessible surfing sessions, Wet Wheels (speedboat trips) and went on residentials with service users
- Updated technology in our media department
- Appointed a new role of Head of Therapy to develop our therapy provision even further


HANDCRAFTED DENIM CO.
EST. 90 MFG.
JACK&JONES
LTD. DENIM ETN.

# Hedleys Horizons and College Police Cadets

## Hedleys volunteer police cadets, with cadets from Hedleys College and Hedleys Horizons, were this year honoured to be:

- Shortlisted for a British Diversity Award
- Awarded the regional Volunteering in Policing Award
- Awarded the Curriculum Innovation of the Year Award by National Association of Specialist Colleges and the College won Innovator of the Year (Natspec)

Northumbria Police has provided an insight into the profession for young people with complex learning disabilities and communication needs.

The cadets have gained knowledge on anti-social behaviour, mental health and wellbeing, the roles within the police force and have been out on the beat, also representing the force at a number of community events.

Detective Superintendent Claire Wheatley of Northumbria Police said: “We believe that anyone who wants to make a difference should be given the chance.”




**“It is an honour to work alongside our Percy Hedley cadets and give them a taste of policing life. The passion and positive attitude of the cadets have made the first year of the programme a triumph - huge well done to everyone involved.”**

**Claire Wheatley**
Detective Superintendent
Northumbria Police

# Our Homes

### Positive Behaviour Support and Restrictive Practices Focus

Our ambition is to enhance the quality of lives of the people who live in our services and achieve the most progressive support possible. This is underpinned by our quality assurance frameworks so that we can continually improve the support we deliver. In addition, we have started to extend and implement our clinical frameworks into residential services so that we have the highest standard, particularly for those with more complex needs. With our newly recruited Positive Behaviour Support (PBS) lead, we have been able to create a three year combined PBS and restrictive practice strategy which will embed a positive culture of positive behaviour support. This includes:

- Three key projects: governance and quality assurance, quality of delivery and service development and building capacity
- A clear, up to date policy with localised procedures
- An internally created innovative and interactive training module, rolled out to all residential staff
- Co-delivering face to face training to staff with assessment-based work to enhance knowledge
- Reducing restrictive practices across the organisation through new learning, organisational tools, and a clear strategy
- Creating an on-going quality assurance schedule so that we are continuously monitoring services

### Care Management System

In line with the government's set "digital deadline" which stipulated that 80% of care services must be using a digital care planning system by March 2024, we have now successfully demonstrated, implemented and rolled this out within our care provisions. This has not only improved the quality of care delivered within services through better access to information at the point of care but it has significantly improved resource efficiency through improved use of staff resource, overheads, security, GDPR compliance, consumables and has reduced the risks associated with hard copy documents. As highlighted by the Department of Health and Social Care surrounding the imperative move to digitalisation across public services with a single record that is expected to drive common and community led outcomes, the Nourish care management platform will provide the first steps into the potential integration into other systems in the future.

Nourish has not only supported efficiency and safer practices, it has allowed us to create fundamental KPIs that will feed into the management dashboards for heightened oversight of our care provision's performance so that we are able to allocate resource and improve evidence-based decision making both localised and strategically.

### Quality Assurance Framework

Quality within our residential care services is paramount as we ensure our beneficiaries can access care services that are person centred, safe, effective, caring and responsive. The care delivered should be supported by good leadership and management within each service.

We have introduced a new assurance framework guide which sets out the approach that the Foundation will take to ensure our care services provide what our individuals need. The framework underpins key values with one overall goal:

"To deliver the highest quality care and support and ensure that our services are safe."

As mentioned above with a focus on digitalisation, we have now set a range of quality assurance activities scheduled throughout a continuous programme on Care Compliance (a quality compliance tool) which is used to inform service development and improvement. It holds all actions on a single point which can be monitored locally and strategically. The management of this quality assurance system has had a positive effect on services which has been reflected in feedback from external professionals.



**All services rated Good**




**80% digital care planning system**



**New Quality Assurance Framework**



Strategic Report - What We Achieved
Our Homes



# Our Homes

## Next Steps:

**Further digital transformation:**

- Electronic rota system
- Integration of all systems in line with the ICT strategy
- Create more sophisticated ways to report data through MIS systems

**Research, engagement and partnerships:**

- Continue to collaborate with organisations who can support us to exceed in our transformation and come together to achieve highest quality care and support

**Model of care:**

- Continue with the modernisation of our services in line with ‘Right care, right culture, right support’ and ensure that they are fit for the future
- Continue with the framework of PBS and reduce restrictive practice; create a skilled workforce to promote safe and effective environments

# Safeguarding

**Safeguarding continues to be the priority for our services.**

Our Safeguarding Group has placed a range of metrics, under a range of headings, at the forefront of our thinking, and work on those continues on a daily, operational basis. Headings for these metrics include reporting, training, behaviour, health and safety, and actions arising from audits and similar. The Safeguarding Group will now report into the new Quality and Standards Committee, providing a clear line of governance up to the Board. The Board of Trustees has a safeguarding trustee who chairs the Quality and Standards Committee and the educational local advisory committees have safeguarding governors.

One of the most important strategic aspects for the Foundation is for us as a company to be connected to the wider safeguarding community, people and systems. For that reason, sourcing external training providers is a very important aspect of our work, as is being a strong part of a multi-disciplinary partnership in our area – such as working with Departments of Adult Social Services and Departments of Children's Services, the police, local authority officers, health professionals, and relevant others.

Some themes have become apparent over the year from our work, such as the importance of good induction, adherence to our codes of conduct, training compliance, rigorous responses to our health and safety audits, forensic care over medication, dysphagia, the use of agency and our approaches to behavioural presentations. Cross-Foundation approaches to problems such as these, training for relevant staff, learning from experience, and keeping aspects like this firmly on standing agendas are examples of how we have improved practice and will continue to do so with commitment to these principles.

The most important aspect, in our view, is culture and leadership, and these remain the key aspects to address on a constant basis in order to improve practice. Examples of our work here include focus on safer recruitment, training for all stakeholders, and the establishment of a People and Culture Committee to oversee the delivery of our People Strategy. Enhancing employee voice through external companies such as Safecall and HIVE, together with internal actions ie Health and Safety and HR staff "drop-ins", local staff forums, and a Foundation wide people network. During the year there has been a particular focus on enhancing visible leadership from the Executive Team, senior leaders and the trustees.



Strategic Report - What We Achieved Safeguarding

This is combined with improved signposting and promotion of safeguarding, the appointment of a Director of Health and Wellbeing, investment in Positive Behaviour Support (PBS), and greater working relationship with external organisations and consultants.

Changes will be made to the Safeguarding Group as it continues to evolve, and changes will be made to the leadership of safeguarding across the company, as the Interim CEO and Executive Team's vision and plans continue to be rolled out and implemented across the Foundation.

Our therapists are members of professional organisations such as the Royal College of Speech and Language Therapy, the Royal College of Occupational Therapists and the Chartered Society of Physiotherapy; this also increases safety.

Safeguarding remains present in risk registers at service and company level, and should continue to do so, for our beneficiaries, staff and other stakeholders.

**Ewen Weir,**
Safeguarding Trustee

**Charlotte Jones,**
Director of Health and Wellbeing

**John Steward,**
Director of Education







# Our People

The Foundation cannot provide the quality of services it does without highly skilled, talented and committed staff. Our staff are our most valuable asset and retaining and recruiting those quality employees is critical to the survival and growth of the charity.

Coming out of the pandemic into facing the pressures of the rising cost of living has seen a growing shortage of skilled staff across the UK, especially in the care and health sector. Percy Hedley, like other care and specialist education organisations, experienced staff shortages during the period and as part of assertive actions there was a review of pay structures and benefits. Alongside the suite of support measures already in place, such as retention and referral payments, death in service life assurance, eye care and discount schemes, two new schemes, hardship loans and “smartech” were introduced to offer staff alternative options when faced with large bills. The operational, recruitment and communication teams worked tirelessly to ensure recruitment campaigns were attracting talented and committed staff and also held and attended a number of careers fairs and open days, working together with local Job Centres, colleges and universities. The combination of all this activity meant that the Foundation was able to continue to deliver services during some of the toughest times for the sector.



Strategic Report - What We Achieved
Our People

The charity has 980 staff (as of 31 August 2023), many of whom are part-time or term-time staff, representative of and drawn from the surrounding local communities, with 7.2% declared as non-white British or black and minority ethnic. The gender split is 79.4% female and 20.6% male.

All staff are represented through Joint Negotiating Consultative Committee with five trade unions, a Foundation wide People Network and local staff forums. The Foundation also committed to having wellbeing co-ordinator roles across its operational teams and a speak-up guardian in place alongside the Foundation’s whistleblowing policy and procedures – all aimed at giving employees a voice and encouraging them to raise any concerns they may have.

Directors and trustees engage with staff through the governance structure with the Executive Team having delegated responsibilities for the operational aspect of the Foundation’s activities. The charity has a trustee led People and Culture Committee within its governance arrangements.

We operate an equality and diversity policy in respect of all employees and prospective employees. We maintain fair employment practices in the recruitment, selection, retention and training of all staff. All staff are subject to necessary Disclosure and Barring Service (DBS) checks and safeguarding training.

The Foundation is committed to staff training, development and induction. It continued to be extremely difficult to release staff for training in the period but despite this over 750 face to face training hours were provided – over 1535 attendances on face to face training sessions.

The Foundation remains committed to being an organisation that provides opportunities for staff to receive the training they need to carry out their role and also to be able to progress their careers within the Foundation. This year there are 4 staff completing postgraduate studies and coaching and mentoring support has also been put in place through a nationally acclaimed external provider. There are 22 apprentices enrolled on apprenticeship qualifications. Funding was also provided by the Foundation to offer 5 new apprentice roles across a number of teams.

The Foundation has an open policy in seeking and encouraging staff views through local and Foundation wide groups. There is also a comprehensive Foundation wide staff survey conducted by an external company and in April 2023 65% of the workforce participated. The results reflected that staff take pride in their work and their role within the organisation. It also gave us great insight to areas to nurture and areas to develop.

**Ambitions for the year ahead include:**

- Commence accreditation to Better Health at Work Award
- Improve equality diversity and inclusion
- Achieve Good Work Pledge
- Continue to focus on employee voice
- Continued improvement in our recruitment, retention and engagement performance

# Fundraising

## The Percy Hedley community continues to support us during challenging economic times.

Though much of the charity's income is from statutory sources, we are dependent on fundraising to help fund our specialist facilities and to enhance the resources and experiences for those who depend on what we provide.

We know that the support from people and organisations is vital to enable us to meet the growing need for our services and we are deeply grateful for the enormous generosity of all of our supporters, who enabled us to fundraise and raise £350,094 (gross income) during 2022/2023.

Here are a few examples of how we were supported during the year:

### Hellens Group 50 for 50 campaign

Hellens Group set a target to raise £50,000 for The Percy Hedley Foundation by February 2022 to mark their 50th anniversary. They raised a huge £64,415 through a series of events, including a ladies' lunch, golf day, and a garden party. The money raised is providing the Foundation with a second sensory modulation and rebound therapy suite to develop pupils' physical health and wellbeing, through activities tailored to their needs. The campaign was shortlisted for a North East Charity Award.

### Great North Run

77 runners joined Team Percy Hedley and raised a grand total of £18,238 for the Foundation by completing the landmark half marathon, the Great North Run.

### 70th Birthday Percy Hedley Ball

The Foundation celebrated its 70th birthday in style through a fundraising ball with almost 300 guests, whose generosity helped us raise £71,221.

### Growing Our Community

One of our areas of focus during the year was to tell our story and increase the number of people that know about the Foundation and our impact. During the year we saw:

- 38% increase in subscribers to our e-newsletter
- Increased social media following:
  - Facebook - 8.7%
  - Instagram - 21.5%
  - LinkedIn - 69.3%
- 2,265 posts across our social channels and 2,391,645 impressions across our channels
- 43.12% increase in sessions on our website



Strategic Report - What We Achieved Fundraising

### Fundraising Practices

We have high standards about how we fundraise, communicate with supporters and the public as set out in our Supporter Promise. Fundraising activities are carried out in accordance with the Code of Fundraising Practice and we comply with the law as it applies to charities and fundraising.

We have a Customer Relationship Management (CRM) database in place to support our fundraising oversight, ongoing adherence to General Data Protection Regulation (GDPR), financial record keeping, monitoring and evaluation. In 2022/2023 there were no compliance issues raised about our fundraising by the Charity Commission, Fundraising Regulator, or Information Commissioner's Office.

In 2022/2023 we did not engage any professional fundraisers or commercial participators, for example face to face or door to door fundraisers. Our complaints process is clear and easily accessible. Complaints received are recorded and investigated in line with the charity's complaints policy. In 2022/2023, there were no complaints about fundraising activities carried out by the charity or someone on behalf of the charity.

We make it as easy as possible for people to contact us to opt out of receiving communications from us, or to change the method of communication.








**Thank you for your support**

The Percy Hedley Foundation is grateful to all the people and organisations that have supported the charity. Together we have made a huge difference to the lives of young people with complex disabilities. We need to meet the growing demand for our specialist support, and ensure we have the right specialist facilities and opportunities and experiences that enable our beneficiaries to live life to the full. By raising awareness of the impact of our work, by working closely with supporters and by engaging new ones, we will strive to achieve this.

The Foundation would like to express its sincere thanks to all of its supporters throughout the year.

**Ambitions for the year ahead:**

- Launch Growth Strategy
- Implement a new Corporate Approach focused on building meaningful partnerships with organisations aligned to the Foundation's values
- Develop new residential services
- Increase public awareness of the Foundation, its work and impact
- Develop and grow the supporter database and the provision of a supporter engagement first approach to fundraising
- Grow our community of stakeholders, building engagement and support and deepening our understanding of the issues affecting disabled people

**What we achieved last year:**

- Launched a new, accessible website which resulted in increased website sessions by 43.1%
- Grown our network of supporters by over 50%
- 2,391,645 impressions across our social media channels



# Our Future Plans – Stability and Growth

The Foundation has come out of this difficult period stronger, more focused and ready to develop and grow. It is fitting that in our 70th year we launched the corporate strategy aiming to make us fit for the future, building firm foundations on which we will grow. Despite challenges ahead we will always remain focused on delivering the Foundation's vision and ambitions for years to come when making decisions. Percy Hedley has ambitious plans to grow and provide care, support and specialist learning to more young people and adults while protecting and maintaining the quality of our existing services with highly skilled and committed staff.

The need for the Foundation's specialist services continues to rise. The total number of children and young people with Education, Health and Care (EHC) plans has continued to increase, up 9% from 2022, according to national statistics published June 2023.

At the forefront of our plans is better use of technology through the renewal of our IT strategy. We have a clearer focus on ensuring that the charity is digitally enabled and able to embrace innovations into what we do each and every day.

We have established a Transformation Advisory Group with leaders from across the Foundation focused on prioritising technology projects that will make a difference to how we deliver services. Our residential teams have already embraced their change programme which includes the implementation of the Nourish care management platform; the immediate impact on the care we provide is clear. The platform is expected to transform the way support is delivered and in due course will also capture the achievements of the people we support. This work allows the Foundation to demonstrate to local authorities and commissioners that the Foundation is investing for its future.

Our growth strategy is to be able to launch new services within two years that will help us educate the youngest in society whilst building new services that enable people with learning disabilities to live independently in their own homes.





# Principal Risks and Uncertainties

**The Foundation's Board of Trustees is responsible for ensuring that effective and adequate risk management and internal quality control systems are in place to identify and manage the key risks to the charity.**

The Executive Team and Board of Trustees are responsible for overseeing the risk management process. This involves a consistent approach to identifying, assessing and mitigating the risks facing our charity to ensure they do not exceed the level of risk we are willing to accept. It is designed to manage, rather than eliminate, the risks to our charitable objectives and provide reasonable assurance against material risks.

**The processes in place regarding risk management include:**

- Audit and Risk Committee which considers and reviews the top strategic risks
- A comprehensive Board assurance and quality assurance framework
- A risk policy and procedure whereby risks are regularly reviewed by the senior management team and documented in a risk register combined with clear risk appetite statements which set out risk tolerance levels

**Our risk profile going forward:**

We continued to face several ongoing risks in key areas over the period and challenges to secure appropriate levels of fee settlements from local authorities at levels that allow us to maintain services. The potential risks associated with this include:

- Retention and recruitment of social care and therapy staff, in particular, when faced with increasing competition from other sectors such as retail and the NHS
- Balancing budgets to meet salary pressures whilst also maintaining IT, information security and estates capital development programmes across the portfolio
- Addressing concerns associated with operating a school in special measures, addressing the shortcomings identified by the regulator and the financial impact this has had on the charity
- Maintaining existing and developing new high quality services that meet the needs of commissioners and service users



# Structure, Governance and Management

The Percy Hedley Foundation was founded in 1953 and is a charity registered in England and Wales (Charity Commission registration number 515943), and a company limited by guarantee (registered in England, company number 01855026).

The charity is governed by its Articles of Association incorporated on 12 October 1984, adopted on 1 November 2005, and last amended on 8 November 2014. Northern Counties School, now an integrated part of the Foundation as a result of the merger in October 2005, was founded in 1838.

The Foundation abides by the Charity Governance Code for larger charities, which sets the principles and recommended practice for good governance. The Foundation is led and governed by a Board of Trustees.

The trustees are volunteers who give their time freely and do not receive any financial benefits or emoluments from the charity. Any expenses claimed are set out in note 11 to the accounts.

The trustees have full legal responsibility for the actions of the Foundation. Trustees are appointed for a three-year term, after which they are eligible for re-appointment.

Trustees are directors of the company for the purposes of the Companies Act 2006, and each trustee agrees to contribute £1 in the event of the charity winding up.

The trustees bring a range of skills, competence, and experience to the charity in accordance with the Board competency assessment framework, which is designed to ensure the Board reflects the breadth of the Foundation's work and Board responsibilities. We seek new trustees who can fulfil areas of competency required, as identified by the framework.

Trustees in office during the year, and at the date of signing these financial statements, are set out on page 59.

**Public Benefit Statement**

In accordance with Section 17 of the Charities Act 2011, the trustees have due regard to the Charity Commission's general guidance on public benefit and are confident that the services delivered meet public benefit requirements now and into the future, as demonstrated throughout this report.



**Organisational Structure and Decision Making**

The Board of Trustees is responsible for the governance and strategy of the Foundation, ensuring that the charity is solvent, properly run and delivers its charitable purpose.

The Board of Trustees delegates the day-to-day responsibility for running the Foundation and delivery of strategy to the Executive Team, led by the Interim Chief Executive Officer.

The Executive Team has delegated authority, within the terms of delegation approved by the trustees for operational matters including finance, employment and the sound running of the Foundation's services.

The Board of Trustees meets at least four times per year and delegates specific responsibilities and activities to various sub committees including Finance, Audit and Risk, People and Culture, Quality and Standards, and Nomination and Remuneration. This is in addition to the local advisory committees for Percy Hedley School, Northern Counties School and Hedleys College.

**Our Board and Committee Structure**

Board and sub committee meetings are held in accordance with an annual schedule aligned to the business cycle.

Annually the Nomination and Remuneration Committee reviews the governance structure and members, and the latest review introduced a Quality and Standards Committee aligned to key strategic objectives.

**Trustee Selection, Induction and Appraisal**

The Nomination and Remuneration Committee meets regularly to review the composition of the Board of Trustees and its committees, to review succession plans, identify development needs and to ensure the Board has the appropriate breadth and balance of competency.

The recruitment of new trustees is carried out through a process of open advertisement followed by interview and selection by the Nomination and Remuneration Committee, whose proposals are reviewed and approved by the Board of Trustees. Trustee applicants are assessed against a competency assessment framework, and existing trustees renew competency assessments on an annual basis.

New trustees receive a programme of induction which includes training as appropriate, operational site visits to meet staff and beneficiaries, individual meetings with members of the Executive Team and access to an electronic reading room containing all key documents relating to the charity's constitution, governance arrangements, roles and responsibilities of trustees, Board terms of reference and code of conduct.





This is to ensure trustees gain a greater understanding about the work of the Foundation and the expectations of their role as trustee, and can identify opportunities to become more involved. Trustee appraisals are carried out annually to review and support individual needs.

**Pay Policy for Senior Staff**

The trustees consider that the board of directors who are the Foundation's Board of Trustees and the Executive Team comprises of the key management personnel of the charity. The pay of the Executive Team is reviewed annually.

The trustees believe that the levels of remuneration should be sufficient to attract, retain and motivate a team of the quality required to run a large charity. The Foundation ensures that remuneration levels are linked to a regular objective setting system of performance appraisal and benchmarked against comparable roles. The Executive Team is paid on the basis of a fixed salary and is commensurate with experience, responsibilities and performance.

**Trustees' Indemnities**

Included within insurance charges is an annual charge of £1,736 (2022: £2,170) for Trustee Indemnity Insurance.

# Section 172 Statement

**The trustees, as company directors in accordance with the Companies Act, consider that they have individually and collectively acted in good faith and fairly to promote the success of the charity, having due regard to, amongst other matters, the requirements of Section 172 of the Companies Act:**

**The likely consequences of any decision in the long term**

The long term sustainability of the Foundation to enable continued delivery of its charitable purpose and objectives is considered when making decisions. The work throughout the year to refresh our corporate strategy focuses on improving the lives of everyone we support. The trustees and management continuously review the strategic plan and areas for potential development of the charity's services and furthering the charitable purpose. The future direction of the charity's work is informed by feedback received from engagement with stakeholders.

**The interest of the company's employees**

The Foundation takes great pride in its workforce on whom it depends for the delivery of its services. The trustees recognise that our employees are our biggest asset. The success of the Foundation depends on attracting, developing and retaining talented, committed and highly skilled people. We aim to be a responsible employer in our approach to the pay and benefits our employees receive, and the health, safety, wellbeing and working environment for our employees is of paramount importance to us. The Board receives regular workforce updates in respect of all the above. Trustees factor the implications for employees and the wider workforce into decision making where relevant and feasible.

**The desirability of the company maintaining a reputation for high standards of business conduct**

The Foundation has in place a range of policies, procedures and processes that promote corporate responsibility and ethical behaviour, covering matters such as, but not limited to, fundraising, safeguarding, equality and diversity, and whistleblowing. The Foundation operates a business assurance framework to manage regulatory and legal risk and is committed to complying with applicable laws and regulations relating to anticorruption, anti-bribery, human rights and modern slavery.

The Board and its committees review and take on board customer and regulatory guidance and recommendations regarding good practice. The Foundation's core activities support vulnerable young people and adults, and safeguarding is central to its operations.

**The need to act fairly between members of the company**

The trustees understand and adhere to the Charity Commission requirements and understand the need to avoid and effectively manage potential conflicts of interest.





**The impact of the company's operations on the community and environment**

Trustees recognise the responsibility to care for the environment and the need to minimise the environmental impact in all of the Foundation's activities. The Foundation's environmental approach in compliance with the streamlined energy and carbon reporting is outlined further within the respective section of this report.

**Engaging with Stakeholders**

The Board recognises the importance of engaging with stakeholders and the value in understanding their views and interests to be successful over the long term. Stakeholder engagement is fundamental to the Board as it can help inform future development and trends, help the Board to understand significant changes in the landscape, and develop objectives, policies and strategy that is aligned to stakeholder interests. References to stakeholders are made throughout the strategic report.

**Our Employees and Volunteers**

The Executive Team provides employees and volunteers with a range of information through various channels of communication including the intranet, staff forums, regular email circulars and briefings through management cascade. An annual survey was carried out in June 2023, which resulted in actions led by the Foundation's Executive Team and wider leadership team.

The Board is assisted in fulfilling its governance duties in relation to employees and volunteers by various committees, and most predominantly via the People and Culture Committee which is aligned to overseeing the delivery of our new People Strategy.

**Local Authorities**

The Foundation's core income comes from fees paid by local authority commissioners and the Foundation works closely with these commissioners to build effective relationships and ensure it meets the needs of the people it supports.

### Our Service Users

Our service users are the children, young people and adults, who are supported by the Foundation, and their families. Service user voice is extremely important to the Foundation and every day we listen and learn from the people we support. Feedback is encouraged on a regular basis from our service users, families and carers as appropriate. A variety of communication methods are adopted by the Foundation including face to face forums, surveys, social media blogs, newsletters, internet, resident meetings, student councils and much more.

Our services continuously review service user progress and support, and in doing so ensure services users, families and carers, as appropriate, have a voice in their lives. Trustees and governors meet service users during regular site visits. Our Board and committees regularly receive updates in relation to service users, and parent governors are appointed on our school local advisory committees.

### Our Supporters

Building effective and lasting relationships with our supporters is vitally important to us. The Foundation engages with supporters on a regular basis in a variety of ways including face to face visits, telephone, virtual conversations and written communications.

A number of supporters participate in our celebratory events, providing our supporters with the opportunity to meet service users, employees, senior management and trustees. We thank all our supporters for their continued support and donations.

### Suppliers, Customers, Landlords, Regulators and Others

Fundamental to the delivery of our services is the relationships we hold with a range of stakeholders not limited to suppliers, customers, landlords and regulators, and the Foundation recognises the importance of its supply chain in the delivery of its services. The Board encourages management to develop and maintain trusted and mutually beneficial business relationships with stakeholders, based on openness, transparency, and integrity. The Foundation aims to maintain positive relationships with suppliers, ensuring that non-disputed invoices are paid within the Foundation's agreed payment terms. The Foundation's purchasing policy has been developed to help the Foundation achieve best value in pursuance its overall aims and objectives.



# Streamline Energy and Carbon Reporting

**Under Statutory Instrument (SI 2018/1155) and the Environment Reporting Guidelines, the charity is now required to report on greenhouse gas emissions and energy consumption.**

**The charity's energy and fuel usage for the period is shown in the table below.**

The charity continues to look for cost effective ways of reducing its carbon footprint and is committed to reduce carbon emissions.

We employ an energy agency to manage our gas and electricity supply.

We own/lease several vehicles which are included in the analysis below.

| UK Greenhouse gas emissions and energy use data for the year ended 31 August 2023 | 2022 | 2023 |
|---|---|---|
| Energy consumptions used to calculate emissions (kWh): | | |
| Gas | 5,163 | 4,986 |
| Electricity | 1,384 | 1,411 |
| TOTAL | 6,547 | 6,397 |
| Scope 1 emissions in metric tonnes CO2e gas consumption | 1,204 | 1,162 |
| Transport fuel | 37 | 30 |
| Total scope 1 | 1,241 | 1,192 |
| Scope 2 emissions in metric tonnes CO2e purchased electricity | 323 | 329 |
| Total scope 2 | 323 | 329 |
| Scope 3 emissions in metric tonnes CO2e business travel in employee owned vehicles | 0 | 0 |
| Total scope 3 | 0 | 0 |
| Total gross emissions in metric tonnes CO2e | 1,564 | 1,521 |
| Intensity ratio tonnes CO2e per employee | 1.63 | 1.51 |





# Reference and Administrative Details

**Trustees**

D Arthur (until 7 February 2023)
D L Kent (until 1 June 2024)
A Woods (until 25 January 2023)
P A Foreman
W Snaith (until 7 June 2024)
E G Weir
C J Thompson
J Donnelly
P L Emerson (from 31 October 2022)
N C Hutchinson (from 31 October 2022)
L E Parker (from 9 February 2024)
L Craig (from 26 April 2024)

**Company Number:**
01855026

**Charity Number:**
515943

**Registered Office:**
Hampeth Lodge, Station Road, Forest Hall
Newcastle upon Tyne, NE12 8YY

The Charity is incorporated in England and Wales.

**Company Secretary:**
L Dawson

**Independent Auditors:**
Azets
Bulman House, Regent Centre, Gosforth,
Newcastle upon Tyne, NE3 3LS

**Bankers:**
Barclays Bank Plc, 5 St Ann's Street,
Newcastle upon Tyne, NE1 3DX

**Solicitors:**
Womble Bond Dickinson (UK)
The Spark, Draymans Way, Helix,
Newcastle upon Tyne, NE4 5DE

**Investment Managers:**
Rathbones Investment Management
Earl Grey House, 75-85 Grey Street
Newcastle upon Tyne, NE1 6EF

RBC Brewin Dolphin, Time Central,
Gallowgate, Newcastle upon Tyne,
NE1 4SR

**Key Management Personnel:**

| | |
|---|---|
| Chief Executive Officer (until 13 June 2024) | Rob McDonald |
| Interim CEO and Chief Financial Officer | John Preston |
| Director of Corporate Services | Alison Williams |
| Director of Health and Wellbeing | Charlotte Jones |
| Director of Education and Percy Hedley School Headteacher | John Steward |
| Director of Business Development | Andrew McGreevy |
| Director of Finance (until 31 October 2022) | Tara Allen |
| Interim Finance Director (until 27 January 2023) | Chris Reilly |
| Principal of Hedleys College and Horizons | Joanne Rees Proud |
| Northern Counties School Headteacher | Martin Lonergan |

# Financial Review 2022/2023

**The Foundation has continued to operate in a challenging economic environment with high inflation impacting the cost base of the organisation. A new Executive Team has been appointed during the last 12 months which is focussed on addressing the key performance issues through a turnaround strategy. The impact on the overall financial performance from Northern Counties School operating under Ofsted's Special Measures throughout the whole accounting period was significant enough to result in the Foundation generating a reduced operating surplus for the period. Furthermore, the financial results were adversely impacted by operating an out-of-date residential care model which requires the implementation of a turnaround plan and additional investment from 2023/2024.**

In the year to 31 August 2023, the Foundation made a surplus of £0.273m (2022 : £3.372m surplus) before actuarial gains and losses. Income increased by £1.938m on the previous year with expenditure, before gains/(losses) on investment assets, increasing by £5.262m. The underlying operational performance has been mixed, being impacted by high cost inflation, challenging staffing levels and regulatory challenges in Northern Counties School restricting capacity and income. The results in the period were positively affected by a one-off income of £1.758m following the managed exit of the local government pension scheme during the year.

The surplus of £0.273m (2022 : £3.372m surplus) represents a disappointing performance by the charity during the financial year. In addition to the reasons noted above, the performance was also affected by insufficient fee uplifts awarded by the commissioners to cover these increased costs. The newly appointed Executive Team has implemented turnaround action plans to address these key performance concerns.

Northern Counties School was inspected by Ofsted in May 2022 after which it was rated inadequate and placed into Special Measures. This means that the service has had an embargo placed on it throughout the year so that no new education placements could be made until the regulator re-inspects the school and removes the special measures. During the year, Ofsted undertook 3 monitoring visits, with 2 additional visits since the end of the accounting period. During the year, a new permanent headteacher was appointed to the school and a new post of Director of Education was created as part of the new Executive Team, bringing greater focus on addressing the issues raised by Ofsted and implementing a specific turnaround plan for the school. A full re-inspection by Ofsted took place in February 2024 which rated the school as Good, allowing for new student placements to be made.

Following on from the prior year report regarding the delay in invoicing and the subsequent large trade debtor balance at the end of 2022, the financial controls in 2023 have created a regular invoicing pattern and cash flow. The value of gross trade debtors has reduced to £4.131m (2022 : £8.268m). This has allowed for some of the previous historic bad debt provision to be released, reducing from 2022 : £2.774m to 2023 : £1.699m. The provision for doubtful debts at the 2023 year end remains high due to an excessive level of aged debt and remains a key focus for 2023/2024. As a result, despite the reduced operating surplus, the closing cash position at £9.224m increased over the prior year (2022 : £8.415m) after including investments in fixed assets totalling £2.298m in the year (2022 : £1.109m).

As the cost of living crisis continues to impact on central and local government budgets, pressures will be maintained on our services as local authorities look to manage tighter budgets and increase value for money. The production of an increased operating surplus and positive cash flow is important to the Foundation as it allows the investments in improving our services and facilities over subsequent years. Income from charitable activities increased by a modest 1.5% year on year at £33.4m. Most of the funding is received from 21 local authorities responsible for the education and care of the children, young people and adults that use the services we provide. These fees fund the day to day running costs of the services.

The Foundation has a fundraising and engagement team, responsible for supplementing this income to help improve facilities, the estate, enrich provision and support specific capital developments.



Strategic Report Financial Review 2022/2023

**Pension Schemes**

The Percy Hedley Pension Scheme provides benefits on a final salary or defined benefit basis. It is closed to new members, with members' salaries frozen as at 31 March 2019 but open to future accrual of benefits for its active members. The actuarial deficit has been revalued, in accordance with FRS 102, using up to date assumptions over discount rate, the rate of inflation and mortality assumptions. This revaluation has resulted in a decrease in the actuarial deficit by £0.285m from the previous year to £5.400m (2022 : £5.685m) which reflects the investment choices made by the pension trustees and market conditions. This positive movement has improved the operating surplus. The trustees of both the Foundation and the Percy Hedley Pension Scheme are acutely aware of the need to balance the interests of the members of the pension scheme with those of the current and future beneficiaries that the charity supports. The long term deficit recovery plan was reviewed in the year and an agreed increased contribution was made by the Foundation as sponsoring employer. No further adjustments to the recovery plan are required at this time. This was agreed with the Percy Hedley Pension Scheme trustees following a pension committee review which monitors the actions arising from the plan. The pension scheme is currently performing well against the targets.

The Tyne and Wear Pension Fund (LGPS) is a funded defined benefit scheme with the assets held in separate trustee administered funds. During the year, following external advice being taken on potential pension scheme liabilities, the Foundation decided to minimise future risks and seek an exit from this scheme. The active members totalled 11 at the time and these were consulted with as the Foundation sought an exit of the scheme via a managed approach. Following conclusion of the consultation, all the active members agreed to new terms and conditions and the Foundation gave notice that it would exit the pension scheme as at 31 August 2023. The cessation value of the pension scheme was calculated by the scheme actuary which resulted in a surplus of £1.758m which has been refunded back to the Foundation. This has been reflected as other income in the Statement of Financial Activities with the funds being received in 2024.

The Foundation also contributes to a third defined benefit pension scheme, in relation to teaching staff, which is the Teachers' Pension Scheme (TPS). The latest valuation, of the TPS as at April 2020, published in October 2023, has reassessed the employer contribution rate, increasing from 22.8% to 28.6% and payable from 1 April 2024. The previous rate paid by employers was actually 23.6% as the implementation of the 2016 valuation was delayed to September 2019.

The Foundation has total funds of £22.368m (2022 : £21.882m). The increase of £0.486m relates to the additional income as a result of exiting the LGPS. The balance sheet highlights an increase in net book value of tangible fixed assets to £17.538m (2022 : £16.591m) due to the significant





increase in capital investments in the year totalling £2.298m (2022 : £1.109m), the majority of which related to development of the estates. Depreciation was, as a result, slightly higher than the prior year at £1.351m (increase of £0.138m).
The value of restricted funds reduced to £76k (2022 : £745k). Restricted funds are those from funds raised from legacies and small donations along with fundraising carried out within a particular service and are used throughout the year to provide 'added extras' to enrich service provision.
The Foundation holds £nil (2022 : £1.96m) of designated funds. Designated funds have historically been the amounts set aside by the trustees to be spent during the following year. In 2023/2024 these funds are incorporated as part of the budget approved by trustees and included in the unrestricted funds.

**Investment Policy**

The Foundation has a longer term strategy for investments with increasing investments from £2.45m (book value) to £3.25m. During the Financial Year 2022/2023 the net value of the investments increased very slightly from £2.915m to £2.955m after considering additions, disposal and revaluation. This strategy allows for mid-term reserves to be held on cash deposits until they are needed for specific projects and for an element of reserves to be held for the long term in the event of future unknown uncertainties. It is the intention that the charity will add to longer term deposits at a similar rate to which the Foundation itself grows. The trustees appoint investment managers to whom they delegate responsibility for managing the investment assets in accordance with an agreed policy statement. This statement sets out the trustees' aim, to produce the best financial return within an acceptable level of risk and includes the manner in which these assets may be ethically invested to ensure that they do not conflict with the aims of the charity.

**Going Concern**

After making appropriate enquiries, including evaluating any impact with the continued and ongoing effects of the cost of living crisis, regulatory restrictions at Northern Counties School and reviewing forecasts into 2023/2024, the trustees have a reasonable expectation that the charitable company has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements. Further details regarding the adoption of the going concern basis can be found in the Accounting Policies on page 74.

## Reserves Policy

The trustees consider that unrestricted and undesignated reserves should be kept between 13% and 16% of operating expenditure. This allows for the Foundation to react to unforeseen circumstances, whilst providing sufficient flexibility to operate on a day-to-day basis and take any appropriate decisions to further the Foundation's strategic development.

The lower end of this range is equivalent to two months' staff costs for the Foundation and the higher end reflects the Foundation's aim to build a fund that will enable the continued refurbishment of some of our old buildings into an estate which is 'fit for purpose, fit for future' for the children, young people and adults for whom they are designed.

During the last few years, reserves have been built in line with the policy. These are now reviewed as part of the corporate strategy in order to make targeted improvements to the estate and services provided, with options appraisals being reviewed during 2023/2024. Currently the Foundation's reserves are sufficient given the managed capital expenditure improvement programme ongoing. There are currently no designated funds set aside outside of the annual capital expenditure programme.



# Trustee Responsibilities Statement

The Board of Trustees (who are also the directors for the purposes of company law) is responsible for preparing the Trustees' Report (including the Strategic Report) and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) including FRS 102 – The Financial Reporting Standard applicable in the UK and Republic of Ireland.

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

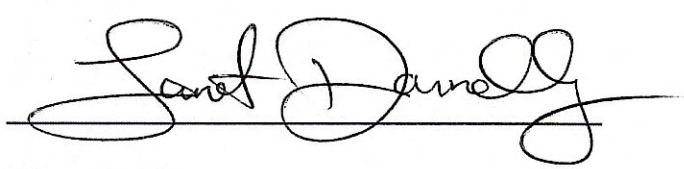
- Select suitable accounting policies and then apply them consistently
- Observe methods and principles in the Charities Statement of Recommended Practice (SORP)
- Make reasonable and prudent judgements and accounting estimates
- State whether applicable UK accounting standards, comprising FRS102, have been followed, subject to any material departures disclosed and explained in the financial statements
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charitable company will continue in business

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

Over the course of the year, Azets Audit Services continued in their role as external auditors in accordance with a General Meeting resolution agreed in June 2022 to appoint them for three financial years.

In so far as each of the trustees of the charity is aware, at the date of approval of this report, there is no relevant audit information needed by the charity's auditor in connection with preparing the audit report of which the charity's auditor is unaware. Each trustee has taken all of the necessary steps in order to make themselves aware of any relevant audit information and to establish that the charity's auditor is aware of that information.

By order of the Board of Trustees, the Annual Report (incorporating the Strategic Report) has been approved by the Board of Trustees and signed on its behalf by:



**J Donnelly**
**Chair, Trustee**

7/8/2024

# The Percy Hedley Foundation

# Independent Auditor's Report to the Members of The Percy Hedley Foundation

**Opinion**
We have audited the financial statements of The Percy Hedley Foundation (the 'charity') for the year ended 31 August 2023, which comprise the Statement of Financial Activities, Balance Sheet, Statement of Cash Flows, and Notes to the Financial Statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is United Kingdom Accounting Standards, comprising Charities SORP - FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' and applicable law (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the charity's affairs as at 31 August 2023 and of its incoming resources and application of resources, including its income and expenditure for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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

**Conclusions relating to going concern**

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

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

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

**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.

# The Percy Hedley Foundation

# Independent Auditor's Report to the Members of The Percy Hedley Foundation

**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; and
- 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 charity and its environment obtained in the course of the audit, we have not identified material misstatements in the Trustees' Report.

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

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

**Responsibilities of trustees**

As explained more fully in the Statement of Trustees' Responsibilities (set out on page 66), the trustees 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 charity'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 charity or to cease operations, or have no realistic alternative but to do so.

**Auditor responsibilities for the audit of the financial statements**
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Enquiries with management about any known or suspected instances of non-compliance with laws and regulations and fraud;
- Reviewing board minutes;
- Challenging assumptions and judgements made by management in their significant accounting estimates;

## Independent Auditor's Report to the Members of The Percy Hedley Foundation

- Review financial statement disclosures and testing to supporting documentation to assess compliance with applicable laws and regulations; and
- Auditing the risk of management override of controls, through testing journal entries and other adjustments for appropriateness.

Because of the field in which the charity operates, we identified the following areas as those most likely to have a material impact on the financial statements: Care Quality Commission; Ofsted; Health and Safety; employment law; and compliance with both the UK Companies Act and UK Charities Act.

Owing to the inherent limitations of an audit, there is an unavoidable risk that some material misstatements in the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK). For instance, the further removed non-compliance is from the events and transactions reflected in the financial statements, the less likely the auditor is to become aware of it or to recognise the non-compliance.

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

**Use of our report**
This report is made solely to the charitable company's trustees, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the charity's 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 and its trustees as a body, for our audit work, for this report, or for the opinions we have formed.

.....
Simon Brown BA ACA DChA (Senior Statutory Auditor)
For and on behalf of
Azets Audit Services
Chartered Accountants
Statutory Auditor
Bulman House
Regent Centre
Gosforth
Newcastle upon Tyne
NE3 3LS

Date:...7. 8. 2024.....

Azets Audit Services is a trading name of Azets Audit Services Limited

# The Percy Hedley Foundation

## Statement of Financial Activities for the Year Ended 31 August 2023 (Including Income and Expenditure Account and Statement of Total Recognised Gains and Losses)

| | Note | Unrestricted £ 000 | Restricted £ 000 | Total 2023 £ 000 | Total 2022 £ 000 |
|---|---|---|---|---|---|
| **Income and Endowments from:** | | | | | |
| Donations and legacies | 3 | 281 | 41 | 322 | 1,033 |
| Charitable activities | 4 | 33,395 | - | 33,395 | 32,885 |
| Other trading activities | 5 | 35 | 2 | 36 | 53 |
| Investment income | 6 | 301 | - | 301 | 70 |
| Other income | 7 | 1,925 | - | 1,925 | - |
| Total Income | | 35,937 | 42 | 35,979 | 34,041 |
| **Expenditure on:** | | | | | |
| Raising funds | | | - | | (39) |
| Charitable activities | 8 | (35,496) | (146) | (35,642) | (30,341) |
| Total Expenditure | | (35,496) | (146) | (35,642) | (30,380) |
| Gains/(losses) on investment assets | | (64) | - | (64) | (288) |
| Net income/(expenditure) | | 377 | (104) | 273 | 3,372 |
| Transfers between funds | | 565 | (565) | - | - |
| **Other recognised gains and losses** | | | | | |
| Actuarial gains on defined benefit pension schemes | | 213 | - | 213 | 4,629 |
| Net movement in funds | | 1,155 | (669) | 486 | 8,001 |
| **Reconciliation of funds** | | | | | |
| Total funds brought forward | | 21,137 | 745 | 21,882 | 13,881 |
| Total funds carried forward | 24 | 22,292 | 76 | 22,368 | 21,882 |

All of the charity's activities derive from continuing operations during the above two periods.

The funds breakdown for 2022 is shown in note 24.

# The Percy Hedley Foundation

## Comparative Statement of Financial Activities for the Year Ended 31 August 2022
## (Including Income and Expenditure Account and Statement of Total Recognised Gains and Losses)

| | Note | Unrestricted funds £ 000 | Restricted funds £ 000 | Total 2022 £ 000 |
|---|---|---|---|---|
| **Income and Endowments from:** | | | | |
| Donations and legacies | 3 | 584 | 449 | 1,033 |
| Charitable activities | 4 | 32,885 | - | 32,885 |
| Other trading activities | 5 | 53 | - | 53 |
| Investment income | 6 | 70 | - | 70 |
| Total income | | 33,592 | 449 | 34,041 |
| **Expenditure on:** | | | | |
| Raising funds | | (39) | - | (39) |
| Charitable activities | 8 | (30,065) | (277) | (30,342) |
| Total expenditure | | (30,104) | (277) | (30,381) |
| Gains/losses on investment assets | | (288) | - | (288) |
| Net income | | 3,200 | 172 | 3,372 |
| Transfers between funds | | (212) | 212 | - |
| **Other recognised gains and losses** | | | | |
| Actuarial gains on defined benefit pension schemes | | 4,629 | - | 4,629 |
| Net movement in funds | | 7,617 | 384 | 8,001 |
| **Reconciliation of funds** | | | | |
| Total funds brought forward | | 13,520 | 361 | 13,881 |
| Total funds carried forward | 24 | 21,137 | 745 | 21,882 |

# The Percy Hedley Foundation

## (Registration number: 01855026)
## Balance Sheet as at 31 August 2023

| | Note | 2023 £ 000 | 2022 £ 000 |
|---|---|---|---|
| **Fixed assets** | | | |
| Tangible assets | 15 | 17,538 | 16,591 |
| Investments | 16 | 2,955 | 2,915 |
| | | 20,493 | 19,506 |
| **Current assets** | | | |
| Debtors | 17 | 4,660 | 6,083 |
| Cash at bank and in hand | 18 | 9,223 | 8,415 |
| | | 13,883 | 14,498 |
| **Creditors: Amounts falling due within one year** | 19 | (4,861) | (4,618) |
| **Net current assets** | | 9,022 | 9,880 |
| **Total assets less current liabilities** | | 29,515 | 29,386 |
| **Creditors: Amounts falling due after more than one year** | 20 | (1,747) | (1,819) |
| **Net assets excluding pension liability** | | 27,768 | 27,567 |
| **Pension scheme liability** | 22 | (5,400) | (5,685) |
| **Net assets including pension liability** | | 22,368 | 21,882 |
| **Funds of the charity:** | | | |
| **Restricted income funds** | | | |
| Restricted funds | 24 | 76 | 745 |
| **Unrestricted income funds** | | | |
| Unrestricted funds | | 22,292 | 21,137 |
| **Total funds** | 24 | 22,368 | 21,882 |

The financial statements on pages 70 to 98 were approved by the trustees, and authorised for issue on ....7.8.2024.. and signed on their behalf by:

.....
J Donnelly
Chair - Trustee

# The Percy Hedley Foundation

## Statement of Cash Flows for the Year Ended 31 August 2023

| | Note | 2023 £ 000 | (As restated) 2022 £ 000 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Net cash income | | 486 | 8,001 |
| **Adjustments to cash flows from non-cash items** | | | |
| Depreciation | | 1,351 | 1,213 |
| Investment income | 6 | (301) | (70) |
| Revaluation of investments | | 64 | 288 |
| | | 1,600 | 9,432 |
| **Working capital adjustments** | | | |
| Decrease/(increase) in debtors | 17 | 1,423 | (3,979) |
| (Decrease)/increase in creditors | 19 | (57) | 3 |
| Decrease (increase) in retirement benefit obligation net of actuarial changes | 22 | (213) | (4,629) |
| Increase in deferred income | 20 | 322 | 385 |
| Net cash flows from operating activities | | 3,074 | 1,212 |
| **Cash flows from investing activities** | | | |
| Interest receivable and similar income | 6 | 301 | 70 |
| Purchase of tangible fixed assets | 15 | (2,298) | (1,109) |
| Purchase of investments | 16 | (390) | (298) |
| Sale of investments | | 287 | 339 |
| Net cash flows from investing activities | | (2,100) | (998) |
| **Cash flows from financing activities** | | | |
| Repayment of loans and borrowings | 19 | (165) | (118) |
| Net increase in cash and cash equivalents | | 809 | 96 |
| Cash and cash equivalents at 1 September | | 8,415 | 8,319 |
| Cash and cash equivalents at 31 August | | 9,224 | 8,415 |

All of the cash flows are derived from continuing operations during the above two periods.

# The Percy Hedley Foundation

# Notes to the Financial Statements for the Year Ended 31 August 2023

## 1 Charity status

The charity is limited by guarantee, incorporated in England and Wales, and consequently does not have share capital. Each of the trustees is liable to contribute an amount not exceeding £1 towards the assets of the charity in the event of liquidation.

The address of its registered office is: Hampeth Lodge, Station Road, Forest Hall, Newcastle upon Tyne, NE12 8YY

## 2 Accounting policies

**Summary of significant accounting policies and key accounting estimates**
The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

**Statement of compliance**
The financial statements have been prepared in accordance with 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)) (issued in October 2019) - (Charities SORP (FRS 102)), the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) and the Companies Act 2006.

**Basis of preparation**
The Percy Hedley Foundation 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 notes.

The financial statements are prepared in Sterling which is the functional currency of the charity and rounded to the nearest £000.

**Going concern**
The trustees consider that there are no material uncertainties about the charity's ability to continue as a going concern nor any significant areas of uncertainty that affect the carrying value of assets held by the charity.

The charity's forecasts and projections for the next twelve months show that the charity should be able to continue in operational existence for that period, taking into account reasonable possible changes in trading performance. The charity has strong positive cash balances and is forecasting for this to continue to be the case. The trustees have stress tested their forecasts, taking into account various scenarios, and remain confident that the uncertainties do not cast significant doubt on the company's ability to continue as a going concern.

**Estimation uncertainty and judgements**
The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported.

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

The present value of the defined benefit liability depends on a number of factors that are determined on an actuarial basis using a variety of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions, which are disclosed in note 20, will impact the carrying amount of the pension liability.

**Key sources of estimation uncertainty**
The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year include:

The amount by which fixed assets are depreciated annually is material to the financial statements and consequently, the estimate of the useful lives of fixed assets and their residual value is considered to be a critical area of judgement. There has been no change in these estimates this year.

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

***Donations and legacies***

Donations are recognised when the charity has been notified in writing of both the amount and settlement date. In the event that a donation is subject to conditions that require a level of performance by the charity before the charity is entitled to the funds, the income is deferred and not recognised until either those conditions are fully met, or the fulfilment of those conditions is wholly within the control of the charity and it is probable that these conditions will be fulfilled in the reporting period.

Legacy gifts are recognised on a case by case basis following the grant of probate when the administrator/executor for the estate has communicated in writing both the amount and settlement date. In the event that the gift is in the form of an asset other than cash or a financial asset traded on a recognised stock exchange, recognition is subject to the value of the gift being reliably measurable with a degree of reasonable accuracy and the title to the asset having been transferred to the charity.

***Grants receivable***

Grants are recognised when the charity has an entitlement to the funds and any conditions linked to the grants have been met. Where performance conditions are attached to the grant and are yet to be met, the income is recognised as a liability and included on the balance sheet as deferred income to be released.

***Deferred income***

Deferred income represents amounts received for future periods and is released to incoming resources in the period for which, it has been received. Such income is only deferred when:

- The donor specifies that the grant or donation must only be used in future accounting periods; or
- The donor has imposed conditions which must be met before the charity has unconditional entitlement.

***Gifts in kind***

Gifts in kind donated for distribution are included at valuation and recognised as income when they are distributed to the projects. Gifts donated for resale are included as income when they are sold. Donated facilities are included at the value to the company where this can be quantified and a third party is bearing the cost. No amounts are included in the financial statements for services donated by volunteers.

***Gift aid***

Income tax recoverable in relation to donations received under Gift Aid or deeds of covenant is recognised at the time of the donation.

***Investment income***

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

***Other income***

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

**Expenditure**

All expenditure is recognised once there is a legal or constructive obligation to that expenditure, it is probable settlement is required and the amount can be measured reliably. All costs are allocated to the applicable expenditure heading that aggregate similar costs to that category. Where costs cannot be directly attributed to particular headings they have been allocated on a basis consistent with the use of resources, with central staff costs allocated on the basis of time spent, and depreciation charges allocated on the portion of the asset's use. Other support costs are allocated based on the spread of staff costs.

***Raising funds***

These are costs incurred in attracting voluntary income, the management of investments and those incurred in trading activities that raise funds.

***Charitable activities***

Charitable expenditure comprises those costs incurred by the charity in the delivery of its activities and services for its beneficiaries. It includes both costs that can be allocated directly to such activities and those costs of an indirect nature necessary to support them.

**Support costs**

Support costs include central functions and have been allocated to activity cost categories on a basis consistent with the use of resources, for example, allocating property costs by floor areas, or per capita, staff costs by the time spent and other costs by their usage.

**Governance costs**
These include the costs attributable to the charity's compliance with constitutional and statutory requirements, including audit, strategic management and trustees's meetings and reimbursed expenses.

**Government grants**
Government grants are recognised based on the performance model and are measured at the fair value of the asset received or receivable. Grants are recognised in income when performance conditions, which would otherwise prevent the recognition of income, are met. Where performance conditions are not met then the income is deferred, and recognised as deferred income.

**Taxation**
The charity is considered to pass the tests set out in Paragraph 1 Schedule 6 of the Finance Act 2010 and therefore it meets the definition of a charitable company for UK corporation tax purposes. Accordingly, the charity is potentially exempt from taxation in respect of income or capital gains received within categories covered by Chapter 3 Part 11 of the Corporation Tax Act 2010 or Section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied exclusively to charitable purposes.

**Tangible fixed assets**
Individual fixed assets costing £00.00 or more are initially recorded at cost, less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

**Depreciation and amortisation**
Depreciation is provided on tangible fixed assets so as to write off the cost or valuation, less any estimated residual value, over their expected useful economic life as follows:

| Asset class | Depreciation method and rate |
|---|---|
| Land and builidngs - freehold property | 40-100 years |
| Land and buildings - leasehold property | 100 years or length of lease if less |
| Land and buildings - refurbishments | 10-15 years |
| Motor vehicles | 3 years |
| Fixtures and fittings | 3 years |
| Equipment - therapy, office and computer equipment | 3 years |

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

**Fixed asset investments**
Fixed asset investments, other than programme related investments, are included at market value at the balance sheet date. Realised gains and losses on investments are calculated as the difference between sales proceeds and their market value at the start of the year, or their subsequent cost, and are charged or credited to the Statement of Financial Activities in the period of disposal.

Unrealised gains and losses represent the movement in market values during the year and are credited or charged to the Statement of Financial Activities based on the market value at the year end.

**Trade debtors**
Trade debtors are amounts due from customers for merchandise sold or services performed in the ordinary course of business.

Trade debtors are recognised initially at the transaction price. They are subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for the impairment of trade debtors is established when there is objective evidence that the charity will not be able to collect all amounts due according to the original terms of the receivables.

**Cash and cash equivalents**
Cash and cash equivalents comprise cash on hand and call deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of change in value.

**Trade creditors**
Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if the charity does not have an unconditional right, at the end of the reporting period, to defer settlement of the creditor for at least twelve months after the reporting date. If there is an unconditional right to defer settlement for at least twelve months after the reporting date, they are presented as non-current liabilities.

Trade creditors are recognised initially at the transaction price and subsequently measured at amortised cost using the effective interest method.

**Borrowings**
Interest-bearing borrowings are initially recorded at fair value, net of transaction costs. Interest-bearing borrowings are subsequently carried at amortised cost, with the difference between the proceeds, net of transaction costs, and the amount due on redemption being recognised as a charge to the Statement of Financial Activities over the period of the relevant borrowing.

Interest expense is recognised on the basis of the effective interest method and is included in interest payable and similar charges.

Borrowings are classified as current liabilities unless the charity has an unconditional right to defer settlement of the liability for at least twelve months after the reporting date.

**Fund structure**
Unrestricted income funds are general funds that are available for use at the trustees discretion in furtherance of the objectives of the charity.

Designated funds are unrestricted funds set aside for specific purposes at the discretion of the trustees.

Restricted income funds are those donated for use in a particular area or for specific purposes, the use of which is restricted to that area or purpose.

**Hire purchase and finance leases**

**Pensions and other post retirement obligations**

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

Other retirement benefits to employees of the Charity are provided by the Teacher's Pension Scheme (TPS), the Local Government Pension Scheme (LGPS) and the Percy Hedley Pension Scheme (PHPS). These are defined benefit schemes, which are funded, with the assets being held separately from the charity. The PHPS is closed to new members, being replaced with a defined contribution scheme.

Contributions to the TPS are charged to the income and expenditure account as the amount paid or payable in the year.

The contributions to all three schemes are determined by qualified actuaries on the basis of triennial valuations using the projected unit method for the LGPS and PHPS and quinquennial valuations using a prospective benefit method for the TPS.

The assets of the PHPS and LGPS are measured using fair value. PHPS and LGPS liabilities are measured using the projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability. The increase in present value of the liabilities of the scheme expected to arise from employee service in the period is charged to the operating surplus.

The expected return on the scheme's assets and the increase during the period in the present value of the scheme's liabilities, arising from the passage of time, are included in pension finance costs. Actuarial gains and losses are recognised within the Statement of Financial Activities.

Previously the LGPS was accounted for under the exemption for multi-employer schemes and accounted for its contributions as if it were a defined contribution scheme. A prior year adjustment has been made to the 2020 and 2021 figures to remove this accounting treatment given that an actuary's report has been obtained.

**Financial instruments**

***Classification***

Financial assets and financial liabilities are recognised when the charity becomes a party to the contractual provisions of the instrument.
Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the charity after deducting all of its liabilities.

### 3 Income from donations and legacies

| | Unrestricted funds General £ 000 | Restricted funds £ 000 | Total 2023 £ 000 | Total 2022 £ 000 |
|---|---|---|---|---|
| Donations and legacies; | | | | |
| Legacies | 98 | - | 98 | 339 |
| Grants, including capital grants; | | | | |
| Grants and donations | 183 | 41 | 224 | 694 |
| Total for 2023 | 281 | 41 | 322 | 1,033 |

### 4 Income from charitable activities

| | Unrestricted funds General £ 000 | Restricted funds £ 000 | Total 2023 £ 000 | Total 2022 £ 000 |
|---|---|---|---|---|
| Education and adult day services | 25,423 | - | 25,423 | 24,236 |
| Adult residential | 7,972 | - | 7,972 | 8,554 |
| Children's residential | - | - | - | 95 |
| Total for 2023 | 33,395 | - | 33,395 | 32,885 |

### 5 Income from other trading activities

| | Unrestricted funds General £ 000 | Restricted funds £ 000 | Total funds £ 000 | Total 2022 £ 000 |
|---|---|---|---|---|
| Fundraising events | 27 | 1 | 28 | 53 |
| Miscellaneous | 8 | - | 8 | - |
| Total for 2023 | 35 | 1 | 36 | 53 |

### 6 Investment income

| | Unrestricted funds General £ 000 | Restricted funds £ 000 | Total 2023 £ 000 | Total 2022 £ 000 |
|---|---|---|---|---|
| Interest receivable and similar income; | | | | |
| Interest receivable on bank deposits | 243 | - | 243 | 20 |
| Dividend income | 58 | - | 58 | 50 |
| Total for 2023 | 301 | - | 301 | 70 |

### 7 Other income

| | Unrestricted funds General £ 000 | Restricted funds £ 000 | Total 2023 £ 000 | Total 2022 £ 000 |
|---|---|---|---|---|
| LGPS Exit valuation refund | 1,758 | - | 1,758 | - |
| Insurance proceeds | 70 | - | 70 | - |
| External hires | 97 | - | 97 | - |
| Total for 2023 | 1,925 | - | 1,925 | - |

For further details on the LGPS Exit Valuation - see note 22.

### 8 Expenditure on charitable activities

| | Activity undertaken directly £ 000 | Activity support costs £ 000 | 2023 £ 000 | 2022 £ 000 |
|---|---|---|---|---|
| Education and adult day services | 22,456 | 4,310 | 26,766 | 22,271 |
| Adult residential | 7,439 | 1,437 | 8,876 | 7,692 |
| Children's residential | - | - | - | 378 |
| Total for 2023 | 29,895 | 5,747 | 35,642 | 30,341 |

## 9 Analysis of governance and support costs

**Support costs allocated to charitable activities**

| | Education adult day services £ 000 | Adult Residential £ 000 | Total 2023 £ 000 | Total 2022 £ 000 |
|---|---|---|---|---|
| Staff costs | 2,231 | 744 | 2,975 | 2,280 |
| Professional costs | 346 | 115 | 461 | 59 |
| Other direct costs | 131 | 44 | 175 | 67 |
| Facilities cost | 20 | 6 | 26 | 20 |
| IT costs | 411 | 137 | 548 | 134 |
| Maintenance costs | 20 | 9 | 29 | 14 |
| Depreciation | 1,013 | 336 | 1,349 | 152 |
| Interest | 124 | 41 | 165 | 39 |
| Legal fees | 14 | 5 | 19 | - |
| Total for 2023 | 4,310 | 1,437 | 5,747 | 2,765 |

**Governance costs**

Included within support costs above are governance costs as follows:

| | Unrestricted funds General £ 000 | Restricted funds £ 000 | Total 2023 £ 000 | Total 2022 £ 000 |
|---|---|---|---|---|
| Audit fees | | | | |
| Audit of the financial statements | 18 | - | 18 | 18 |
| Legal fees | 93 | - | 93 | 33 |
| Total for 2023 | 111 | - | 111 | 51 |

### 10 Net incoming/outgoing resources

Net incoming resources for the year include:

| | 2023 £ 000 | 2022 £ 000 |
|---|---|---|
| Audit fees | 18 | 18 |
| Other non-audit services | 8 | 8 |
| Depreciation of fixed assets | 1,351 | 1,212 |
| Interest payable | 165 | 39 |

### 11 Trustees remuneration and expenses

No trustees, nor any persons connected with them, have received any remuneration from the charity during the year.

No trustees have received any reimbursed expenses or any other benefits from the charity during the year.

### 12 Staff costs

The aggregate payroll costs were as follows:

| | 2023 £ 000 | 2022 £ 000 |
|---|---|---|
| **Staff costs during the year were:** | | |
| Wages and salaries | 24,285 | 21,534 |
| Social security costs | 1,810 | 1,592 |
| Pension costs | 1,830 | 1,670 |
| | 27,925 | 24,796 |

Included within wages and salaries costs is £2,057,788 (2022: £1,407,398) in relation to agency staff costs.

The monthly average number of persons (including senior management / leadership team) employed by the charity during the year was as follows:

| | 2023 No | 2022 No |
|---|---|---|
| Operational staff | 764 | 822 |
| Admin and support | 136 | 131 |
| Management | 5 | 6 |
| | 905 | 959 |

During the year, the charity made redundancy and/or termination payments which totalled £115,387 (2022 - £120,334).

The number of employees whose emoluments fell within the following bands was:

| | 2023 No | 2022 No |
|---|---|---|
| £60,001 - £70,000 | 3 | - |
| £70,001 - £80,000 | 2 | 4 |
| £80,001 - £90,000 | - | 2 |
| £90,001 - £100,000 | - | 1 |
| £100,001 - £110,000 | 1 | - |

The total employee benefits of the key management personnel of the charity were £844,269 (2022 - £718,955).

### 13 Auditors' remuneration

| | 2023 £ 000 | 2022 £ 000 |
|---|---|---|
| Audit of the financial statements | 18 | 18 |
| **Other fees to auditors** | | |
| Audit of the pension scheme | - | 8 |

### 14 Taxation

The charity is exempt from taxation in respect of income or capital gains received within categories covered by Chapter 3 Part 11 of the Corporation Tax Act 2010 or Section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied exclusively to charitable purposes.

### 15 Tangible fixed assets

| | Land and buildings £ 000 | Fixtures and fittings £ 000 | Motor vehicles £ 000 | Equipment £ 000 | Total £ 000 |
|---|---|---|---|---|---|
| **Cost** | | | | | |
| At 1 September 2022 | 23,342 | 1,505 | 398 | 2,414 | 27,659 |
| Additions | 1,541 | 397 | 70 | 290 | 2,298 |
| At 31 August 2023 | 24,883 | 1,902 | 468 | 2,704 | 29,957 |
| **Depreciation** | | | | | |
| At 1 September 2022 | 7,660 | 1,246 | 345 | 1,817 | 11,068 |
| Charge for the year | 797 | 176 | 41 | 337 | 1,351 |
| At 31 August 2023 | 8,457 | 1,422 | 386 | 2,154 | 12,419 |
| **Net book value** | | | | | |
| At 31 August 2023 | 16,426 | 480 | 82 | 550 | 17,538 |
| At 31 August 2022 | 15,682 | 259 | 53 | 597 | 16,591 |

Included within land and buildings is £1,711,360 (2022: £1,734,575) in relation to freehold property.

### 16 Fixed asset investments

| | 2023 £ 000 | 2022 £ 000 |
|---|---|---|
| Listed investments | 2,955 | 2,915 |

| | Listed investments £ 000 | Total £ 000 |
|---|---|---|
| **Cost or Valuation** | | |
| At 1 September 2022 | 2,916 | 2,916 |
| Additions | 390 | 390 |
| Disposals | (287) | (287) |
| Revaluation | (64) | (64) |
| At 31 August 2023 | 2,955 | 2,955 |
| **Net book value** | | |
| At 31 August 2023 | 2,955 | 2,955 |
| At 31 August 2022 | 2,916 | 2,916 |

The historical cost of the listed investments at 31 August 2023 was £2,825,619 (2022 - £2,767,133).

The Charity SORP requires disclosure of any individual investments of more than 5% of the total portfolio value. The charity holds no investments with a value of more than 5%.

**17 Debtors**

| | 2023 £ 000 | 2022 £ 000 |
|---|---|---|
| Trade debtors | 2,432 | 5,494 |
| Prepayments and accrued income | 445 | 571 |
| Accrued income | 1,758 | - |
| Other debtors | 25 | 18 |
| | 4,660 | 6,083 |

Trade debtors above includes a provision for bad debts of £1,698,852 (2021 - £2,774,000)

**18 Cash and cash equivalents**

| | 2023 £ 000 | 2022 £ 000 |
|---|---|---|
| Cash and cash equivalents | 9,223 | 8,415 |

### 19 Creditors: amounts falling due within one year

| | 2023 £ 000 | 2022 £ 000 |
|---|---|---|
| Bank loans | 173 | 266 |
| Trade creditors | 1,069 | 1,178 |
| Other taxation and social security | 430 | 370 |
| Other creditors | 246 | 282 |
| Accruals | 1,472 | 1,373 |
| Deferred income | 1,471 | 1,149 |
| | 4,861 | 4,618 |

| | 2023 £ 000 | 2022 £ 000 |
|---|---|---|
| Deferred income at 1 September 2022 | 1,149 | 764 |
| Resources deferred in the period | 1,471 | 1,149 |
| Amounts released from previous periods | (1,149) | (764) |
| Deferred income at year end | 1,471 | 1,149 |

### 20 Creditors: amounts falling due after one year

| | 2023 £ 000 | 2022 £ 000 |
|---|---|---|
| Bank loans | 1,747 | 1,819 |

The Foundation has a single loan with Barclays Bank pic which was renegotiated In July 2022 and is secured by way of a legal charge over the property at Station Road Forest Hall Newcastle Upon Tyne, West Lane Killingworth Newcastle Upon Tyne, Great North Road Jesmond Newcastle Upon Tyne all in favour of Barclays Bank plc and a Debenture granted by The Percy Hedley Foundation in favour of Barclays Bank plc. The loan is due for repayment by July 2027 with interest charged at 5.01% per annum. The ratio of the loan to the value of assets secured is 13%.

### 21 Obligations under leases and hire purchase contracts

**Operating lease commitments**

Total future minimum lease payments under non-cancellable operating leases are as follows:

| | 2023<br>£ 000 | 2022<br>£ 000 |
|---|---|---|
| **Other** | | |
| Within one year | 47 | 41 |
| Between one and five years | 108 | 112 |
| After five years | 486 | 375 |
| | 641 | 528 |

### 22 Pension and other schemes

**Pension Commitments**
The charity's employees belong to three defined benefit pension schemes and two defined contribution scheme; AEGON and Peoples Pension.

The three defined benefit pension schemes are: The Teachers' Pension Scheme England and Wales ("TPS"); the Local Government Pension Scheme ("LGPS"); and the Percy Hedley Pension Scheme ("PHPS"). The PHPS was closed to new members in 2012.

**Teachers' Pension Scheme**

**Introduction**
The Teachers' Pension Scheme (TPS) is a statutory, contributory, defined benefit scheme, governed by the Teachers' Pension Scheme Regulations 2014. Membership is automatic for teachers and lecturers. All teachers and lecturers are able to opt out of the TPS following enrolment.

The TPS is an unfunded scheme to which both the member and the employer make contributions, as a percentage of salary. These contributions are credited to the Exchequer. Retirement and other pension benefits are paid by public funds provided by Parliament.

**Valuation of the Teachers' Pension Scheme**
The Government Actuary, using normal actuarial principles, conducts a formal actuarial review of the TPS in accordance with the Public Service Pensions, (Valuations and Employer Cost Cap) Directions 2014 published by HM Treasury every 4 years. The aim of the review is to specify the level of future contributions. Actuarial scheme valuations are dependent on assumptions about the value of future costs, design of benefits and many other factors. The latest actuarial valuation of the TPS was carried out as at 31 March 2020. The valuation report was published by the Department for Education on 30 October 2023.

**Scheme Changes**
In December 2018, the Court of Appeal held that transitional protection provisions contained in the reformed judicial and firefighter pension schemes, introduced as part of public service pension reforms in 2015, gave rise to direct age discrimination and were therefore unlawful. The Supreme Court, in a decision made in June 2019, rejected the Government's application for permission to appeal the Court of Appeal's ruling and subsequently referred the case to an Employment Tribunal to determine a remedy which will need to be offered to those members of the two schemes who were subject of the age discrimination.

The key elements of the valuation and subsequent consultation are:
• employer contribution rates set at 28.68% of pensionable pay (including a 0.08% employer administration charge)
• total scheme liabilities (pensions currently in payment and the estimated cost of future benefits) for service to the effective date of £262,000 million, and notional assets (estimated future contributions together with the notional investments held at the valuation date) of £222,200 million giving a notional past service deficit of £39,800 million.
• the SCAPE discount rate, set by HMT, is used to determine the notional investment return. The current SCAPE rate is 1.7% above the rate of CPI and is based on the Office for Budget Responsibility's forecast for long-term GDP growth.

The next valuation result is due to be implemented from 1 April 2024.

The employer's pension costs paid to TPS in the period amounted to £529,000 (2022 - £496,000).

**Defined benefit pension schemes**

**Percy Hedley Pension Scheme**

The PHPS is a funded defined benefit pension scheme, with the assets held in separate trustee administered funds. The total contribution made for the year ended 31 August 2023 was £567,000 (2022 - £259,000), of which employer's contributions totalled £503,000 (2022 - £185,000) and employees' contributions totalled £64,000 (2022 - £74,000).

The pensions cost is assessed every three years in accordance with the advice of a qualified independent actuary. The assumptions and other data that have the most significant effect on the determination of the contribution levels are as follows:

- Latest actuarial valuation: 31 March 2022
- Annuity rate of interest: 2.3%
- Discount rate: 4.05%
- Fair value of assets at date of last valuation: £27.6 million
- Present value of liabilities at date of the valuation: £35.1 million
- Life expectancy at age 65: men - 21.9 years, women - 24.3 years
- Life expectancy at age 65 for members currently aged 45: men - 23.2 years, women - 25.7 years

The date of the most recent comprehensive actuarial valuation was 31 March 2022. The group operates a defined benefit scheme in the UK. A full actuarial valuation of the Percy Hedley Pension Scheme was carried out as at 31 March 2022 and the results of this valuation have been updated to 31 August 2023 by a qualified independent actuary. As required by FRS 102 the defined benefit liabilities have been measured using the projected unit method. The scheme is closed to new entrants and further benefit accrual

***Reconciliation of scheme assets and liabilities to assets and liabilities recognised***

The amounts recognised in the statement of financial position are as follows:

| | 2023<br>£ 000 | 2022<br>£ 000 |
|---|---|---|
| Fair value of scheme assets | 18,732 | 21,789 |
| Present value of defined benefit obligation | (24,132) | (27,474) |
| Defined benefit pension scheme deficit | (5,400) | (5,685) |

***Defined benefit obligation***

Changes in the defined benefit obligation are as follows:

| | 2023<br>£ 000 |
|---|---|
| Present value at start of year | 27,474 |
| Current service cost | 194 |
| Interest cost | 1,167 |
| Actuarial gains and losses | (4,086) |
| Benefits paid | (910) |
| Contributions by scheme participants | 64 |
| Effect of curtailments | 229 |
| Present value at end of year | 24,132 |

***Fair value of scheme assets***

Changes in the fair value of scheme assets are as follows:

| | 2023<br>£ 000 |
|---|---|
| Fair value at start of year | 21,789 |
| Interest income | 930 |
| Actuarial gains and losses | (3,644) |
| Employer contributions | 503 |
| Contributions by scheme participants | 64 |
| Benefits paid | (910) |
| Fair value at end of year | 18,732 |

***Analysis of assets***

The major categories of scheme assets are as follows:

| | 2023<br>% | 2022<br>% |
|---|---|---|
| Equities | 1 | 1 |
| Property | 99 | 99 |
| | 100 | 100 |

***Return on scheme assets***

| | 2023<br>£ 000 | 2022<br>£ 000 |
|---|---|---|
| Return on scheme assets | (3,644) | (6,658) |

The pension scheme has not invested in any of the charity's own financial instruments or in properties or other assets used by the charity.

***Principal actuarial assumptions***

The principal actuarial assumptions at the statement of financial position date are as follows:

| | 2023<br>% | 2022<br>% |
|---|---|---|
| Discount rate | 5.10 | 4.30 |
| Future salary increases | - | - |
| Inflation assumption (RPI) | 3.55 | 4.00 |
| Inflation assumption (CPI) | 2.85 | 3.30 |

***Post retirement mortality assumptions***

| | 2023<br>Years | 2022<br>Years |
|---|---|---|
| Current UK pensioners at retirement age - male | 21.00 | 22.00 |
| Current UK pensioners at retirement age - female | 24.00 | 24.00 |
| Future UK pensioners at retirement age - male | 23.00 | 23.00 |
| Future UK pensioners at retirement age - female | 25.00 | 26.00 |

**Tyne & Wear Pension Fund**
The Tyne & Wear Pension Fund is a funded defined benefit scheme, with the assets held in separate Trustee-administered funds.

The charity is an approved employer of the Tyne & Wear Pension Fund.

The pension was in an asset position at the 2022 year end, and so the asset was not reported within the accounts.

The Percy Hedley Foundation gave notice to exit the scheme before the year end, which triggered a section 75 review and the calculation of an exit valuation. This was performed by AON and on the 16 May 2024, the charity received notice that the exit valuation would result in a repayment to the value of £1.758million. This is included in accrued income and other income within the accounts.

**23 Commitments**

**Capital commitments**

The total amount contracted for but not provided in the financial statements was £188,666 (2022 - £Nil).

**24 Funds**

| | Balance at 1 September 2022 £ 000 | Incoming resources £ 000 | Resources expended £ 000 | Transfers £ 000 | Other recognised gains/(losses) £ 000 | Balance at 31 August 2023 £ 000 |
|---|---|---|---|---|---|---|
| **Unrestricted funds** | | | | | | |
| ***General*** | | | | | | |
| General fund | 24,863 | 35,937 | (35,568) | 2,524 | (64) | 27,692 |
| Pension fund | (5,685) | - | 72 | - | 213 | (5,400) |
| | 19,178 | 35,937 | (35,496) | 2,524 | 149 | 22,292 |
| ***Designated*** | | | | | | |
| Maintenance Fund | 353 | - | - | (353) | - | - |
| Strategic Development Fund | 95 | - | - | (95) | - | - |
| Estate Developments | 1,511 | - | - | (1,511) | - | - |
| | 1,959 | - | - | (1,959) | - | - |
| **Total unrestricted funds** | 21,137 | 35,937 | (35,496) | 565 | 149 | 22,292 |
| **Restricted funds** | | | | | | |
| Education | 654 | 33 | (142) | (505) | - | 40 |
| Adult Day Services | 24 | 9 | (2) | (25) | - | 6 |
| Central Services | 35 | - | - | (35) | - | - |
| Adult Residential | 32 | - | (2) | - | - | 30 |
| **Total restricted funds** | 745 | 42 | (146) | (565) | - | 76 |
| **Total funds** | 21,882 | 35,979 | (35,642) | - | 149 | 22,368 |

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

Designated funds

Designated Funds are those pots of money set aside by the Board of Trustees for use on specific projects during the year / subsequent years.

At the year end, no designations had been made by the trustees.

Restricted funds

Education
Percy Hedley School, Northern Counties School and Percy Hedley college receive income from the Education Skills Funding Agency (ESFA) towards the education of our children and young people including grants that are set aside specifically for new sports equipment and for building maintenance improvements.

We also receive donations from Fundraising and Legacies that are restricted to a specific site or specific purpose. EG: a large legacy donation was received in May 2022 for use at our Northern Counties site.

Adult Day Services
Donations from IMUSE and Heritage Funds for use at Hedley's Horizons.

Adult Residential
Various small donations for use in our Residential Services.

# Notes to the Financial Statements for the Year Ended 31 August 2023

### 25 Analysis of net assets between funds

| | General £ 000 | Unrestricted Designated £ 000 | Pension £ 000 | Restricted £ 000 | Total funds £ 000 |
|---|---|---|---|---|---|
| Tangible fixed assets | 17,538 | - | - | - | 17,538 |
| Fixed asset investments | 2,955 | - | - | - | 2,955 |
| Net current assets/(liabilities) | 8,946 | - | - | 76 | 9,022 |
| Creditors over 1 year | (1,747) | - | - | - | (1,747) |
| Pension scheme liability | - | - | (5,400) | - | (5,400) |
| Total net assets | 27,692 | - | (5,400) | 76 | 22,368 |

| | General £ 000 | Unrestricted Designated £ 000 | Pension £ 000 | Restricted £ 000 | Total funds at 31 August 2022 £ 000 |
|---|---|---|---|---|---|
| Tangible fixed assets | 16,591 | - | - | - | 16,591 |
| Fixed asset investments | 2,915 | - | - | - | 2,915 |
| Net current assets/(liabilities) | 7,176 | 1,959 | - | 745 | 9,880 |
| Creditors over 1 year | (1,819) | - | - | - | (1,819) |
| Pension scheme liability | - | - | (5,685) | - | (5,685) |
| Total net assets | 24,863 | 1,959 | (5,685) | 745 | 21,882 |

### 26 Analysis of net funds

| | At 1 September 2022 £ 000 | Financing cash flows £ 000 | At 31 August 2023 £ 000 |
|---|---|---|---|
| Cash at bank and in hand | 8,415 | 808 | 9,223 |
| Debt due within one year | (266) | 93 | (173) |
| Debt due after more than one year | (1,819) | 72 | (1,747) |
| Net debt | 6,330 | 973 | 7,303 |

| | At 1 September 2021 £ 000 | Financing cash flows £ 000 | At 31 August 2022 £ 000 |
|---|---|---|---|
| Cash at bank and in hand | 8,319 | 96 | 8,415 |
| Debt due within one year | (220) | (46) | (266) |
| Debt due after more than one year | (1,984) | 165 | (1,819) |
| Net debt | 6,115 | 215 | 6,330 |

### 27 Related party transactions

There were no related party transactions in the year.



percyhedley.org.uk
0191 238 1330
foundation@percyhedley.org.uk

The Percy Hedley Foundation is registered in England and Wales, company number 01855026, charity number 515943.

Registered office: Hampeth Lodge, Station Road, Forest Hall, Newcastle upon Tyne, NE12 8YY

**THE PERCY HEDLEY FOUNDATION**

England & Wales - Charity number 515943

# Accounts

Percy Hedley
FOUNDATION














# Annual Report & Accounts 2021/22

## Year ended 31 August 2022

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# Who We Are

The Percy Hedley Foundation is a charity dedicated to improving the every day lives of people with disabilities.

We want to help people with disabilities to live their best lives.

We're driven by our vision for a world in which people with disabilities can realise their potential as equal and active citizens in control of their lives. This sits at the heart of everything we do. All of this is underpinned by both our passion to enrich people's lives and by our moral and statutory responsibilities.

We get to work with extraordinary people every day. Some of our students, residents and members have challenging needs and they and their families are an inspiration to us every day.

Our commitment as a charity is simple, but one we do not take lightly. Some of our students, residents and members have very complex needs and to enable them to live their best lives and reach their full potential, we need the best team, special facilities and equipment.

## Our Mission

**Inspire, Believe, Achieve**

## Our Values

**People at the heart of everything we do**

## Our Promise

- **Continually seek to improve**
- **Inspire others**
- **Do the right thing**
- **Work together as one team**





# What We Do

We help people develop their abilities, live the life they want and be happy by providing top quality care, education, lifelong learning, social enterprise and employment opportunities at our two schools, college, homes, and lifelong learning services.

## Schools

**We are specialist education providers in North Tyneside and Newcastle upon Tyne. We have two schools that offer specialist education for a range of complex physical disabilities and learning difficulties and cater for children and young people aged 3 to 19.**

## Homes

**We have four residential homes in Newcastle upon Tyne for people aged 18+. We offer a high standard of specialist, person-centred care within a safe, homely environment.**

## College

**Our college is a specialist further education provider for young people aged 16-25 with a range of learning disabilities. These young people require specialist programmes to develop communication, independence and employability in order to make a successful transition into adulthood.**

## Lifelong Learning

**We have a lifelong learning service offering bespoke, lifelong learning programmes for people with complex disabilities and learning difficulties, where people can continue their lifelong learning goals, improve their mental well-being and take part in purposeful activities and enterprise.**

# Our Impact

## 1.2 Million

**hours of special education, lifelong learning, therapy and care**

## 584

**people with disabilities supported**

## 356 People

**Accessed education through our schools and college**

## 950 People

**Employed across the Foundation in 2021-22**

## 68 People

**within our homes**

## 160 People

**Accessed lifelong learning through our adult Horizons programme**

# Introductory Statement

Never, in the history of the Foundation, has the commitment, compassion and resilience of our staff shone so brightly as during the past year.

It is a testament to their dedication, and to the leadership of the management team, that the Foundation remained open throughout the pandemic, providing care and support to those with complex disabilities and learning difficulties, as well as their families. Building on the experience from the first lockdown, the Foundation adapted quickly to the ever–changing situation. Through strong planning and crisis management, the Foundation was able to provide services throughout the year.
When we slowly saw a return to normal activities with residents finally able to get about, we held our much-loved Christmas festivities and ended the academic year on a high with the return of face-to–face, “leavers’ ceremonies”.

Many young people we support have life–limiting conditions and complex medical needs. The year was tinged with great sadness with the tragic passing of Stephen Darke, aged 80. Stephen was one of the first children at the Foundation, joining school on the first day and living in Chipchase House since it opened. Stephen’s parents were instrumental in the creation of the Foundation 70 years ago in 1953.







**Janet Donnelly**
**Chair**





# Introductory statement

Now, with the support of our skilled care, nursing, therapeutic, education and residential teams at the Foundation, young people, and adults, regardless of their complex medical needs, can access experiences and learning like their peers.

There are so many examples of situations and conversations with families that so eloquently highlight the incredible need for our services and there are so many more young people and adults who do not have access to the support and care needed to maximise their potential. According to Department for Education data (January 2021), there are 1,408,701 pupils in England with Special Educational Needs and Disability (SEND), an increase for the fourth consecutive year. Of those, there are 325,618 pupils with Education, Health, and Care Plans (EHCP), an increase of 10.5% from the previous year. We cannot meet that need without the continued generous support from volunteers, individuals, groups, charitable trusts, foundations, and companies. For that support, at a time when many have faced their own difficult challenges, we say a heartfelt thank you.

Most importantly, we thank our staff for their outstanding commitment to provide the highest quality of education, care, and support during these unprecedented times.

**John Steward**
***Acting Chief Executive***

**Janet Donnelly**
***Chair***

# Our Year in Photos




Lauren wins

Teacher of the Year




Emily raised

£38K for Percy Hedley




We opened the

College Cafe

> “The opening of the College Cafe was such a great experience”




Celebrating first proms

since before Covid



Return of the

family signing sessions

> “We have enjoyed the positive changes in 2022, looking forward to 2023!”



Residents out after living

with restrictions for so long

# Our Year in Photos




Save the planet

with MOVE




Percy Hedley

pop up shop



Jubilee celebrations

across the Foundation

> So proud of our Percy Hedley Girls Football Team for working so hard



Percy Hedley School girls

win the cup!

> Percy Hedley is all I have ever known and deserves something back from me



Fundraising day

for Ukraine




Harry runs the

Great North Run!

# Strategic Report:
## Percy Hedley School

**2022 was marked by significant changes, especially within Percy Hedley School. Over the past year we achieved, pursued, or started the following:**

We established a new holistic and inclusive assessment procedure by organising the school into four clear curriculum pathways. These focus on wellbeing whilst reflecting our range of students and their needs. We placed outdoor learning at the centre of our curriculum and introduced a new phonics program. In addition, we have strengthened the Wellbeing Team, carrying out a project on emotional resilience with our educational psychologist.

Last year we focused on ensuring that our staff know that they are cared for. We also supported trainee and early career teachers whilst providing therapy placements. Two speech and language therapists were trained to deliver the ELKLAN program, and next year more colleagues will be trained in this. We improved the retention of our staff, and put in many measures to engage, recruit, and retain the right colleagues.

To improve our work and partnership with parents and carers, we have been following an accredited Parent Partnership Award. We also joined North Tyneside Council Schools' Improvement Service which will help our quality, governance, connectivity, and give us a new school improvement partner. Various parent and carer events took place during the year, all welcome after Covid-19 and which we need to build upon. There were lots of sporting and outdoor learning activities throughout the school, including sports teams and many changes to our site to accommodate this. We also published weekly extensive blogs covering whole school news and messages, as well as one from our Parent Liaison Officer.

Notable achievements from the past year have included:

The school achieved MOVE Silver Status and won a MOVE award for our MOVE around the world event. MOVE is an activity based framework that enables young people to gain independent sitting, standing, walking and transferring. This is the updated system from versions of conductive education that were used in the past.

The outdoor learning area was revamped with help from volunteers from Virgin Media to make it accessible for all students to use.



What We Achieved

# Strategic Report:
## Percy Hedley School

### Ambitions for the year ahead:

- Improving attendance, as well as our sequencing and curriculum design
- Embed reading into the curriculum as well as improve our other and wider literacy
- Develop all aspects of personal development within the school

### What we achieved last year:

- Organised the school more clearly into 4 curriculum pathways
- Laid down new assessment procedures
- Worked hard on and improved staff engagement, wellbeing, recruitment and retention



# Strategic Report:
## Northern Counties School

**The academic year of 2021/2022 was one of great improvements for Northern Counties School.**

In May 2022, Ofsted judged the school to be inadequate and placed Northern Counties School into special measures. However, we took time to reflect on the outcome of the inspection and believe that it has given us the opportunity to grow and become better.

By the end of the school year, we welcomed all learners back to full-time education. We introduced new learning methods and created a more positive learning and working area by investing heavily in the environment of the building.

We also incrementally improved teaching and learning within the school, making learning fun and enjoyed welcoming parents, carers and the wider community back into school. It was fantastic to welcome families back for the weekly signing sessions and the graduation ceremony.

As a learning community, we are focused on another year of improvement and look forward to the end of the school year in July 2023, when we can reflect on how strong we have become.








# Strategic Report:
## Northern Counties School

### Ambitions for the year ahead:

- Achieve Ofsted Good Rating by the 23/24 Academic Year.
- All students to progress above national average in their learning
- To have a progressive and happy learning community

### What we achieved last year:

- We started all learners education post Covid-19
- Invested heavily in the environment of the building
- Incrementally improved teaching and learning with Northern Counties School

# Strategic Report:
## Hedleys College

**Over the past five years our numbers of learners with complex Autism Spectrum Conditions (ASC) have increased. The academic year was one of expansion for Hedleys College.**

Services extended into The Bradbury Hub to enable us to meet the growing demand for places for students with complex ASC. The Bradbury Hub has two larger group workspaces and fifteen rooms that can be utilised as individual spaces or for two to three students to work together. There is a sensory room on site and two independent living skills spaces, as well as a large outdoor area and a spa which can aid in sensory regulation. The development plan will see an increase in students in 2022 and by 2023 we will reach our full capacity.

Supported by a Natspec and Association of Colleges research piece into partnership working in specialist further education colleges, we have partnered with Newcastle College. Our students delivered disability awareness training to their peers in Newcastle College. We are further developing this partnership Level 3 and 4 Social Care and PGCE students will be offered the opportunity of a placement at Hedleys College to support their study. This will allow students a work-based learning element where they will also learn from Hedleys College students.

In addition, two Hedleys College students are going to co-deliver a learning module from January 2023 at Newcastle College alongside the lecturer.

Over the past four years, with a delay due to Covid-19, a fundraising campaign allowed us to modernise our student dining facilities. The former school hall has been transformed into a modern café, complete with a TV, a chill out area, table football, a sensory table and a wonderful mural depicting the Percy Hedley Foundation. The work was not only to modernise the space but to also tackle the acoustics problem that our previous space had, meaning that some students struggled to use it. We were successful in a bid to the Wolfson Trust, Northumberland Provincial Grand Lodge Freemans and staff, with our students and their families, raised approximately £10,000 from a sponsored walk, bag packs and a sponsored sky dive.



Strategic Report:
Hedleys College





### Ambitions for the year ahead:

- Sustain and further improve our high-quality learning as well as open a social enterprise hub
- Appoint an Education Healthcare Plan (EHCP) and Destinations Manager to support students' destination post college
- Review and further develop the support to staff

### What we achieved last year:

- Opened the Bradbury Hub in September 2021; a specialist space to support 12 students with ASC
- Acted as an advisor to a new foundation degree at Newcastle College "Social Care, Health and Wellbeing," with the course approved to begin during the 22-23 academic year
- Opened a college café on site for use by students and staff

# Strategic Report:
## Hedleys Horizons

## Last year was monumental for Hedleys Horizons.

Our pop-up shop showcased the talents of our members under our Handmade by Hedleys banner. They made and sold celebration cards, ceramics, arts and crafts, bird houses, jewellery and made to order items. The shop also gave them the opportunity to develop skills such as customer service, marketing, and money handling, as well as giving them increased independence. Feedback was overwhelmingly positive, with members enjoying being at work. This successful trial has helped us formulate future social enterprise plans.

In the summer we celebrated the achievements of members with a garden party. This provided a social opportunity for them and their families. Several awards were presented, and members enjoyed supporting each other and celebrating their friends' achievements. This was the first event like this is in Hedleys Horizons.

We successfully applied for funding from the Ian Karten Foundation and received £20,000 to buy new hardware for use by our multimedia department. Within this department members work on website design, video, and editing, chroma and green screen technology and run a 24-hour radio station – Hedleys Radio (available online). Members were involved in production and work towards supporting our music team with performances throughout the year.






Strategic Report:
Hedleys Horizons

What We Achieved

## Ambitions for the year ahead:

- To develop further social enterprise opportunities and open a social enterprise hub to give members a real working environment
- To introduce and sustain long-term volunteering opportunities for members in their local communities
- Recruit and retain skilled and professional care staff, focusing on career progression and recognition as professionals

## What we achieved last year:

- A successful Hedleys pop-up shop for two months showcasing "Handmade by Hedleys" products made by members
- Introduced a celebration of achievement with a garden party in July 2022, which will be an annual event
- The Ian Karten Foundation funded £20,000 of new hardware to our multimedia department

# Strategic Report:
## Our Homes

**When we reflect on the previous year, we are proud to see many changes and improvements within our residential services.**

The highlight for our teams was supporting residents as they returned to normality after the Covid-19 pandemic where their lives were impacted by restrictions. It was fantastic to welcome families into homes and to see residents living life to the full again.

We have created several new infrastructures and systems, which have been instrumental in the continuous improvement of our services which has been recognised through external regulation ratings. Management worked closely with the operational teams to drive up quality from a 'best practice' perspective and delivered new strategies to ensure that the people we support have fulfilling lives. This has been done through a mixture of role modelling of Percy Hedleys core values, development and guidance on quality assurance frameworks, critical review auditing for trends and themes and working collaboratively with the teams to reduce risk and deliver the required improvements.

The estates team has commenced work on building and refurbishment schemes. They conducted this in a person-centred way so that it was made to feel like home for all the people we support. When services were adapted to their purpose, we received positive feedback such as...

**"Staff understood people's diverse interests and personalities. They had built a strong rapport with people in a culture that was focussed around encouraging and enabling young adults to build peer friendships and experiences. To support this, they ensured that many of the staff were of a similar age range to people using the service".**

**One relative said, "I like the studenty feel – it's as it should be at this stage in [person's] life."**

This year, we also saw the implementation of Care Compliance, a system we have used to help strengthen monitoring of governance, regulatory compliance and care audits across the Foundation. It supports service improvement planning and stores information in one place to strengthen governance and oversight and improve the quality of those using our service.

Inclusively working with others was a focus during the year and we worked towards more collaborative working, embracing the right support from professionals. This approach allowed us to be agile and forward thinking specifically around compliance and quality issues. Some of our residents have complex medical needs and are at a higher risk of poor functional status, quality of life, and health outcomes because of this nature. Inclusive working and advocating the co-production have provided the teams with solutions, visibility from members of the wider team, consistency and shared risk taking. This improved the overall performance of the services and gives meaningful outcomes to the people that we support.



What We Achieved

Strategic Report:
Our Homes

### Ambitions for the year ahead:

- Drive improvement through innovative ways of working and develop supportive environments to enhance people's quality of life and independence
- Engaging colleagues through focusing on the skills, knowledge and behaviours needed to create a good quality of life for the people we support
- Improve staff retention by giving them clear career pathways
- Review our existing provisions to modernise and bring them in line with commissioning needs

### What we achieved last year:

- Creation of a new infrastructure to allow quality improvement and increased outcomes for the people we support
- Services kept safe throughout the Covid-19 pandemic
- Implemented collaborative working

# Strategic Report:
## Safeguarding

The Foundation's robust approach to safeguarding is at the forefront of all aspects of our work, ensuring the continued safety of the vulnerable learners, residents and clients using our services. The charity promotes a 'no blame culture' with an open-door policy for any member of staff, learner or resident who has concerns about safeguarding. Our safeguarding teams work closely with staff and learners to ensure appropriate training and delivery on the Prevent agenda, fundamental British values and safe, healthy relationships.

In addition, a robust safeguarding process means we are transparent in our operations and investigations.

In 2021/22 there was an increase in the number of safeguarding concerns reported for investigation; these were largely attributable to increased staff turnover and increased reliance on online training during the pandemic which has since been rectified, and other Covid–19 related issues such as the appropriate use of personal protective equipment and learner mental health. The rise in reported concerns also reflects the increased number of learners with greater complexities. This number shows the effectiveness of the charity's open culture of reporting and how beneficiaries and staff feel safe that they can express concerns. It also illustrates the strong interactions between staff and beneficiaries about the importance of safeguarding.

Safeguarding practice is embedded within all aspects of staff development. This includes an in-depth induction combining virtual and face–to–face learning, regular safe working practice training delivered face-to-face by a head of service or director.

We continue to develop and improve our robust safeguarding across the Foundation. It goes without saying that safeguarding is at the heart of our services used by vulnerable young people and adults.

**Ewen Weir**
**Safeguarding Trustee**





> **"The culture was empowering, inclusive and open. People were encouraged and practically supported to be the people they wanted to be. Staff helped people identify goals, aspirations and interests and play a part in the running of the service."**

# Strategic Report:
## Our People




People are at the heart of everything we do, and that includes our staff who are our biggest asset. We understand that the Foundation and its services are only as good as the people it employs.

That is why the charity is committed to attracting, developing, and retaining talented, committed and highly skilled staff. This has been a significant challenge in the past year and despite our best efforts we are not where we would like to be. We strive to improve how we recognise the work that employees do and we call on the Government to also make sure staff in this sector get the recognition they justly deserve. Without those staff, we cannot meet our strategic aim of providing and developing high quality services. During the last year, that investment in staff has been critical to ensure they had the support they needed to work in very challenging situations. The charity would not have been able to support those most in need without the staff's commitment.

The charity has 950 staff (as of 31 August 2022), many of whom are part–time or term–time staff, representative of and drawn from the surrounding local communities, with 16% declaring a disability and 6.6% declared as non–white British or black and minority ethnic. The gender split is 83% female and 17% male.

The Foundation is committed to staff training, development and induction. It continued to be extremely difficult to release staff for training but in 2021/2022, 603 training hours were provided. There are 33 apprentices enrolled on apprenticeship qualifications. The Foundation has an open policy in seeking and encouraging staff views. Results from a comprehensive staff survey in June 2022, which was completed by 57% of the workforce, reflected that staff take pride in their work and their role within the organisation. It also gave us great insight to areas where we must do better.

The Charity has established a People and Culture Committee into its governance arrangements. We maintain fair employment practices in the recruitment, selection, retention, and training of all staff. All staff are subject to necessary Disclosure and Barring Service (DBS) checks and safeguarding training. Inspection outcomes by local authorities, Ofsted, and the Care Quality Commission confirm that the processes and people are in place to maintain a very high standard of provision.





> **“Staff worked in partnership with other health and social care organisations, which helped to give people using the service a voice and improve their wellbeing.”**

# Strategic Report:
## Fundraising

### Ambitions for the year ahead:

- Implement the structure for the Fundraising and Engagement Team
- Deliver the Foundation's 70th anniversary campaign, engaging local people and organisations throughout the year
- Develop the supporter database
- Review our fundraising activities and invest in establishing and maintaining future income streams

### What we achieved last year:

- Adapted our fundraising plans to reflect the ongoing pandemic
- Return of the Percy Hedley Ball after a two-year break








# Strategic Report:
## Fundraising

For the second year running, the Covid-19 pandemic had an impact on fundraising. Whilst most of the charity's services are largely funded through local authorities, we rely on fundraising to help fund our specialist facilities and to enhance the resources and experiences for those who depend on the services we provide.

After adapting our fundraising plans to reflect the Covid-19 pandemic, we were delighted that we were able to see the return of our flagship fundraising event, The Percy Hedley Ball in November 2021 and return to face-to-face events, including an adapted Covid secure Great North Run where 62 runners ran for the Foundation.

We know that the support from people and organisations is vital to enable us to meet the growing need for our services. In July 2022, the Board of Trustees agreed to a proposal to merge our fundraising and marketing teams to create a new fundraising and engagement team. The priority during next year will be to implement the new team structure so that the team can build and nurture relationships with supporters and help raise awareness of the Foundation and our impact.

### Thank you for your support

The Percy Hedley Foundation is grateful to all the people and organisations that have supported the charity. Together we have made a huge difference to the lives of young people with complex disabilities. We need to meet the growing demand for our specialist support, and ensure we have the right specialist facilities, opportunities and experiences that enable our beneficiaries to live life to the full. By raising awareness of the impact of our work, by working closely with supporters and by engaging new ones, we will strive to achieve this.

### Fundraising Practices

We have high standards about how we fundraise, communicate with supporters and the public as set out in our Supporter Promise. Fundraising activities are carried out in accordance with the Code of Fundraising Practice and we comply with the law as it applies to charities and fundraising.

We have a Customer Relationship Management (CRM) database in place to support our fundraising oversight, ongoing adherence to General Data Protection Regulation (GDPR), financial record keeping, monitoring and evaluation. In 2021/22 there were no compliance issues raised about our fundraising by the Charity Commission, Fundraising Regulator, or Information Commissioner's Office.

In 2021/22 we did not engage any professional fundraisers or commercial participators, for example door-to-door and face-to face fundraisers. Our complaints process is clear and easily accessible. Complaints received are recorded and investigated in line with the charity's complaints policy. In 2021/2022 we received no complaints about our fundraising activities carried out by the charity or someone on behalf of the charity.

We make it as easy as possible for people to contact us to opt out of receiving communications from us, or to change the method of communication.





# Strategic Report:
## Our Future Plans

**We are passionate about maximising the impact of our work and increasing the number of people with disabilities who can realise their potential. While the Foundation supports hundreds of people and their families every year, there are hundreds more who are unable to realise their potential.**

For the Foundation to realise its aspirations for others, we need to focus on being the best that we can be by developing our staff and improving our facilities, processes, and systems. It is critical to the charity's success that our services are of the highest quality and remain so. Protecting that quality is a key priority for the charity in the years ahead. The people we work with and care for deserve nothing less. Having the right people with the right skills will ensure we provide high quality education, care, and support. That is why the charity is focusing on recruiting the best multi–disciplinary teams and investing in their professional development. The charity will focus on staff development and retention in the years ahead, with a particular emphasis on the development of leadership and management skills across the organisation.

To have the capacity to grow, the charity also needs to build expertise, improve internal systems and processes, and invest in facilities. The high quality of facilities and specialist equipment underpins the quality of our provision. We aim to create more long–term living communities so that young adults with disabilities have the right support to live as they wish and continue to develop their potential. We know what young people with disabilities can achieve with the right level of high-quality care and support.

We want to be a shining example to those commissioning, those providing services and those benefiting from those services across the whole of the UK. We will do that by working more closely with the community, employers and other organisations and focus on the long–term benefits of appropriate care and personal development for the people themselves and for the wider society. We want more people to see for themselves what potential people with disabilities have.

# Strategic Report:
## Principal Risks and Uncertainties

The Foundation's Board of Trustees is responsible for ensuring that effective and adequate risk management and internal control systems are in place to identify and manage the key risks to the charity.

The Executive Management Team and Board of Trustees are responsible for overseeing the risk management process. This process involves a consistent approach to identifying, assessing, and mitigating the risks facing our charity to ensure they do not exceed the level of risk we are willing to accept. It is designed to manage, rather than eliminate, the risks to our charitable objectives and to provide reasonable assurance against material risks.

**The processes in place regarding risk management include:**

- Audit and Risk Committee which considers and reviews the top strategic risks
- A comprehensive Board Assurance Framework
- A risk policy and procedure whereby risks are regularly reviewed by the senior management team and documented in a risk register combined with clear risk appetite statements which set out risk tolerance levels

**Our risk profile going forward:**

- Several risks have increased over the period, these include risks relating to:
  - The long-term effect of the pandemic has become more evident on the social care sector with ever reducing pools of labour
  - The level of financial settlement with local government typically being below the rate of cost inflation
  - Increasing pressure on salary budgets to implement pay uplifts





# Strategic Report:
## Structure, Governance and Management

**The Percy Hedley Foundation was founded in 1953 and is a charity registered in England and Wales (Charity Commission registration number 515943), and a company limited by guarantee (registered in England, company number 01855026).**

The charity is governed by its Articles of Association incorporated on 12 October 1984, adopted on 1 November 2005, and last amended on 8 November 2014. Northern Counties School, now an integrated part of the Foundation as a result of the merger in October 2005, was founded in 1838.

The Foundation abides by the Charity Governance Code for larger charities, which sets the principles and recommended practice for good governance. The Foundation is led and governed by a Board of Trustees.

The trustees are volunteers who give their time freely and do not receive any financial benefits or emoluments from the charity. Any expenses claimed are set out in note 10 to the accounts.

The trustees have full legal responsibility for the actions of the Foundation. Trustees are appointed for a three-year term, after which they are eligible for re-appointment.

Trustees are directors of the company for the purposes of the Companies Act 2006, and each trustee agrees to contribute £1 in the event of the charity winding up.

The trustees bring a range of skills, competence, and experience to the charity. In 2021 a board competency assessment framework was introduced to ensure board competence reflects the breadth of the Foundation's work and board responsibilities. We continue to seek new trustees who can fulfil areas of competency required, as identified by the framework.

Trustees in office during the year, and at the date of signing these financial statements, are set out on page 40.

### Public Benefit Statement

The trustees have due regard to the guidance published by the Charity Commission on public benefit.

### Organisational structure and decision making

The Board of Trustees is responsible for the governance and strategy of the Foundation, ensuring that the charity is solvent, properly run and delivers its charitable purpose.

# Strategic Report:
## Structure, Governance and Management

The Board of Trustees delegates the day-to-day responsibility for running the Foundation and delivery of strategy to the Executive Management Team, led by the Chief Executive Officer. In August 2022, Chief Executive Officer John Knight left the Foundation, and the position was held by John Steward, Acting CEO and Head Teacher of Percy Hedley School throughout and beyond the remainder of 2021/22 financial year. (A new permanent CEO has been appointed, effective March 2023.) The executive has delegated authority, within the terms of delegation approved by the trustees for operational matters including finance, employment and the sound running of the Foundation's services.

### Foundations Trustees

The Board of Trustees meets at least four times per year and delegates specific responsibilities and activities to various sub committees including Residential Services, Hedleys Horizons Adult Day Services, Finance, Audit and Risk, People and Culture, Remuneration, and Nomination committees. This is in addition to the governing boards for Percy Hedley School, Northern Counties School and Hedleys College. Separately there are working groups set up for specific purposes and tasks as indicated in the structure on page 38.

### Our Board and Committee Structure

Board and sub committee meetings are held in accordance with an annual schedule aligned to the business cycle.

Annually the Nomination Committee reviews the governance structure and members, and the latest review introduced a new People and Culture Committee and working groups aligned to key strategic objectives.

### Trustee selection, induction and appraisal

The Nomination Committee meets regularly to review the composition of the Board of Trustees and its committees, to review succession plans, identify development needs and to ensure the board has the appropriate breadth and balance competency. The recruitment of new trustees is carried out through a process of open advertisement followed by interview and selection by the Nomination Committee, whose proposals are reviewed and approved by the Board of Trustees. Trustee applicants are assessed against a competency assessment framework, and existing trustees renew competency assessments on an annual basis.

New trustees receive a programme of induction which includes training as appropriate, operational site visits to meet staff and beneficiaries, individual meetings with members of the Executive Management Team and access to an electronic reading room containing all key documents relating to the charity's constitution, governance arrangements, roles and responsibilities of trustees, board terms of reference and code of conduct.

# Strategic Report:
## Structure, Governance and Management

This is to ensure trustees gain a greater understanding about the work of the Foundation and the expectations of their role as trustee, and can identify opportunities to become more involved. Trustee appraisals are carried out annually to review and support individual needs.

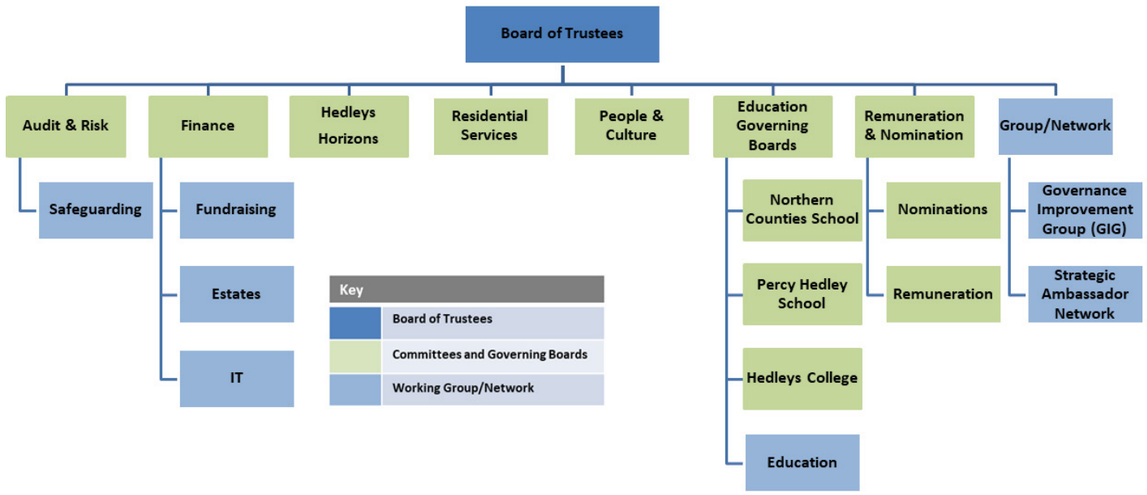
### Pay policy for senior staff

The trustees consider that the board of directors who are the Foundation's Board of Trustees and the Executive Management Team comprises of the key management personnel of the charity. The pay of the executive is reviewed annually.

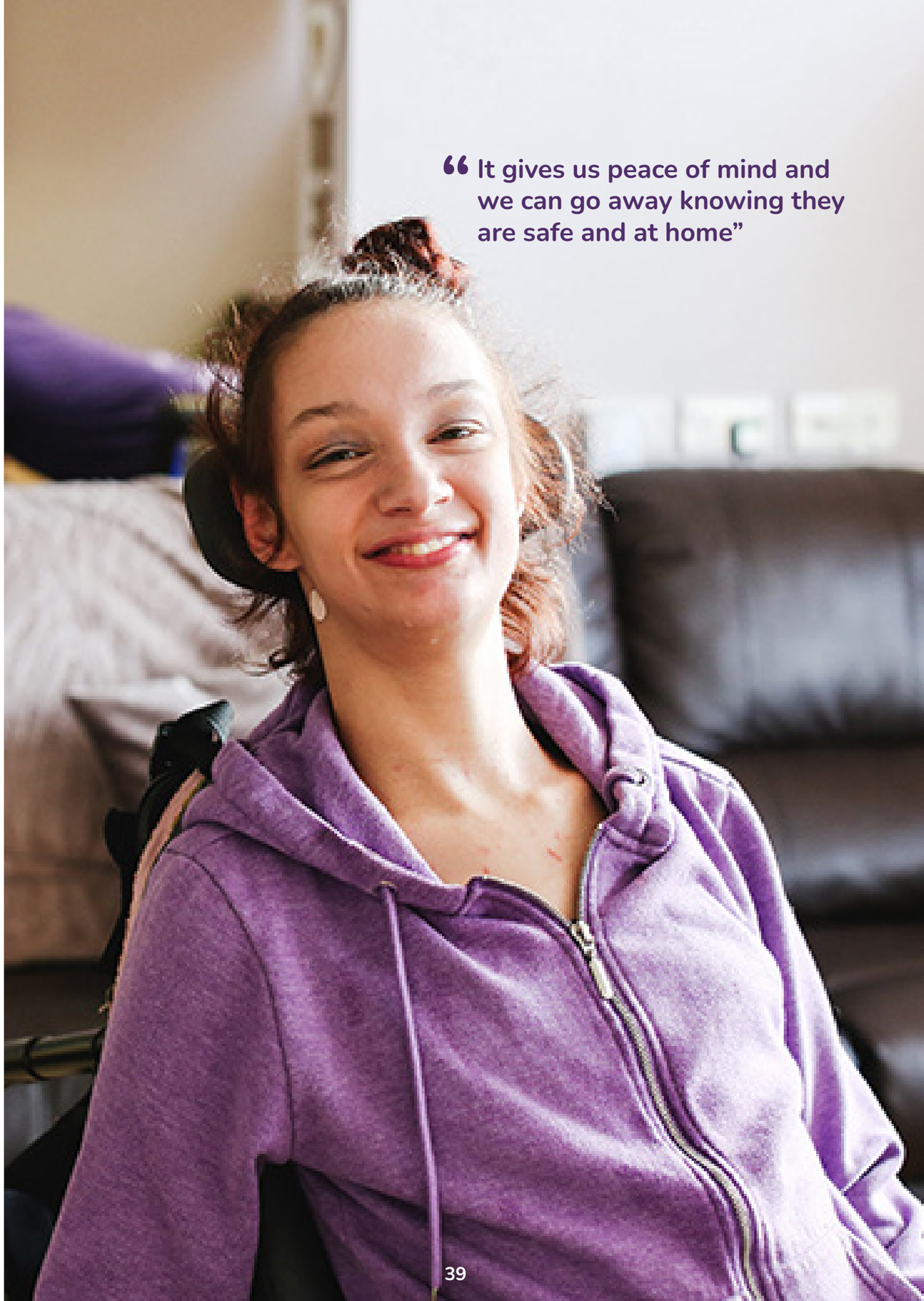
The trustees believe that the levels of remuneration should be sufficient to attract, retain and motivate a team of the quality required to run a large charity. The Foundation ensures that remuneration levels are linked to a regular objective setting system of performance appraisal and benchmarked against comparable roles. The executive team is paid on the basis of a fixed salary and is commensurate with experience, responsibilities and performance.

### Trustees' indemnities

Included within insurance charges is an annual charge of £2,170 (2021: £2,675) for Trustee Indemnity Insurance.





# Strategic Report:

## The Percy Hedley Foundation Reference and Administrative Details

### Trustees

J Jowett (until 30 November 2021)
A Curran (until 30 November 2021)
D Arthur (until 7 February 2023)
S Jopling (until 28 July 2022)
M Gibson (until 30 November 2021)
D L Kent
A Russell (until 30 September 2021)
A Woods (until 25 January 2023)
L Charles Jones (until 30 November 2021)
T Frazer (until 30 November 2021)
P A Foreman
W Snaith
E G Weir
C J Thompson (from 28 July 2022)
J Donnelly (from 28 July 2022)
L Kendal (until 28 July 2022)
P L Emerson (from 31 October 2022)
N C Hutchinson (from 31 October 2022)

The Charity is incorporated in England and Wales.

**Company Secretary:**
L Dawson

**Independent Auditors:**
Azets
Bulman House, Regent Centre, Gosforth,
Newcastle upon Tyne, NE3 3LS

**Bankers:**
Barclays Bank Plc, 5 St Ann's Street,
Newcastle upon Tyne, NE1 3DX

**Solicitors:**
Womble Bond Dickinson (UK)
The Spark, Draymans Way, Helix,
Newcastle upon Tyne, NE4 5DE

**Company Number:** 01855026

**Charity Number:** 515943

**Registered Office:**
Hampeth Lodge, Station Road, Newcastle upon Tyne, NE12 8YY

**Investment Managers:**
Rathbones Investment Management
Earl Grey House, 75-85 Grey Street
Newcastle upon Tyne, NE1 6EF

RBC Brewin Dolphin, Time Central,
Gallowgate, Newcastle upon Tyne,
NE1 4SR

**Key Management Personnel:**

| | |
|---|---|
| Deputy CEO: December - August 2022, Acting CEO: August 2022 - March 2023, Head Teacher – Percy Hedley School | John Steward |
| Interim Chief Executive Officer (until March 2022) | D'Arcy Myers |
| Chief Executive Officer (until August 2022) | John Knight |
| Head Teacher for Northern Counties School (until September 2022) | Jo Allen |
| Principal for Hedleys College and Hedleys Horizons | Joanne Rees Proud |
| Director of Finance (until October 2022) | Tara Allen |
| Director of Quality and Performance | Alison Williams |
| Director of Residential (until May 2022) | Lisa Deane |
| Head of Specialist Services (until March 2023) | Rick Johnson |
| Interim Head Teacher for Northern Counties School (from June 2022) | Martin Lonergan |
| Director of Care (from October 2022) | Charlotte Jones |
| Chief Executive Officer (from March 2023) | Rob McDonald |





# Strategic Report:

## Streamline Energy and Carbon Reports

Under Statutory Instrument (SI 2018/1155) and the Environmental Reporting Guidelines, the charity is now required to report on greenhouse gas emissions and energy consumption. The charity's energy and fuel usage for the period is shown in the table below.

The charity continues to look for cost effective ways of reducing its carbon footprint and is committed to reduce carbon emissions.

We employ an energy agency to manage our gas and electricity supply.

We own / lease several vehicles which are included in the analysis below.

| UK greenhouse gas emissions and energy use data for the year ended 31st August 2022 | 2022 |
|---|---|
| Energy consumptions used to calculate emissions (kWh): | |
| Gas | 5,163,439 |
| Electricity | 1,383,720 |
| TOTAL | 6,547,159 |
| Scope 1 emissions in metric tonnes CO2e gas consumption | 1,204 |
| Transport fuel | 37 |
| Total scope 1 | 1,241 |
| Scope 2 emissions in metric tonnes CO2e purchased electricity | 323 |
| Total scope 2 | 323 |
| Scope 3 emissions in metric tonnes CO2e business travel in employee owned vehicles | 0 |
| Total scope 3 | 0 |
| Total gross emissions in metric tonnes CO2e | 1,564 |
| Intensity ratio tonnes CO2e per employee | 1.63 |

# Strategic Report:
## Financial Review 2021/22

**The Foundation has continued to operate on a sound financial basis, despite the pressure from reduction in statutory funding, changes in high needs funding systems, a competitive fundraising environment and the continuing impact from the pandemic.**

In the year to 31 August 2022, the Foundation made a surplus of £3.372m (: £1.234m) before actuarial gains and losses. Income increased by over £2m on the previous year with expenditure remaining at a similar level. The underlying operational performance has been strong in the current climate with services continuing to recover from the challenges past Covid-19 closures and restrictions.

The surplus of £3.372m (2021: £1.234m) represents a strong performance by the charity in the current year. There are a number of key reasons why this strong surplus has been reported in the current year, including strong activity and income levels and a well-managed organisation which has continued to focus on containing its costs and focusing its resources into the key areas which have the most impact on its beneficiaries.

One key reason, for a strong surplus, is due to the hard work the management team have undertaken to resolve (with the funding partners) the historic care package fee uplifts. As a result of being able to agree an uplift to the care package - something which was previously included in debtors and income but had been fully provided against (by the provision of a doubtful debt provision against debtors and charged to the SoFA as a doubtful debt charge, until this uplift could be agreed) – has meant that previous historic bad debt provisions have been released, historic debtors recovered and the cash receipted. This has reduced the bad debt provision levels from 2021: £2.774m to 2022:£1.699m and therefore benefited the current year surplus by £1.075m.

The timing of invoices raised and cash receipts at the current year end have given rise to a large increase in trade debtors. However, benefiting from the above work, trade debtors have largely been receipted post year end with any uplifts to care packages also being agreed. This has meant that the doubtful debt provision at the current year end is reduced compared to previous years and also has a positive impact on the current year surplus being reported.

As the impact of the cost of living crisis begins to impact on central and local government budgets, pressures will continue to impact on our services as local authorities look to manage tighter budgets and increase value for money. The surplus is important to the Foundation as it allows us to invest this in improving our services and facilities next year.

Income from charitable activities increased by over 5% year on year at £33.2m. Most of our funding is received from 22 local authorities responsible for the education and care of the children, young people and adults that use the services we provide. These fees fund the day to day running costs of the services.





# Strategic Report:
## Financial Review 2021-22

The Foundation has a fundraising and engagement team, responsible for supplementing this income to help improve facilities, the estate, enrich provision, and support capital developments.

The Percy Hedley Pension Scheme provides benefits on a final salary or defined benefit basis. It is closed to new members, but open to future accrual of benefits for its active members. The actuarial deficit has been revalued, in accordance with FRS 102, using up to date assumptions over discount rate, future salary increases, the rate of inflation and mortality assumptions. This revaluation has resulted in a decrease in the actuarial deficit by £4.629m from the previous year to £5.685m (2021: £9.386m) which reflects the investment choices made by the pension trustees and market conditions. This movement has been charged to the operating surplus. The trustees of both the Foundation and the Percy Hedley Pension Scheme are acutely aware of the need to balance the interests of the members of the pension scheme with those of the current and future beneficiaries that the charity supports. A long-term deficit recovery plan has been agreed with the Percy Hedley Pension Scheme Trustees that will allow the Foundation to continue to prosper and grow and a pension sub committee established to monitor the actions arising from the plan, and the pension scheme is currently performing well against the targets.

The Tyne and Wear Pension Fund (LGPS) is a funded defined benefit scheme with the assets held in separate trustee-administered funds.



# Strategic Report:
## Financial Review 2021/22

The Foundation has continued to operate on a sound financial basis, despite the pressure from reduction in statutory funding, changes in high needs funding systems, a competitive fundraising environment and the continuing impact from the pandemic.

In the year to 31 August 2022 the Foundation made a surplus of £3.372m (2021: £1.234m) before actuarial gains and losses. Income increased by over £2m on the previous year with expenditure remaining at a similar level. The underlying operational performance has been strong in the current climate with services continuing to recover from the challenges past Covid-19 closures and restrictions.

As the impact of the cost of living crisis begins to impact on central and local government budgets, pressures will continue to impact on our services as local authorities look to manage tighter budgets and increase value for money. The surplus is important to the Foundation as it allows us to invest this in improving our services and facilities next year.

Income from charitable activities increased by over 5% year on year at £33.2m. The vast majority of our funding is received from 22 local authorities responsible for the education and care of the children, young people and adults that use the services we provide. These fees fund the day to day running costs of the services. The Foundation has a fundraising team, responsible for supplementing this income to help improve the estate, enrich provision, and support capital developments. (See further details on page 30-31.)

The Percy Hedley Pension Scheme provides benefits on a final salary or defined benefit basis, it is closed to new members but open to future accrual of benefits for its active members. The actuarial deficit has been revalued, in accordance with FRS 102, using up to date assumptions over discount rate, future salary increases, the rate of inflation and mortality assumptions. This revaluation has resulted in a decrease in the actuarial deficit by £4.629m from the previous year to £5.685m (2021: £9.386m) which reflects the investment choices made by the pension trustees and market conditions. This movement has been charged to operating surplus. The trustees of both the Foundation and the Percy Hedley Pension Scheme are acutely aware of the need to balance the interests of the members of the pension scheme with those of the current and future beneficiaries that the charity supports. A long-term deficit recovery plan has been agreed with the Pension Scheme Trustees that will allow the Foundation to continue to prosper and grow and a pension sub committee established to monitor the actions arising from the plan, and the pension scheme is currently performing well against the targets.

The Tyne and Wear Pension Fund (LGPS) is a funded defined benefit scheme with the assets held in separate trustee-administered funds. Previously the LGPS was accounted for under the exemption for multi-employer schemes and accounted for its contributions as if it were a defined contribution scheme. A prior year adjustment has been made to the 2020 and 2021 figures to remove this accounting treatment given that an actuary's report has been obtained.



Report

Strategic Report:
Financial Review 2021/22

The restated figures for 2021 show a deficit of £928k. A full actuarial valuation was prepared exclusively for the Foundation as at March 2022 which showed an improvement in the valuation. In line with FRS 102 this positive value was not recognised but the deficit removed.

The Foundation also contributes to a third defined benefit pension scheme, in relation to teaching staff, which is the Teachers' Pension Scheme (TPS). The latest valuation of the TPS was as at March 2019 and the employer contribution rate was reassessed, increased from 16.4% to 23.6% and payable from 1 April 2020. The next valuation is expected to take place in 2023.

The Foundation has total funds of £21.882m (2021: £13.881m). £4.6m of this improvement relates to actuarial gains on defined benefit pension schemes and there was a significant increase in current assets at the year end primarily due to an increase in debtors. The balance sheet highlights a very slight decrease in net book value of tangible fixed assets to £16.591m (2021: £16.693m) with depreciation effectively matching new additions in the year.

Restricted funds total increased to £745k (2021: £302k). The Foundation holds £1.96m (2021: £1.469m) of designated funds. Restricted funds are those from funds raised from legacies and small donations along with fundraising carried out within a particular service and are used throughout the year to provide 'added extras' to enrich service provision. Designated funds are the amounts which have been set aside by the trustees to be spent during 2023/24 on Capital Expenditure to maintain and improve the Foundations Estate.

Impacted by the positive valuation on pensions, unrestricted reserves have increased to £7.176m (2021: £4.151m) and these are defined as those not allocated for specific purposes and excluding tangible fixed assets - primarily buildings which are held for charitable purposes.

**Reserves Policy**

The trustees consider that unrestricted and undesignated reserves should be kept between 13% and 16% of operating expenditure. This allows for the Foundation to react to unforeseen circumstances, whilst providing sufficient flexibility to operate on a day-to-day basis and take any appropriate decisions to further the Foundation's strategic development.

The lower end of this range is equivalent to two months staff costs for the Foundation and the higher end reflects the Foundation's aim to build a fund that will enable the continued refurbishment of some of our old buildings into an estate which is 'fit for purpose, fit for future' for the children, young people and adults for whom they are designed.

# Strategic Report:
## Financial Review 2021-22

In recent years the Foundation went through a period of significant investment in the estate and free reserves fell below the minimum target range. During the last few years, we have rebuilt reserves and these are now being reviewed as part of the corporate strategy in order to make significant improvements to the estate and services provided and options appraisals are being reviewed during 2023/24. Currently the Foundation's reserves are £7.2m at 31 August 2022 with a large capital expenditure improvement programme being underway. At the end of 2021/2022, the trustees designated a further £1.5m of funds to be set aside for a two-year programme of additional maintenance and minor improvement works to the charity's buildings and development projects to support our services and member needs. This takes into account the increasing cost of both contractors and materials.

**Investment Policy**

The Foundation has a longer-term strategy for investments with increasing investments from £2.45m (book value) to £3.25m. During the Financial Year 2021/2022 the net value of the investments fell from £3.245m to £2.915m after considering additions, disposal and revaluation.

This strategy allows for mid-term reserves to be held on cash deposits until they are needed for specific projects and for an element of reserves to be held for the long term in the event of future unknown uncertainties. It is the intention that the charity will add to longer term deposits at a similar rate to which the Foundation itself grows. The trustees appoint investment managers to whom they delegate responsibility for managing the investment assets in accordance with an agreed policy statement. This statement sets out the trustees' aim, to produce the best financial return within an acceptable level of risk and includes the manner in which these assets may be ethically invested to ensure that they do not conflict with the aims of the charity.

**Going Concern**

After making appropriate enquiries, including evaluating any impact with the continued and ongoing effects of Covid-19, the cost of living crisis and reviewing forecasts into 2023/24, the trustees have a reasonable expectation that the charitable company has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements. Further details regarding the adoption of the going concern basis can be found in the Accounting Policies on page 59.





# Statement by the trustees in performance of their statutory duties in accordance with S172(1) of the Companies Act 2006

**The trustees, as Company Directors in accordance with the Companies Act, consider that they have individually and collectively acted in good faith and fairly to promote the success of the charity, having due regard to, amongst other matters, the requirements of Section 172 of the Companies Act:**

**The likely consequences of any decision in the long term**

The long-term sustainability of the Foundation to enable continued delivery of its charitable purpose and objectives is considered when making decisions. Please refer to pages 45-46 setting out the position on funds, reserves and the going concern of the Foundation. The Finance Committee regularly reviews management information, forecasts, budgets, cashflow and performance. The Audit and Risk Committee regularly reviews the Foundation's principal risks, risk appetite, existing and emerging risks, and considers the changes in the risk profile and responses. For further information on risk management please refer to page 34.

The Executive Management Team regularly provides to the Board subject specific, operational and strategic updates and insight to provide assurance and assist the trustees in their decision making.

**The interest of the company's employees**

The trustees recognise that our employees are our biggest asset. The success of the Foundation depends on attracting, developing and retaining talented, committed and highly skilled people. We aim to be a responsible employer in our approach to the pay and benefits our employees receive, and the health, safety, wellbeing and working environment for our employees is of paramount importance to us. The Board receives regular workforce updates in respect of all the above. Trustees factor the implications for employees and the wider workforce into decision making where relevant and feasible.

**The desirability of the company maintaining a reputation for high standards of business conduct**

The Foundation has in place a range of policies and processes that promote corporate responsibility and ethical behaviour, covering matters such as, but not limited to, fundraising, safeguarding, equality and diversity, and whistleblowing. The Foundation operates a business assurance framework to manage regulatory and legal risk and is committed to complying with applicable laws and regulations relating to anti-corruption, anti-bribery, human rights and modern slavery.

# Statement by the trustees in performance of their statutory duties in accordance with S172(1) of the Companies Act 2006

The Board and its committees review and take on board customer and regulatory guidance and recommendations regarding good practice. The Foundation's core activities support vulnerable young people and adults, and safeguarding is central to its operations.

**The need to act fairly between members of the company**

The trustees understand and adhere to the Charity Commission requirements and understand the need to avoid and effectively manage potential conflicts of interest.

**The impact of the company's operations on the community and environment**

Trustees recognise the responsibility to care for the environment and the need to minimise the environmental impact in all of the Foundation's activities. The Foundation's environmental approach in compliance with the streamlined energy and carbon reporting is detailed on page 41.

**Engaging with stakeholders**

The Foundation's Executive Management Team routinely reports to the Board and its committees, including education governing boards, on key stakeholder relations and engagement, issues and feedback. Understanding stakeholders' needs and priorities helps to inform objectives, policies and strategy. References to stakeholders are made throughout the strategic report.

**Our Employees and Volunteers**

The Executive Management Team provides employees and volunteers with a range of information through various channels of communication including the intranet, staff forums, regular email circulars and briefings through management cascade. An annual survey was carried out in June 2022, which resulted in actions led by the Foundation's Executive Management Team and wider leadership team.

The Board is assisted in fulfilling its governance duties in relation to employees and volunteers by various committees and governing boards, and most predominantly via the newly established People and Culture Committee. For further information about our people please refer to page 28.



Financial Statements

# Statement by the trustees in performance of their statutory duties in accordance with S172(1) of the Companies Act 2006

**Local Authorities**

The Foundation's core income comes from fees paid by local authority commissioners and the Foundation works closely with these commissioners to build effective relationships and ensure it meets the needs of the people it supports.

**Our Service Users**

Our service users are the children, young people and adults, who are supported by the Foundation. Service user voice is extremely important to the Foundation and feedback is encouraged on a regular basis from our service users, families and carers as appropriate. A variety of communication methods are adopted by the Foundation including face-to-face forums, surveys, social media blogs, newsletters, internet, resident meetings, student councils and much more.

Our services continuously review service user progress and support, and in doing so ensure services users, families and carers, as appropriate, have a voice in their lives. Trustees and governors meet service users during regular site visits and the Board invites service users to meetings throughout the year in order to hear service user views, opinions and experiences with the Foundation. Our Board and committees regularly receive updates in relation to service users, and parent governors are appointed on our governing boards.

**Our Supporters**

Building effective and lasting relationships with our supporters is vitally important to us. The Foundation engages with supporters on a regular basis in a variety of ways including face–to–face visits, telephone, virtual conversations and written communications.

A number of supporters participate in our celebratory events, providing our supporters with the opportunity to meet service users, employees, senior management and trustees. We thank all our supporters for their continued support and donations. For further detail on our fundraising please refer to pages 30-31.

**Suppliers, Customers, Landlords, Regulators and Others**

Fundamental to the delivery of our services is the relationships we hold with a range of stakeholders not limited to suppliers, customers, landlords and regulators, and the Foundation recognises the importance of its supply chain in the delivery of its services. The Board encourages management to develop and maintain trusted and mutually beneficial business relationships with stakeholders, based on openness, transparency, and integrity. The Foundation aims to maintain positive relationships with suppliers, ensuring that non-disputed invoices are paid within the Foundation's agreed payment terms.

# Trustees Responsibilities Statement

The Board of Trustees (who are also the directors for the purposes of company law) are responsible for preparing the Trustees' Report and the Financial Statements in accordance with applicable law and United Kingdom accounting standards (United Kingdom generally accepted accounting practice).

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

- Select suitable accounting policies and then apply them consistently;
- Observe methods and principles in the Charities SORP;
- Make judgements and accounting estimates that are reasonable and prudent;
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charitable company will continue in operation.

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

Azets Audit Services Limited, trading as Azets Audit Services were appointed as auditor on 14 June 2022 replacing Haines Watts North East Audit LLP. The auditor Azets Audit Services will be deemed to be reappointed under section 487(2) of the Companies Act 2006.

Each trustee has taken steps that they ought to have taken as a trustee to make themselves aware of any relevant audit information and to establish that the charity's auditor is aware of that information that they know of and of which they know the auditor is unaware.

W Snaith
Vice Chair - Trustee
4 May 2023





# The Percy Hedley Foundation

# Independent Auditor's Report to the Members of The Percy Hedley Foundation

**Opinion**
We have audited the financial statements of The Percy Hedley Foundation (the 'charity') for the year ended 31 August 2022, which comprise the Statement of Financial Activities, Balance Sheet, Statement of Cash Flows, and Notes to the Financial Statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is United Kingdom Accounting Standards, comprising Charities SORP - FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' and applicable law (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the charity's affairs as at 31 August 2022 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.

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

**Conclusions relating to going concern**

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

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

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

**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.

# The Percy Hedley Foundation

# Independent Auditor's Report to the Members of The Percy Hedley Foundation

**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; and
- 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 charity and its environment obtained in the course of the audit, we have not identified material misstatements in theTrustees' Report.

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

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

**Responsibilities of trustees**

As explained more fully in the Statement of Trustees' Responsibilities (set out on page 50), the trustees 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 charity'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 charity or to cease operations, or have no realistic alternative but to do so.

**Auditor responsibilities for the audit of the financial statements**
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Enquiries with management about any known or suspected instances of non-compliance with laws and regulations and fraud;
- Reviewing board minutes;
- Challenging assumptions and judgements made by management in their significant accounting estimates;

## Independent Auditor's Report to the Members of The Percy Hedley Foundation

- Review financial statement disclosures and testing to supporting documentation to assess compliance with applicable laws and regulations; and
- Auditing the risk of management override of controls, including through testing journal entries and other adjustments for appropriateness.

Because of the field in which the charity operates, we identified the following areas as those most likely to have a material impact on the financial statements: Health and Safety; employment law; and compliance with both the UK Companies Act and UK Charities Act.

Owing to the inherent limitations of an audit, there is an unavoidable risk that some material misstatements in the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK). For instance, the further removed non-compliance is from the events and transactions reflected in the financial statements, the less likely the auditor is to become aware of it or to recognise the non-compliance.

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

**Use of our report**
This report is made solely to the charitable company's trustees, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the charity's 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 and its trustees as a body, for our audit work, for this report, or for the opinions we have formed.

Simon Brown

Simon Brown BA ACA DChA (Senior Statutory Auditor)
For and on behalf of
Azets Audit Services
Chartered Accountants
Statutory Auditor
Bulman House
Regent Centre
Gosforth
Newcastle upon Tyne
NE3 3LS

Date: 1/5/2023

Azets Audit Services is a trading name of Azets Audit Services Limited

# The Percy Hedley Foundation

## Statement of Financial Activities for the Year Ended 31 August 2022 (Including Income and Expenditure Account and Statement of Total Recognised Gains and Losses)

| | Note | Unrestricted £ 000 | Restricted £ 000 | Total 2022 £ 000 | (As restated) Total 2021 £ 000 |
|---|---|---|---|---|---|
| **Income and Endowments from:** | | | | | |
| Donations and legacies | 3 | 584 | 449 | 1,033 | 390 |
| Charitable activities | 4 | 32,885 | - | 32,885 | 31,495 |
| Other trading activities | 5 | 53 | - | 53 | 66 |
| Investment income | 6 | 70 | - | 70 | 41 |
| Total Income | | 33,592 | 449 | 34,041 | 31,992 |
| **Expenditure on:** | | | | | |
| Raising funds | | (39) | - | (39) | (155) |
| Charitable activities | 7 | (30,064) | (277) | (30,341) | (30,988) |
| Total Expenditure | | (30,103) | (277) | (30,380) | (31,143) |
| Gains/(losses) on investment assets | | (288) | - | (288) | 385 |
| Net income | | 3,200 | 172 | 3,372 | 1,234 |
| Transfers between funds | | (212) | 212 | - | - |
| **Other recognised gains and losses** | | | | | |
| Actuarial gains on defined benefit pension schemes | | 4,629 | - | 4,629 | 3,001 |
| Net movement in funds | | 7,617 | 384 | 8,001 | 4,235 |
| **Reconciliation of funds** | | | | | |
| Total funds brought forward | | 13,520 | 361 | 13,881 | 9,646 |
| Total funds carried forward | 22 | 21,137 | 745 | 21,882 | 13,881 |

All of the charity's activities derive from continuing operations during the above two periods.

The funds breakdown for 2021 is shown in note 22.

## The Percy Hedley Foundation

## Comparative Statement of Financial Activities for the Year Ended 31 August 2021 (Including Income and Expenditure Account and Statement of Total Recognised Gains and Losses)

| | Note | Unrestricted funds £ 000 | Restricted funds £ 000 | Total 2021 £ 000 (As restated) |
|---|---|---|---|---|
| **Income and Endowments from:** | | | | |
| Donations and legacies | 3 | 354 | 36 | 390 |
| Charitable activities | 4 | 31,245 | 250 | 31,495 |
| Other trading activities | 5 | 66 | - | 66 |
| Investment income | 6 | 41 | - | 41 |
| Total income | | 31,706 | 286 | 31,992 |
| **Expenditure on:** | | | | |
| Raising funds | | (155) | - | (155) |
| Charitable activities | 7 | (30,792) | (196) | (30,988) |
| Total expenditure | | (30,947) | (196) | (31,143) |
| Gains/losses on investment assets | | 385 | - | 385 |
| Net income | | 1,144 | 90 | 1,234 |
| Transfers between funds | | 3 | (3) | - |
| **Other recognised gains and losses** | | | | |
| Actuarial gains on defined benefit pension schemes | | 3,001 | - | 3,001 |
| Net movement in funds | | 4,148 | 87 | 4,235 |
| **Reconciliation of funds** | | | | |
| Total funds brought forward | | 9,372 | 274 | 9,646 |
| Total funds carried forward | 22 | 13,520 | 361 | 13,881 |

# The Percy Hedley Foundation

## (Registration number: 01855026)
## Balance Sheet as at 31 August 2022

| | Note | 2022 £ 000 | 2021 £ 000 (As restated) |
|---|---|---|---|
| **Fixed assets** | | | |
| Tangible assets | 14 | 16,591 | 16,693 |
| Investments | 15 | 2,915 | 3,245 |
| | | 19,506 | 19,938 |
| **Current assets** | | | |
| Debtors | 16 | 6,083 | 2,105 |
| Cash at bank and in hand | 17 | 8,415 | 8,319 |
| | | 14,498 | 10,424 |
| **Creditors: Amounts falling due within one year** | 18 | (4,618) | (4,184) |
| **Net current assets** | | 9,880 | 6,240 |
| **Total assets less current liabilities** | | 29,386 | 26,178 |
| **Creditors: Amounts falling due after more than one year** | 19 | (1,819) | (1,983) |
| **Net assets excluding pension liability** | | 27,567 | 24,195 |
| **Pension scheme liability** | 21 | (5,685) | (10,314) |
| **Net assets including pension liability** | | 21,882 | 13,881 |
| **Funds of the charity:** | | | |
| **Restricted income funds** | | | |
| Restricted funds | 22 | 745 | 361 |
| **Unrestricted income funds** | | | |
| Unrestricted funds | | 21,137 | 13,520 |
| **Total funds** | 22 | 21,882 | 13,881 |

The financial statements on pages 53 to 83 were approved by the trustees, and authorised for issue on 4 May 2023 and signed on their behalf by:

J Donnelly
Chair - Trustee

W Snaith
Vice Chair - Trustee

# The Percy Hedley Foundation

## Statement of Cash Flows for the Year Ended 31 August 2022

| | Note | 2022 £ 000 | (As restated) 2021 £ 000 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Net cash income | | 8,001 | 4,235 |
| **Adjustments to cash flows from non-cash items** | | | |
| Depreciation | | 1,213 | 1,205 |
| Investment income | 6 | (70) | (41) |
| Revaluation of investments | | 288 | (385) |
| | | 9,432 | 5,014 |
| **Working capital adjustments** | | | |
| Increase in debtors | 16 | (3,979) | (721) |
| Increase in creditors | 18 | 3 | 280 |
| Decrease (increase) in retirement benefit obligation net of actuarial changes | 21 | (4,629) | (3,001) |
| Increase in deferred income | 19 | 385 | 179 |
| Net cash flows from operating activities | | 1,212 | 1,751 |
| **Cash flows from investing activities** | | | |
| Interest receivable and similar income | 6 | 70 | 41 |
| Purchase of tangible fixed assets | 14 | (1,109) | (1,245) |
| Purchase of investments | 15 | (298) | (849) |
| Sale of investments | | 339 | 270 |
| Net cash flows from investing activities | | (998) | (1,783) |
| **Cash flows from financing activities** | | | |
| Repayment of loans and borrowings | 18 | (118) | (101) |
| Net increase/(decrease) in cash and cash equivalents | | 96 | (133) |
| Cash and cash equivalents at 1 September | | 8,319 | 8,452 |
| Cash and cash equivalents at 31 August | | 8,415 | 8,319 |

All of the cash flows are derived from continuing operations during the above two periods.

# The Percy Hedley Foundation

# Notes to the Financial Statements for the Year Ended 31 August 2022

## 1 Charity status

The charity is limited by guarantee, incorporated in England and Wales, and consequently does not have share capital. Each of the trustees is liable to contribute an amount not exceeding £1 towards the assets of the charity in the event of liquidation.

The address of its registered office is: Hampeth Lodge, Station Road, Newcastle upon Tyne, NE12 8YY

## 2 Accounting policies

**Summary of significant accounting policies and key accounting estimates**
The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

**Statement of compliance**
The financial statements have been prepared in accordance with 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)) (issued in October 2019) - (Charities SORP (FRS 102)), the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) and the Companies Act 2006.

**Basis of preparation**
The Percy Hedley Foundation 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 notes.

The financial statements are prepared in Sterling which is the functional currency of the charity and rounded to the nearest £000.

**Going concern**
The trustees consider that there are no material uncertainties about the charity's ability to continue as a going concern nor any significant areas of uncertainty that affect the carrying value of assets held by the charity.

The charity's forecasts and projections for the next twelve months show that the charity should be able to continue in operational existence for that period, taking into account reasonable possible changes in trading performance. The charity has strong positive cash balances and is forecasting for this to continue to be the case. The trustees have stress tested their forecasts, taking into account various scenarios, and remain confident that the uncertainties do not cast significant doubt on the company's ability to continue as a going concern.

**Estimation uncertainty and judgements**
The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported.

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

The present value of the defined benefit liability depends on a number of factors that are determined on an actuarial basis using a variety of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions, which are disclosed in note 20, will impact the carrying amount of the pension liability.

**Key sources of estimation uncertainty**
The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year include:

The amount by which fixed assets are depreciated annually is material to the financial statements and consequently, the estimate of the useful lives of fixed assets and their residual value is considered to be a critical area of judgement. There has been no change in these estimates this year.

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

***Donations and legacies***

Donations are recognised when the charity has been notified in writing of both the amount and settlement date. In the event that a donation is subject to conditions that require a level of performance by the charity before the charity is entitled to the funds, the income is deferred and not recognised until either those conditions are fully met, or the fulfilment of those conditions is wholly within the control of the charity and it is probable that these conditions will be fulfilled in the reporting period.

Legacy gifts are recognised on a case by case basis following the grant of probate when the administrator/executor for the estate has communicated in writing both the amount and settlement date. In the event that the gift is in the form of an asset other than cash or a financial asset traded on a recognised stock exchange, recognition is subject to the value of the gift being reliably measurable with a degree of reasonable accuracy and the title to the asset having been transferred to the charity.

***Grants receivable***

Grants are recognised when the charity has an entitlement to the funds and any conditions linked to the grants have been met. Where performance conditions are attached to the grant and are yet to be met, the income is recognised as a liability and included on the balance sheet as deferred income to be released.

***Deferred income***

Deferred income represents amounts received for future periods and is released to incoming resources in the period for which, it has been received. Such income is only deferred when:

- The donor specifies that the grant or donation must only be used in future accounting periods; or
- The donor has imposed conditions which must be met before the charity has unconditional entitlement.

***Gifts in kind***

Gifts in kind donated for distribution are included at valuation and recognised as income when they are distributed to the projects. Gifts donated for resale are included as income when they are sold. Donated facilities are included at the value to the company where this can be quantified and a third party is bearing the cost. No amounts are included in the financial statements for services donated by volunteers.

***Gift aid***

Income tax recoverable in relation to donations received under Gift Aid or deeds of covenant is recognised at the time of the donation.

***Investment income***

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

***Other income***

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

**Expenditure**

All expenditure is recognised once there is a legal or constructive obligation to that expenditure, it is probable settlement is required and the amount can be measured reliably. All costs are allocated to the applicable expenditure heading that aggregate similar costs to that category. Where costs cannot be directly attributed to particular headings they have been allocated on a basis consistent with the use of resources, with central staff costs allocated on the basis of time spent, and depreciation charges allocated on the portion of the asset's use. Other support costs are allocated based on the spread of staff costs.

***Raising funds***

These are costs incurred in attracting voluntary income, the management of investments and those incurred in trading activities that raise funds.

***Charitable activities***

Charitable expenditure comprises those costs incurred by the charity in the delivery of its activities and services for its beneficiaries. It includes both costs that can be allocated directly to such activities and those costs of an indirect nature necessary to support them.

**Support costs**

Support costs include central functions and have been allocated to activity cost categories on a basis consistent with the use of resources, for example, allocating property costs by floor areas, or per capita, staff costs by the time spent and other costs by their usage.

**Governance costs**
These include the costs attributable to the charity's compliance with constitutional and statutory requirements, including audit, strategic management and trustees's meetings and reimbursed expenses.

**Government grants**
Government grants are recognised based on the performance model and are measured at the fair value of the asset received or receivable. Grants are recognised in income when performance conditions, which would otherwise prevent the recognition of income, are met. Where performance conditions are not met then the income is deferred, and recognised as deferred income.

**Taxation**
The charity is considered to pass the tests set out in Paragraph 1 Schedule 6 of the Finance Act 2010 and therefore it meets the definition of a charitable company for UK corporation tax purposes. Accordingly, the charity is potentially exempt from taxation in respect of income or capital gains received within categories covered by Chapter 3 Part 11 of the Corporation Tax Act 2010 or Section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied exclusively to charitable purposes.

**Tangible fixed assets**
Individual fixed assets costing £00.00 or more are initially recorded at cost, less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

**Depreciation and amortisation**
Depreciation is provided on tangible fixed assets so as to write off the cost or valuation, less any estimated residual value, over their expected useful economic life as follows:

| Asset class | Depreciation method and rate |
|---|---|
| Land and builidngs - freehold property | 40-100 years |
| Land and buildings - leasehold property | 100 years or length of lease if less |
| Land and buildings - refurbishments | 10-15 years |
| Motor vehicles | 3 years |
| Fixtures and fittings | 3 years |
| Equipment - therapy, office and computer equipment | 3 years |

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

**Fixed asset investments**
Fixed asset investments, other than programme related investments, are included at market value at the balance sheet date. Realised gains and losses on investments are calculated as the difference between sales proceeds and their market value at the start of the year, or their subsequent cost, and are charged or credited to the Statement of Financial Activities in the period of disposal.

Unrealised gains and losses represent the movement in market values during the year and are credited or charged to the Statement of Financial Activities based on the market value at the year end.

**Trade debtors**
Trade debtors are amounts due from customers for merchandise sold or services performed in the ordinary course of business.

Trade debtors are recognised initially at the transaction price. They are subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for the impairment of trade debtors is established when there is objective evidence that the charity will not be able to collect all amounts due according to the original terms of the receivables.

**Cash and cash equivalents**
Cash and cash equivalents comprise cash on hand and call deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of change in value.

**Trade creditors**
Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if the charity does not have an unconditional right, at the end of the reporting period, to defer settlement of the creditor for at least twelve months after the reporting date. If there is an unconditional right to defer settlement for at least twelve months after the reporting date, they are presented as non-current liabilities.

Trade creditors are recognised initially at the transaction price and subsequently measured at amortised cost using the effective interest method.

**Borrowings**
Interest-bearing borrowings are initially recorded at fair value, net of transaction costs. Interest-bearing borrowings are subsequently carried at amortised cost, with the difference between the proceeds, net of transaction costs, and the amount due on redemption being recognised as a charge to the Statement of Financial Activities over the period of the relevant borrowing.

Interest expense is recognised on the basis of the effective interest method and is included in interest payable and similar charges.

Borrowings are classified as current liabilities unless the charity has an unconditional right to defer settlement of the liability for at least twelve months after the reporting date.

**Fund structure**
Unrestricted income funds are general funds that are available for use at the trustees discretion in furtherance of the objectives of the charity.

Designated funds are unrestricted funds set aside for specific purposes at the discretion of the trustees.

Restricted income funds are those donated for use in a particular area or for specific purposes, the use of which is restricted to that area or purpose.

**Hire purchase and finance leases**
Leases in which substantially all the risks and rewards of ownership are retained by the lessor are classified as operating leases. Rentals payable under operating leases are charged in the Statement of Financial Activities on a straight line basis over the lease term.

**Pensions and other post retirement obligations**

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

Other retirement benefits to employees of the Charity are provided by the Teacher's Pension Scheme (TPS), the Local Government Pension Scheme (LGPS) and the Percy Hedley Pension Scheme (PHPS). These are defined benefit schemes, which are funded, with the assets being held separately from the charity. The PHP Scheme is closed to new members, being replaced with a defined contribution scheme.

Contributions to the TPS are charged to the income and expenditure account as the amount paid or payable in the year.

The contributions to all three schemes are determined by qualified actuaries on the basis of triennial valuations using the projected unit method for the LGPS and PHPS and quinquennial valuations using a prospective benefit method for the TPS.

The assets of the PHPS and LGPS are measured using fair value. PHPS and LGPS liabilities are measured using the projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability. The increase in present value of the liabilities of the scheme expected to arise from employee service in the period is charged to the operating surplus.

The expected return on the scheme's assets and the increase during the period in the present value of the scheme's liabilities, arising from the passage of time, are included in pension finance costs. Actuarial gains and losses are recognised within the Statement of Financial Activities.

Previously the LGPS was accounted for under the exemption for multi-employer schemes and accounted for its contributions as if it were a defined contribution scheme. A prior year adjustment has been made to the 2020 and 2021 figures to remove this accounting treatment given that an actuary's report has been obtained.

**Financial instruments**

***Classification***

Financial assets and financial liabilities are recognised when the charity becomes a party to the contractual provisions of the instrument.
Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the charity after deducting all of its liabilities.

### 3 Income from donations and legacies

| | Unrestricted funds General £ 000 | Restricted funds £ 000 | Total 2022 £ 000 | Total 2021 £ 000 |
|---|---|---|---|---|
| Donations and legacies; | | | | |
| Legacies | 339 | - | 339 | 127 |
| Grants, including capital grants; | | | | |
| Government grants | - | - | - | 72 |
| Grants and donations | 245 | 449 | 694 | 191 |
| Total for 2022 | 584 | 449 | 1,033 | 390 |

### 4 Income from charitable activities

| | Unrestricted funds General £ 000 | Restricted funds £ 000 | Total 2022 £ 000 | Total 2021 £ 000 |
|---|---|---|---|---|
| Education and adult day services | 24,236 | - | 24,236 | 21,909 |
| Adult residential | 8,554 | - | 8,554 | 7,355 |
| Children's residential | 95 | - | 95 | 2,231 |
| Total for 2022 | 32,885 | - | 32,885 | 31,495 |

### 5 Income from other trading activities

| | Unrestricted funds General £ 000 | Restricted funds £ 000 | Total funds £ 000 | Total 2021 £ 000 |
|---|---|---|---|---|
| Fundraising events | 53 | - | 53 | 66 |
| Total for 2022 | 53 | - | 53 | 66 |

### 6 Investment income

| | Unrestricted funds General £ 000 | Restricted funds £ 000 | Total 2022 £ 000 | Total 2021 £ 000 |
|---|---|---|---|---|
| Interest receivable and similar income; | | | | |
| Interest receivable on bank deposits | 20 | - | 20 | - |
| Dividend income | 50 | - | 50 | 41 |
| Total for 2022 | 70 | - | 70 | 41 |

## 7 Expenditure on charitable activities

| | Activity undertaken directly £ 000 | Activity support costs £ 000 | 2022 £ 000 | 2021 £ 000 |
|---|---|---|---|---|
| Education and adult day services | 20,218 | 2,053 | 22,271 | 20,713 |
| Adult residential | 6,980 | 712 | 7,692 | 7,049 |
| Children's residential | 378 | - | 378 | 3,200 |
| Total for 2022 | 27,576 | 2,765 | 30,341 | 30,962 |

## 8 Analysis of governance and support costs

**Support costs allocated to charitable activities**

| | Education adult day services £ 000 | Adult Residential £ 000 | Total 2022 £ 000 | Total 2021 £ 000 |
|---|---|---|---|---|
| Staff costs | 1,695 | 585 | 2,280 | 2,407 |
| Professional costs | 51 | 8 | 59 | 71 |
| Other direct costs | 46 | 21 | 67 | 227 |
| Facilities cost | 15 | 5 | 20 | 25 |
| IT costs | 104 | 30 | 134 | 117 |
| Maintenance costs | 10 | 4 | 14 | - |
| Depreciation | 103 | 49 | 152 | 99 |
| Interest | 29 | 10 | 39 | - |
| Total for 2022 | 2,053 | 712 | 2,765 | 2,946 |

**Governance costs**

Included within support costs above are governance costs as follows:

| | Unrestricted funds General £ 000 | Restricted funds £ 000 | Total 2022 £ 000 | Total 2021 £ 000 |
|---|---|---|---|---|
| Audit fees | | | | |
| Audit of the financial statements | 18 | - | 18 | 17 |
| Legal fees | 33 | - | 33 | 37 |
| Total for 2022 | 51 | - | 51 | 54 |

### 9 Net incoming/outgoing resources

Net incoming resources for the year include:

| | 2022 £ 000 | 2021 £ 000 |
|---|---|---|
| Audit fees | 18 | 17 |
| Other non-audit services | 8 | 4 |
| Depreciation of fixed assets | 1,212 | 1,204 |
| Interest payable | 39 | 27 |

### 10 Trustees remuneration and expenses

No trustees, nor any persons connected with them, have received any remuneration from the charity during the year.

No trustees have received any reimbursed expenses or any other benefits from the charity during the year.

### 11 Staff costs

The aggregate payroll costs were as follows:

| | 2022 £ 000 | (As restated) 2021 £ 000 |
|---|---|---|
| **Staff costs during the year were:** | | |
| Wages and salaries | 21,534 | 21,255 |
| Social security costs | 1,592 | 1,535 |
| Pension costs | 1,670 | 2,006 |
| | 24,796 | 24,796 |

Included within wages and salaries costs is £1,407,398 (2021: £919,262) in relation to agency staff costs.

The monthly average number of persons (including senior management / leadership team) employed by the charity during the year was as follows:

| | 2022 No | 2021 No |
|---|---|---|
| Operational staff | 822 | 940 |
| Admin and support | 131 | 117 |
| Management | 6 | 4 |
| | 959 | 1,061 |

During the year, the charity made redundancy and/or termination payments which totalled £120,334 (2021 - £235,959).

## Notes to the Financial Statements for the Year Ended 31 August 2022

The number of employees whose emoluments fell within the following bands was:

| | 2022 No | 2021 No |
|---|---|---|
| £60,001 - £70,000 | - | 1 |
| £70,001 - £80,000 | 4 | 3 |
| £80,001 - £90,000 | 2 | 1 |
| £90,001 - £100,000 | 1 | - |
| Over £200,000 | - | 1 |

The total employee benefits of the key management personnel of the charity were £718,955 (2021 - £927,067).

### 12 Auditors' remuneration

| | 2022 £ 000 | 2021 £ 000 |
|---|---|---|
| Audit of the financial statements | 18 | 17 |
| **Other fees to auditors** | | |
| Audit of the pension scheme | 8 | 3 |
| Other | - | 1 |
| | 8 | 4 |

### 13 Taxation

The charity is exempt from taxation in respect of income or capital gains received within categories covered by Chapter 3 Part 11 of the Corporation Tax Act 2010 or Section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied exclusively to charitable purposes.

### 14 Tangible fixed assets

| | Land and buildings £ 000 | Fixtures and fittings £ 000 | Motor vehicles £ 000 | Equipment £ 000 | Total £ 000 |
|---|---|---|---|---|---|
| **Cost** | | | | | |
| At 1 September 2021 | 22,717 | 1,396 | 398 | 2,038 | 26,549 |
| Additions | 625 | 109 | - | 376 | 1,110 |
| At 31 August 2022 | 23,342 | 1,505 | 398 | 2,414 | 27,659 |
| **Depreciation** | | | | | |
| At 1 September 2021 | 6,961 | 1,062 | 301 | 1,532 | 9,856 |
| Charge for the year | 699 | 184 | 44 | 285 | 1,212 |
| At 31 August 2022 | 7,660 | 1,246 | 345 | 1,817 | 11,068 |
| **Net book value** | | | | | |
| At 31 August 2022 | 15,682 | 259 | 53 | 597 | 16,591 |
| At 31 August 2021 | 15,756 | 334 | 97 | 506 | 16,693 |

Included within land and buildings is £1,734,575 (2021: £1,757,790) in relation to freehold property.

### 15 Fixed asset investments

| | 2022 £ 000 | 2021 £ 000 |
|---|---|---|
| Listed investments | 2,915 | 3,245 |

| | Listed investments £ 000 | Total £ 000 |
|---|---|---|
| **Cost or Valuation** | | |
| At 1 September 2021 | 3,245 | 3,245 |
| Additions | 298 | 298 |
| Disposals | (339) | (339) |
| Revaluation | (289) | (289) |
| At 31 August 2022 | 2,915 | 2,915 |
| **Net book value** | | |
| At 31 August 2022 | 2,915 | 2,915 |
| At 31 August 2021 | 3,245 | 3,245 |

The historical cost of the listed investments at 31 August 2022 was £2,767,133 (2021 - £2,875,000).

The Charity SORP requires disclosure of any individual investments of more than 5% of the total portfolio value. The charity holds more than 5% of its investment portfolio in the below investments:
- SPDR Series Trust S&P 500 ETF (GBP) - 6.4% of the Rathbones portfolio
- Blackrock Asset MGRS (UK) Eurp Absolute Alpha D Acc - 5.3% of the Rathbones portfolio
- Link Fund Solutions Trojan S Inc - 5.1% of the Rathbones portfolio
- Vanguard funds plc S&P 500 UCITS ETF USD DIS - 7% of Brewin Dolphin portfolio
- Ishares Core S&P 500 UCITS ETF USD - 6.8% of Brewin Dolphin portfolio

**16 Debtors**

| | 2022 £ 000 | 2021 £ 000 |
|---|---|---|
| Trade debtors | 5,494 | 1,609 |
| Prepayments and accrued income | 571 | 492 |
| Other debtors | 18 | 4 |
| | 6,083 | 2,105 |

Trade debtors above includes a provision for bad debts of £1,698,852 (2021 - £2,774,000)

**17 Cash and cash equivalents**

| | 2022 £ 000 | 2021 £ 000 |
|---|---|---|
| Cash and cash equivalents | 8,415 | 8,319 |

Included within cash and cash equivalents is £8,234,000 (2021: £8,204,000) in relation to cash held at bank and £181,000 (2021: £115,000) in relation to cash held by investment brokers.

### 18 Creditors: amounts falling due within one year

| | 2022 £ 000 | 2021 £ 000 |
|---|---|---|
| Bank loans | 266 | 220 |
| Trade creditors | 1,178 | 793 |
| Other taxation and social security | 370 | 567 |
| Other creditors | 282 | 41 |
| Accruals | 1,373 | 1,799 |
| Deferred income | 1,149 | 764 |
| | 4,618 | 4,184 |

| | 2022 £ 000 | 2021 £ 000 |
|---|---|---|
| Deferred income at 1 September 2021 | 764 | 585 |
| Resources deferred in the period | 1,149 | 764 |
| Amounts released from previous periods | (764) | (585) |
| Deferred income at year end | 1,149 | 764 |

### 19 Creditors: amounts falling due after one year

| | 2022 £ 000 | 2021 £ 000 |
|---|---|---|
| Bank loans | 1,819 | 1,983 |

The Foundation has a single loan with Barclays Bank pic which was renegotiated In July 2022 and is secured by way of a legal charge over the property at Station Road Forest Hall Newcastle Upon Tyne, West Lane Killingworth Newcastle Upon Tyne, Great North Road Jesmond Newcastle Upon Tyne all in favour of Barclays Bank plc and a Debenture granted by The Percy Hedley Foundation in favour of Barclays Bank plc. The loan is due for repayment by July 2027 with interest charged at 5.01% per annum. The ratio of the loan to the value of assets secured is 13%.

### 20 Obligations under leases and hire purchase contracts

#### Operating lease commitments

Total future minimum lease payments under non-cancellable operating leases are as follows:

| | 2022<br>£ 000 | 2021<br>£ 000 |
|---|---|---|
| **Other** | | |
| Within one year | 41 | 41 |
| Between one and five years | 112 | 138 |
| After five years | 375 | 390 |
| | 528 | 569 |

### 21 Pension and other schemes

**Pension Committments**
The charity's employees belong to three defined benefit pension schemes and two defined contribution scheme; AEGON and Peoples Pension.

The three defined benefit pension schemes are: The Teachers' Pension Scheme England and Wales ("TPS"); the Local Government Pension Scheme ("LGPS"); and the Percy Hedley Pension Scheme ("PHPS"). The PHPS was closed to new members in 2012.

**Defined contribution scheme**
With respect to the defined contributions pension scheme, the assets of the scheme are held separately from those of the company in an independently administered fund. The pension cost charge represents contributions payable by the company to the fund and amounted to £417,000 (2021 - £377,000). Contributions totalling £34,000 (2021 - £99,000) were payable to the fund at the balance sheet date and are included in creditors.

**Teachers' Pension Scheme**

**Introduction**
The Teachers' Pension Scheme (TPS) is a statutory, contributory, defined benefit scheme, governed by the Teachers' Pensions Regulations (2010) and, by the Teachers' Pension Scheme Regulations 2014. These regulations apply to teachers in schools and other educational establishments, including academies, in England and Wales that are maintained by local authorities. In addition, teachers in many independent and voluntary-aided schools and teachers and lecturers in some establishments of further and higher education may be eligible for membership. Membership is automatic for full-time teachers and lecturers and, from 1 January 2007, automatic too for teachers and lecturers in part-time employment following appointment or a change of contract. Teachers and lecturers are able to opt out of the TPS.

**The Teachers' Pension Budgeting and Valuation Account**
Although members may be employed by various bodies, their retirement and other pension benefits are set out in regulations made under the Superannuation Act (1972) and Public Service Pensions Act (2013) and are paid by public funds provided by Parliament. The TPS is an unfunded scheme and members contribute on a 'pay as you go 'basis - contributions from members, along with those made by employers, are credited to the Exchequer under arrangements governed by the above Acts.
The Teachers' Pensions Regulations 2010 require an annual account, the Teachers' Pension Budgeting and Valuation Account, to be kept of receipts and expenditure (including the cost of pension increases). From 1 April 2001, the Account has been credited with a real rate of return, which is equivalent to assuming that the balance in the Account is invested in notional investments that produce that real rate of return.

**Valuation of the Teachers' Pension Scheme**
As a result of the latest scheme valuation employer contributions were increased in September 2019 from a rate of 16.4% to 23.6%. Employers also pay a charge equivalent to 0.08% of pensionable salary costs to cover administration expenses.

The next valuation is expected to take effect in 2023.

A copy of the latest valuation report can be found by following this link to the Teachers' Pension Scheme website.

**Scheme Changes**
In December 2018, the Court of Appeal held that transitional protection provisions contained in the reformed judicial and firefighter pension schemes, introduced as part of public service pension reforms in 2015, gave rise to direct age discrimination and were therefore unlawful. The Supreme Court, in a decision made in June 2019, rejected the Government's application for permission to appeal the Court of Appeal's ruling and subsequently referred the case to an Employment Tribunal to determine a remedy which will need to be offered to those members of the two schemes who were subject of the age discrimination.

Since then, claims have also been lodged against the main public service schemes including the TPS. The Department has conceded those in line with the rest of the government. In July 2020 HM Treasury launched a 12-week public consultation which will provide evidence to support the delivery of an appropriate remedy for the affected schemes, including TPS.

A final remedy will be determined once the results of the consultation are established.

In December 2019, a further legal challenge was made against the TPS relating to an identified equalities issue whereby male survivors of opposite-sex marriages and civil partnerships are treated less favourably than survivors in same-sex marriages and civil partnerships. The Secretary of State for Education agreed not to defend the case. In June 2020, the Employment Tribunal recorded its findings in respect of the claimant. DfE is currently working to establish what changes are necessary to address this discrimination.

Any impact of these events will be taken into account when the next scheme valuation is implemented. This is scheduled to be implemented in April 2023, based on April 2020 data.

The employer's pension costs paid to TPS in the period amounted to £496,000 (2021 - £492,000).

**Defined benefit pension schemes**

**Percy Hedley Pension Scheme**

The PHPS is a funded defined benefit pension scheme, with the assets held in separate trustee administered funds. The total contribution made for the year ended 31 August 2022 was £259,000 (2021 - £874,000), of which employer's contributions totalled £185,000 (2021 - £792,000) and employees' contributions totalled £74,000 (2021 - £82,000).

The pensions cost is assessed every three years in accordance with the advice of a qualified independent actuary. The assumptions and other data that have the most significant effect on the determination of the contribution levels are as follows:

- Latest actuarial valuation: 31 March 2019
- Investment returns per annum: 4.3% per annum
- Pension increases per annum: 2.1% per annum
- Salary scale increases per annum: 3.6% per annum
- Fair value of assets at date of last valuation: £5.731 million
- Present value of liabilities at date of the valuation: £6.417 million
- Deficit funding period for Percy Hedley: 17 years
- Future contribution rate 1 April 2018 to 31 March 2020 for Percy Hedley: 34.8%
- Life expectancy at age 65: men - 21.8 years, women - 24.9 years
- Life expectancy at age 65 for members currently aged 45: men - 23.4 years, women - 26.7 years

The date of the most recent comprehensive actuarial valuation was 31 March 2019. The group operates a defined benefit scheme in the UK. A full actuarial valuation of the Percy Hedley Pension Scheme was carried out as at 31 March 2019 and the results of this valuation have been updated to 31 August 2021 by a qualified independent actuary. As required by FRS 102 the defined benefit liabilities have been measured using the projected unit method. The scheme is closed to new entrants and further benefit accrual

***Reconciliation of scheme assets and liabilities to assets and liabilities recognised***

The amounts recognised in the statement of financial position are as follows:

| | 2022<br>£ 000 | 2021<br>£ 000 |
|---|---|---|
| Fair value of scheme assets | 21,789 | 28,730 |
| Present value of defined benefit obligation | (27,474) | (38,116) |
| Defined benefit pension scheme deficit | (5,685) | (9,386) |

***Defined benefit obligation***

Changes in the defined benefit obligation are as follows:

| | 2022<br>£ 000 |
|---|---|
| Present value at start of year | 38,116 |
| Current service cost | 241 |
| Past service cost | 2,703 |
| Interest cost | 661 |
| Actuarial gains and losses | (13,283) |
| Benefits paid | (1,038) |
| Contributions by scheme participants | 74 |
| Present value at end of year | 27,474 |

***Fair value of scheme assets***

Changes in the fair value of scheme assets are as follows:

| | 2022<br>£ 000 |
|---|---|
| Fair value at start of year | 28,730 |
| Interest income | 496 |
| Actuarial gains and losses | (6,658) |
| Employer contributions | 185 |
| Contributions by scheme participants | 74 |
| Benefits paid | (1,038) |
| Fair value at end of year | 21,789 |

***Analysis of assets***

The major categories of scheme assets are as follows:

| | 2022<br>% | 2021<br>% |
|---|---|---|
| Cash and cash equivalents | 1 | 1 |
| Equity instruments | 99 | 99 |
| | 100 | 100 |

***Return on scheme assets***

| | 2022<br>£ 000 | 2021<br>£ 000 |
|---|---|---|
| Return on scheme assets | (6,658) | 4,989 |

The pension scheme has not invested in any of the charity's own financial instruments or in properties or other assets used by the charity.

***Principal actuarial assumptions***

The principal actuarial assumptions at the statement of financial position date are as follows:

| | 2022<br>% | 2021<br>% |
|---|---|---|
| Discount rate | 4.30 | 1.75 |
| Future salary increases | - | - |
| Inflation assumption (RPI) | 4.00 | 4.00 |
| Inflation assumption (CPI) | 3.30 | 3.00 |

***Post retirement mortality assumptions***

| | 2022<br>Years | 2021<br>Years |
|---|---|---|
| Current UK pensioners at retirement age - male | 22.00 | 22.00 |
| Current UK pensioners at retirement age - female | 24.00 | 24.00 |
| Future UK pensioners at retirement age - male | 23.00 | 23.00 |
| Future UK pensioners at retirement age - female | 26.00 | 26.00 |

**Tyne & Wear Pension Fund**
The Tyne & Wear Pension Fund is a funded defined benefit scheme, with the assets held in separate Trustee-administered funds.

The charity is an approved employer of the Tyne & Wear Pension Fund.

The total contribution made for the year ended 31 August 2022 was £182,000 (2021 - £188,000) of which employer's contributions totalled £161,000 (2021 - £166,000) and employees' contributions totalled £21,000 (2021 - £22,000).

The date of the most recent comprehensive actuarial valuation was 31 March 2019. A full actuarial valuation of the Tyne and Wear Pension Fund was carried out at 31 March 2019 by a qualified actuary. An actuarial valuation report as at 31 March 2022 has been prepared exclusively for the charity. The pension charges in the accounts reflect the advice given in the actuarial report as at 31 March 2022.

***Reconciliation of scheme assets and liabilities to assets and liabilities recognised***

The amounts recognised in the statement of financial position are as follows:

| | 2022<br>£ 000 | 2022<br>£ 000 |
|---|---|---|
| Fair value of scheme assets | 7,324 | 7,520 |
| Present value of defined benefit obligation | (5,712) | (8,448) |
| | 1,612 | (928) |
| Pension asset value not recognised (as per FRS 102 para 28,22) | (1,612) | - |
| Defined benefit pension scheme deficit | - | (928) |

***Defined benefit obligation***

Changes in the defined benefit obligation are as follows:

| | 2022<br>£ 000 |
|---|---|
| Present value at start of year | 8,448 |
| Current service cost | 173 |
| Interest cost | 141 |
| Actuarial gains and losses | (2,771) |
| Benefits paid | (300) |
| Contributions by scheme participants | 21 |
| Present value at end of year | 5,712 |

***Fair value of scheme assets***

Changes in the fair value of scheme assets are as follows:

| | 2022<br>£ 000 |
|---|---|
| Fair value at start of year | 7,520 |
| Interest income | 127 |
| Actuarial gains and losses | (205) |
| Employer contributions | 161 |
| Contributions by scheme participants | 21 |
| Benefits paid | (300) |
| Fair value at end of year | 7,324 |

***Analysis of assets***

The major categories of scheme assets are as follows:

| | 2022<br>% | 2021<br>% |
|---|---|---|
| Equities | 54 | 56 |
| Property | 11 | - |
| Government bonds | 1 | 8 |
| Corporate bonds | 19 | 2 |
| Multi asset credits | 4 | 20 |
| Cash | 2 | 4 |
| Other | 9 | 10 |
| | 100 | 100 |

***Return on scheme assets***

| | 2022<br>£ 000 | 2021<br>£ 000 |
|---|---|---|
| Return on scheme assets | (78) | 1,147 |

The pension scheme has not invested in any of the charity's own financial instruments or in properties or other assets used by the charity.

***Principal actuarial assumptions***

The principal actuarial assumptions at the statement of financial position date are as follows:

| | 2022<br>% | 2021<br>% |
|---|---|---|
| Inflation assumption (RPI) | 2.80 | 2.80 |
| Inflation assumption (CPI) | 2.80 | 2.70 |
| Discount rate | 4.10 | 1.70 |
| Future salary increases | 4.30 | 4.20 |

***Post retirement mortality assumptions***

| | 2022<br>Years | 2021<br>Years |
|---|---|---|
| Current UK pensioners at retirement age - male | 22.00 | 22.00 |
| Current UK pensioners at retirement age - female | 25.00 | 25.00 |
| Future UK pensioners at retirement age - male | 24.00 | 24.00 |
| Future UK pensioners at retirement age - female | 27.00 | 27.00 |

**22 Funds**

| | Balance at 1 September 2021 £ 000 | Incoming resources £ 000 | Resources expended £ 000 | Transfers £ 000 | Other recognised gains/(losses) £ 000 | Balance at 31 August 2022 £ 000 |
|---|---|---|---|---|---|---|
| **Unrestricted funds** | | | | | | |
| ***General*** | | | | | | |
| General fund | 22,106 | 33,591 | (29,892) | (654) | (288) | 24,863 |
| Pension fund | (10,314) | - | - | - | 4,629 | (5,685) |
| | 11,792 | 33,591 | (29,892) | (654) | 4,341 | 19,178 |
| ***Designated*** | | | | | | |
| Education | 183 | - | - | (183) | - | - |
| Adult Day Services | 12 | - | - | (12) | - | - |
| Adult Residential | 17 | - | - | (17) | - | - |
| Children's Residential | 9 | - | - | (9) | - | - |
| Central Services | 38 | - | - | (38) | - | - |
| Maintenance Fund | 487 | - | (9) | (125) | - | 353 |
| Strategic Development Fund | 382 | - | (202) | (85) | - | 95 |
| Improvement Projects | 300 | - | - | (300) | - | - |
| Estate Developments | 300 | - | - | 1,211 | - | 1,511 |
| | 1,728 | - | (211) | 442 | - | 1,959 |
| **Total unrestricted funds** | 13,520 | 33,591 | (30,103) | (212) | 4,341 | 21,137 |

## Notes to the Financial Statements for the Year Ended 31 August 2022

| | Balance at 1 September 2021 £ 000 | Incoming resources £ 000 | Resources expended £ 000 | Transfers £ 000 | Other recognised gains/(losses) £ 000 | Balance at 31 August 2022 £ 000 |
|---|---|---|---|---|---|---|
| **Restricted funds** | | | | | | |
| Education | 353 | 383 | (277) | 195 | - | 654 |
| Adult Day Services | 8 | 4 | - | 12 | - | 24 |
| Central Services | - | 35 | - | - | - | 35 |
| Adult Residential | - | 27 | - | 5 | - | 32 |
| **Total restricted funds** | 361 | 449 | (277) | 212 | - | 745 |
| **Total funds** | 13,881 | 34,040 | (30,380) | - | 4,341 | 21,882 |

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

Designated funds

Designated Funds are those pots of money set aside by the Board of Trustees for use on specific projects during the year / subsequent years.

At the year end there is; £353k remaining in the Maintenance Funds for delivering Government-led Energy Savings Opportunities Scheme (ESOS) Phase III, PBS Strategy and Integrated Therapy approach, Enterprise architecture and General Estates development; and, £95k in the Strategic developments fund to finish the work on IT staff development, delivering the People Strategy and Residential Stabilisation and Development Programmes.

In addition, during the 2022 year end, the Trustees have set aside an additional £1.511m from General Funds for Estates improvements across all sites in the Foundation.

Restricted funds

Education
Percy Hedley School, Northern Counties School and Percy Hedley college receive income from the Education Skills Funding Agency (ESFA) towards the education of our children and young people including grants that are set aside specifically for new sports equipment and for building maintenance improvements.

We also receive donations from Fundraising and Legacies that are restricted to a specific site or specific purpose. EG: a large legacy donation was received in May 2022 for use at our Northern Counties site.

Adult Day Services
Donations from IMUSE and Heritage Funds for use at Hedley's Horizons.

Adult Residential
Various small donations for use in our Residential Services.

During the year it was identified that in previous years there had been a misclassification of funds between designated and restricted. These misclassifications amounted to £212k and are shown in the transfer column in the table above. This is below the level of materiality, so a prior year adjustment was not required. In addition, £857k was transferred during the year from Designated to the general fund as projects have purchased the asset / completed the activity the fund(s) were intended for.

# Notes to the Financial Statements for the Year Ended 31 August 2022

### 23 Analysis of net assets between funds

| | General £ 000 | Unrestricted Designated £ 000 | Pension £ 000 | Restricted £ 000 | Total funds £ 000 |
|---|---|---|---|---|---|
| Tangible fixed assets | 16,591 | - | - | - | 16,591 |
| Fixed asset investments | 2,915 | - | - | - | 2,915 |
| Net current assets/(liabilities) | 7,176 | 1,959 | - | 745 | 9,880 |
| Creditors over 1 year | (1,819) | - | - | - | (1,819) |
| Pension scheme liability | - | - | (5,685) | - | (5,685) |
| Total net assets | 24,863 | 1,959 | (5,685) | 745 | 21,882 |

| | General £ 000 | Unrestricted Designated £ 000 | Other £ 000 | Restricted £ 000 | Total funds at 31 August 2021 £ 000 |
|---|---|---|---|---|---|
| Tangible fixed assets | 16,693 | - | - | - | 16,693 |
| Fixed asset investments | 3,245 | - | - | - | 3,245 |
| Net current assets/(liabilities) | 4,151 | 1,728 | - | 361 | 6,240 |
| Creditors over 1 year | (1,983) | - | - | - | (1,983) |
| Pension scheme liability | - | - | (10,314) | - | (10,314) |
| Total net assets | 22,106 | 1,728 | (10,314) | 361 | 13,881 |

### 24 Analysis of net funds

| | At 1 September 2021 £ 000 | Financing cash flows £ 000 | At 31 August 2022 £ 000 |
|---|---|---|---|
| Cash at bank and in hand | 8,319 | 96 | 8,415 |
| Debt due within one year | (220) | (46) | (266) |
| Debt due after more than one year | (1,984) | 165 | (1,819) |
| Net debt | 6,115 | 215 | 6,330 |

| | At 1 September 2020 £ 000 | Financing cash flows £ 000 | At 31 August 2021 £ 000 |
|---|---|---|---|
| Cash at bank and in hand | 8,452 | (133) | 8,319 |
| Debt due within one year | (203) | (17) | (220) |
| Debt due after more than one year | (2,102) | 118 | (1,984) |
| Net debt | 6,147 | (32) | 6,115 |

### 25 Related party transactions

During the year the charity made the following related party transactions:

**ARGOL**
(one of our Trustees is also a director)
During the year the Foundation received £Nil (2021 - £6,561) of services from ARGOL. At the balance sheet date the amount due to/from to ARGOL was £Nil (2021 - £455).

### 26 Prior year adjustment

The accounts have been restated to reflect the recognition of the LGPS defined benefit pension scheme as a defined benefit scheme.

The restatement has result in the following adjustments being recognised:

Within the opening balances as at 1 September 2020:

- Decrease in net assets of £896,000

The net effect of the above adjustments in 2020 resulted in an overall decrease in net assets and reserves as at the 31 August 2020 amounting to £896,000, such that the net assets at 31 August 2020 previously reported as £10,542,000 is restated to £9,646,000.

Within the closing balances as at 31 August 2021 and the reported results for 31 August 2021:

- Increase in expenditure of £26,000 within the SoFA.
- Actuarial gain recognised amounting to £794,000 within the SoFA.

  such that the combined effect of the above was to increase the previously reported results for the year ended 31 August 2021 by £768,000, such that the previously reported £3,467,000 surplus was restated to £4,235,000 surplus.
- Pension scheme liability of £928,000 within the balance sheet replaced the £799,000 liability previously included in creditors due in less than one year and creditors due in greater than one year.

The net effect of the above adjustments in 2020 and 2021 resulted in an overall decrease in net assets and reserves as at 31 August 2021 amounting to £128,000, such that the net assets at 31 August 2021 previously reported as £14,009,000 is restated to £13,881,000.



Percy Hedley
FOUNDATION

The Percy Hedley Foundation is registered in England and Wales, company number 01855026, charity number 515943.

Registered office: Hampeth Lodge, Station Road, Forest Hall, Newcastle upon Tyne, NE12 8YY

0191 238 1330
foundation@percyhedley.org.uk

percyhedley.org.uk

**THE PERCY HEDLEY FOUNDATION**

England & Wales - Charity number 515943

# Accounts

Company Number: 01855026 (England and Wales)
Charity Number: 515943

# The Percy Hedley Foundation
(A company limited by guarantee)

## Trustees' Report and Financial Statements

## For the year ended 31 August 2021

**The Percy Hedley Foundation**
**(A company limited by guarantee)**

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**The Percy Hedley Foundation**
**(A company limited by guarantee)**

**Reference and administrative details of the company, its Trustees and Advisers**
**For the year ended 31 August 2021**

---

| | | |
|---|---|---|
| **Trustees:** | Mr J Jowett | |
| | Ms A Curran | |
| | Mr D Arthur | |
| | Ms S Jopling | |
| | Dr M Gibson | |
| | Mr D Kent | |
| | Ms A Russell | |
| | Ms A Woods | |
| | Ms L Charles-Jones | |
| | Ms S Fitzpatrick | (resigned 30/07/2021) |
| | Mr T Frazer | |
| | Ms A Moore | (resigned 26/01/2021) |
| | Mr P Foreman | |
| | Ms L Phillipson | (appointed 29/06/2021) |
| | Mr B Snaith | (appointed 08/06/2021) |
| | Mr E Weir | (appointed 26/01/2021) |
| **Company number:** | 01855026 | |
| **Charity number:** | 515943 | |
| **Registered office:** | Hampeth Lodge, Station Road, Newcastle upon Tyne, NE12 8YY | |
| **Company secretary:** | Tara Allen | (resigned 30/09/2021) |
| | Lynsey Dawson | (appointed 01/10/2021) |
| **Senior management team:** | | |
| Interim Chief Executive Officer | D'Arcy Myers | |
| Headteacher – Percy Hedley School | John Steward | |
| Headteacher – Northern Counties School | Jo Allen | |
| College Principal | Joanne Rees-Proud | |
| Director of Resources | Tara Allen | |
| Director of Business Development, Quality & Performance | Alison Williams | |
| Director of Residential Services | Lisa Deane | |
| **Auditors:** | Haines Watts North East Audit LLP , 17 Queens Lane, Newcastle upon Tyne, NE1 1RN | |
| **Bankers:** | Barclays Bank Plc, 5 St Ann's Street, Newcastle upon Tyne, NE1 3DX | |
| **Solicitors:** | Womble Bond Dickinson (UK) LLP<br>St Ann's Wharf, 112 Quayside, Newcastle upon Tyne, NE1 3DX | |

## Welcome to our annual report

***David Arthur, Chair***

I was delighted to take over as Chair of the Foundation in November 2021 and personally want to thank Jonathan Jowett on behalf of our Board and whole Foundation for his 9-year term as trustee and 4 years leading as Chair.

In the last year we have continued to work under the challenging conditions of COVID-19 which has highlighted the fragile structure across the country that keeps health and social care functioning to support the most vulnerable people as well as continuous education for children requiring additional support. As a provider of frontline services, we have remained open throughout the year, providing homes and vital support for our members. Our staff have continued to be an inspiration; working incredibly hard to ensure that the services continued and complying with changing guidance and additional lockdown measures enforced by the Government during the peaks of infection.

In addition to the COVID-19 challenges, we have unfortunately completed the closure of our two children's homes, Bradbury View and Tees House, working closely with OFSTED and Local Authorities to facilitate the transition to alternative provision. We learnt from the experience of closing Bradbury View and the subsequent external review, and applied our learning in the closure of Tees House, as well as ongoing operational working of the Foundation where applicable.

As a Foundation, we have reviewed and developed our governance and leadership teams to strengthen our oversight of operational and strategic areas. External support has given us a different perspective and allowed us to focus on necessary improvements, many of which we have implemented and are working on the remainder over the coming months.

During the year we have benefited from the continuing support from our network of partners and donors, using this support together with utilisation of our reserves and funds allocated to enable investment in our estate, IT and systems, and improvement projects. We therefore look forward to developing our environments and services to continue to support our members in future.

***D'Arcy Myers, Interim Chief Executive***

Percy Hedley Foundation is almost 70 years old, and it has been a privilege to be part of the Foundation's history for almost a year. I have been inspired during my stewardship and I will hand over to a new permanent Chief Executive in March 2022, knowing that the future of the Foundation will be in good hands.

This year has been challenging in many ways and we have adapted well as an organisation in new ways of working, our responses to crises, and in reviewing our priorities. We have continued our collaborative approach in delivering essential services and liaising with families, commissioners, partners and supporters. I have had the pleasure of seeing first-hand the fantastic work of our staff team and the resilience shown throughout the year, as well as the engagement by our members within our education, residential and adult day services.

With ongoing development work with Board of Trustees and governance, as well as a focus on our strategic direction.

We are ensuring that the Foundation moves forwards in the right way to deliver the charity purpose.

## Objectives and activities

### Who we are

We are one of the UK's largest regional disability charities. We specialise in high quality, personalised care and education support to people with a range of disabilities and needs.

We promise to put people at the heart of everything we do to help meet the needs of disabled people and their families.

We provide specialist pre-school, primary, secondary and post 16 education services, as well as a specialist further education college and a wide variety of day services for adults. We also provide residential and short break respite services for children, young people and adults.

### Our vision and purpose




### Public benefit statement

The trustees have due regard to the guidance published by the Charity Commission on public benefit.

## Achievements and developments

### Covid-19 Response

A significant achievement in the year has been the Foundation's continued approach to protecting our members and staff with the waves of COVID-19. We have responded as needed to guidance and lockdown measures, continuing to meet education and care needs for the majority of pupils, residents and service users. We are proud of the efforts of all those involved in continuing to deliver our services during these challenging times, and it is a mark of the professionalism and resilience of our staff team.

As many Foundation staff as possible were supported to work from home so that services could continue as far as possible. In our Education and Residential settings, most employees were required to remain operational on the front-line and infection control measures were implemented that were consistent with local and national guidance. This allowed focus on providing direct support across all service areas to assist in interpreting guidance (often conflicting and/or rapidly changing) from various organisations to include from Department for Education (DfE), Department of Health and Social Care, Public Health England (PHE) and local Health Protection Teams to develop infection prevention and control risk management arrangements, information, advice and training. Protective Personal Equipment (PPE) and infection control cleaning regimes have been robust and internal transmission has been limited, despite a number of outbreaks within services. We have been able to support visitors to our residential service as well as working in bubbles to protect students within education.

Staffing has been a challenge given the regional and national pressures, as well as the mandatory vaccinations required within adult residential settings from November 2021. Fortunately, we have had a very positive response from staff who fully embraced the need to protect themselves and others through vaccinations. Managers and Trade Union representatives worked together to ensure increased COVID-19 health and safety measures were implemented in line with national guidance. Business Continuity plans were invoked and the "Gold/Silver/Bronze command control" system was implemented to ensure any concerns relating to services, PPE supply, could be highlighted promptly involving all required stakeholders.

### Other achievements

Whilst COVID-19 has obviously had a significant impact on how we are able to deliver services, it has not been the only focus for the Foundation's operational services given the complexity of needs of our members and continued delivery of provision in the year. We have still achieved great progress within the services including

- Northern Counties School's Hillcrest Department making into the top three nationwide for Outstanding Impact at NASS Conference.
- Repurposing part of our estate to create an extended college and adult day services programme at Bradbury Hub, Killingworth, where students and service users can enjoy activities in a specialist environment from September 2021.
- Rolling out Positive Behaviour Support (PBS) as a Foundation initiative and whole school impact already demonstrated at Northern Counties School.
- Continued referrals as demand for our services grew.
- Placements filled within our adult residential homes.
- Development of back-office functions with system and infrastructure improvements.

With the national and regional financial impact of the pandemic and general economic, societal and environmental challenges, commissioning authorities continually review their contracting arrangements in the face of significant funding shortfalls and increasing demand for social care and SEND resources. Unfortunately, pressures on local authority budgets and difficulties faced by charities in securing donations and grants is felt by many organisations with all trying to access the same limited children and adult services funds available.

**Closing our children's residential homes**

Towards the end of the last financial year, we identified shortfalls in the quality of our children's homes, and OFSTED inspections in the services raised compliance notices and an immediate suspension of Bradbury View Residential in September 2020. We then took the decision to permanently close Killingworth-based Bradbury View Residential due to the challenges of increasing COVID-19 risk at the time and our ability to achieve the improvements required within the specified timescales. The decision to permanently close Bradbury View Residential was a difficult decision, and we are sorry for the impact this has had on young people who lived at the home and their families. As a Board and Executive Team we were determined to learn the lessons from this situation and the events leading up to the closure of the home, with actions implemented and governance oversight improved. This work has been monitored throughout 2020-21 and we have worked with all agencies as required in an open and transparent way.

In September 2021, following and applying the learnings from our Bradbury View closure, we closed our Tees House residential home in Jesmond, recognising that the size of the home and the location did not best meet the needs of the children and families that we support. We worked closely with the families, local authorities and OFSTED to transition the children to new provisions over an extended period of 3 months. We acknowledge and apologise for the disruption caused by the decision. We also thank the staff who supported the children and families during the transitions.

From March 2020 when the national lockdown started, Bradbury View Short Breaks service has remained closed due to pandemic restrictions given the nature of the services would create difficulties in maintaining safe, COVID-19-free bubbles. In May 2021, we decided to permanently close the respite services for children which were based in the same buildings as residential and therefore shared the same challenges.

There are currently no plans for reopening children's residential or respite homes.

**Delivering Special Education and Adult Day Services**




Demand for our education services continues to grow. Our unique approach which brings together the skills of teachers, speech and language therapists, physiotherapists and occupational therapists continues to help our children and young people realise their potential is key to this.

In our Education Services, all our students have special educational needs and are offered a highly differentiated curriculum, delivered by a multi-disciplinary team. Individual potential is enhanced and realised using a person-centred approach. As our student population has grown, we are working hard to make sure that we continuously develop and strengthen our learning environment and this has included reimagining the Early Years Foundation Stage (EYFS), redefining curriculum pathways and assessment strategy for current pupils, and developing a Positive Behaviour Support (PBS) approach.

During the year we have continued to develop our estate and grounds to support the needs and numbers of students within our schools, including outside playground areas, meeting space, and classroom refurbishments, giving increased capacity as well as improved environments.

The Foundation completed an options appraisal of the space occupied previously by children's residential. The result was expansion of the Hedleys College and Hedleys Horizons onto this site. There was an increased demand for provision to meet the needs of a more complex population of young adults with complex autism. The site was repurposed and ready for use in September 2021. The site has enabled us to have a collection of small groups or paired work spaces alongside individual quiet spaces, a jacuzzi was fitted to support sensory regulation needs, a gym space and a large outdoor space to allow for horticulture activities and room for withdrawal quiet space when people need it.

College provision increased from 55 students in September 2019 to 76 students in September 2020. We used technology and videos to support student transition into service when physical onsite visits were restricted due to COVID-19. Staff attended school leaver's reviews virtually and we video called future students and families so they still built good links prior to start date.

Last year also saw the Foundation's Able 2 services and Fir Trees social care provision unite under the new banner of Hedleys Horizons. This 52-week service meets the needs of a wide range of people aged 19 + with a range of complex needs. Sessions such as tac pac, sensory cooking, art, sensology, yoga, dance massage meet the needs of people needing a sensory based week of activities. With Horticulture, Print, Media, Music, Café, volunteering, upcycling meeting the needs of those with a more practical element to their week.

**Adult Residential services**




Our Adult residential service offers accommodation and care, complimented by a range of meaningful community activity for our residents, who have a range of disabilities, including Physical Disabilities, Learning Disabilities, Profound Multiple Learning Disabilities (PLMD) and Autism, including those behaviours which challenge services.

Each of our services support all these conditions differently, depending on the service offered, from meeting accommodation needs, daily activities, to extra support in homes, to sports and recreational activities.
We operate registered adult residential services at;

- Chipchase House/Ferndene in Forest Hall
- Leybourne in Killingworth
- Tyne House/ Moor View in Jesmond
- Wansbeck House in Jesmond

When the pandemic started in early 2020, there was a significant challenge in keeping the residents protected and ensuring their lockdowns were as good as they could be. The staff have been exceptional throughout and the hard work continued all through 2020 and 2021, responding to changing guidance and supporting families who longed to see their loved ones. Whilst there were outbreaks within the homes, there was very little on site transmission and this proves the robust infection control procedures and diligence in using PPE.

There were creative ways to allow residents to have visitors, including an outdoor pod installed at Chipchase House and utilising outdoor and indoor spaces where social distancing could be maintained. Use of social media and video calls allowed those not able to meet up in person to connect. There were also activities within the home to make the lockdowns more enjoyable and we thank our Residential Services staff for their creativity and dedication.

Feedback from families of our residents:

*"...Just to say a huge thanks for the way that you have handled the situation throughout the whole Covid 19 pandemic. All of the staff have done an amazing job of protecting, not just my brother, but all of the other residents. Believe me, your great work in this respect is mentioned all of the time, and is so much appreciated."*

*"...The staff could not have been more welcoming towards me and I have never felt so comfortable so quickly beginning anew role. You have a team to be proud of."*

*"... Thanks to your staff, my Mother's Day was really amazing....different but fantastic. It's hard to put into words how great it was to see X yesterday, I'm still processing it all myself and getting quite misty eyes when I talk about it. Just being in the same room and being able to share human touch after a year is hard to describe ..."*

*"...It has been such an emotional and testing time for everyone and we feel blessed that X has had your thoughtful care and support throughout."*

**#TeamPercyHedley**

Our staff are our biggest asset. We now employ more than 1,100 staff working from multiple locations across the region.

**Our values**




We want to be an employer of choice, and to have an engaged workforce that are happy at work. Happy staff will mean that we are delivering the best possible outcomes for the people we support. To help us achieve this we developed a new People Strategy, which focuses on three main objectives:

- Attract and recruit
- Train and develop
- Retain and promote

To listen to our workforce and respond to their needs, we engaged with an external provider to develop a Foundation-wide employee survey that offered insight into the areas of improvement, including communication, more visible strategic direction, and a focus on wellbeing. Due to increased remote and flexible working in the last two years and utilising technology and the Office365 environment, we have increased information sharing as well as finding ways to increase staff meetings and briefings. We are also continuing to work with the leadership and management group to develop reward and recognition schemes and ways to improve training and development for the workforce.

## Progress against objectives

We measure progress against our objectives in several ways and our priorities for 2020/21 were focussed around three main objectives:

- Protecting our core business by ensuring we retain our reputation for quality and provide value for money
- Developing new services or expanding our current service provision either as a stand-alone organisation or in partnership with others to increase income
- Transformation programme investing in core systems (including safeguarding), improving accommodation, delivery of the People Strategy, and continuous improvement so we are fit for purpose and fit for future

Our core business is to provide education and care in a person-centred way for people with disabilities. The quality of the services is vital to the Foundation and all services have retained their regulatory status with OFSTED and CQC. Northern Counties School maintained its advanced accreditation by the National Autism Society, which was significant for us as it is a nationally recognised standard by which autistic provision is assessed and we're the only school in the North East to achieve this level. We protect our services and the good reputation that we have. Therefore, whilst the decision to close two children's homes was difficult to make, we know that this was in the best interests of the children given the challenges within the environments, staffing, and working conditions, especially with the ongoing pandemic. We will continue to review all our services on an ongoing basis in order to ensure quality and we have invested in internal and external quality assurance resource to audit, recommend, and support all areas of provision.

Demand for our services has continued to grow which is an amazing testament to our team of skilled staff who work hard to help each person we support to thrive, and we are often family preference when options are discussed for their relative. During the last year of challenges, we have not developed new services but have continued to expand on the current provisions with college and adult day services. There is also further development in 2-3 years for Hedleys Horizons to maximise use of Bradbury Hub and increase community activities.

The Foundation developed a transformation programme to focus on key areas of stabilising and maintaining services. There were several work streams within the programme, including delivering against our People Strategy, reviewing our estate and addressing immediate compliance and refurbishments that were needed, identifying uses of technology, and addressing overlaps and gaps in governance.

The internal IT team has been strengthened and we have worked with various external partners to develop in the focus areas, improving our connectivity and rolling out an IT refresh programme across the Foundation in the year. Office365 functionality continues to be explored and implementation of new systems has commenced with the go-live of a new finance and purchasing system, and the appointment for partners to support with a computer-aided facilities management, learning and development, and care compliance systems.

The estate has been developed within adult residential homes, education services and the repurposing for college and adult day provision. The internal team has been increased in capacity and capability, which has allowed a more responsive and planned programme of maintenance and refurbishment across the estate.

## Plans for the future

With the ongoing COVID-19 impact, an interim chief executive and the changes in services during the year, there was a delay in concluding the review of our Corporate Strategy. It is expected that the work will continue prior to the permanent chief executive's start with the Foundation in March 2021, bringing further clarity for the future. We will focus on our decision-making principles, ways of working, and competencies that we need to retain at the heart of each of our services.

We will review our opportunities as a charity to influence based on the experiences we have with our members and ensure that our services meet with the highest standards of care and support. Drawing on the trans-disciplinary traditions of the Foundation is delivering better outcomes for many of our service users, particularly the children and young people who have health, speech, and language, and behavioural conditions that are complex and require a level of specialism that mainstream educational and vocational providers are often unable to provide. We need to retain and build on these traditions as they continue to differentiate us from other providers.

Our workforce is essential to high quality care and education support to members. We will continue to develop and equip our teams so they are able to make a difference every day and support members in achieving their dreams. We will draw upon the expertise and knowledge of our workforce to understand the needs of our members through improved communication and collaboration within teams and across services. Engagement and communication will improve with all of our stakeholders and we will develop existing and new partnerships for the benefit of all involved.

There are plans to refurbish our buildings and consider environmental impact through energy saving changes. We will develop our supporting services to ensure they are as efficient and effective as possible through implementation of systems and processes.

Despite the challenges we have faced in recent times, we are confident that our workforce will continue to support our members and we will develop our services to continue to meet need individually and for our commissioners.

## Fundraising update

Whilst the majority of our income is through contracted services, the money we raise through voluntary contributions from the public, local businesses and grant making organisations supports a wide range of activities and developments across the Foundation. It has been a disrupted year given the lockdowns and closure of events that we have relied on in previous years, such as our annual ball in 2020 or the Great North Run that has always been so successful for the Foundation. In 2020/21 we did not engage any professional fundraisers or commercial participators, for example face to face or door to door fundraisers. During the year we had to move to virtual events including horse racing night, auctions, raffles, and access for direct giving. We also continued to engage with donors through trusts and foundations support for equipment such as mobility and walking frames and other specialist apparatus. Thank you to all our supporters who have continued to donate during this difficult time.

Looking forwards we plan to revert to our "normal" fundraising approach which is very much centred on the people who raise money for us. Our in-house fundraising team listen, encourage, and offer the ongoing support, tools, and information they need to maximise their fundraising. As well as supporting individuals and companies to do their own fundraising, we also recruit supporters to take on events organised by third parties such as the Great North Run and Great North Swim. In addition, we organise and deliver our own fundraising events such as the annual Percy Hedley Ball and seek grants from local and national trusts and foundations. We are lucky to have committed volunteers who regularly raise money on behalf of the charity, for example our Board of Trustees and Percy Hedley Ball Committee. These volunteers represent and raise funds for Percy Hedley on a regular basis and as such we give them the appropriate training and support to ensure they maintain our fundraising standards. This includes sharing guidelines from the Code of Fundraising Practice, regular meetings, and oversight from the fundraising team. In 2020/21 we did not engage/pay any external fundraisers.

It is incredibly important to us that our fundraising activities comply with all appropriate regulations and guidelines as laid out by the Charity Commission and the Fundraising Regulator, who we are registered with. Our Fundraising Policy is regularly updated and is available to view at our website. We adhere to the Fundraising Regulator's Code of Fundraising Practice in all aspects of our fundraising and regularly refer to this to ensure our existing and new fundraising activities are compliant. We have a Customer Relationship Management (CRM) database in place to support our fundraising oversight, ongoing adherence to General Data Protection Regulation (GDPR), financial record keeping, monitoring and evaluation. In 2020/21 there were no compliance issues raised about our fundraising by the Charity Commission, Fundraising Regulator, or Information Commissioner's Office.

We remain committed to ensuring our donors and supporters receive the highest level of customer service when they choose to raise money for Percy Hedley, and we pride ourselves on building long lasting relationships with the many people who support us. Our Fundraising Policy clearly lays out how people can raise a concern or complaint about our fundraising and as in previous years, in 2020/21 we received no complaints with regards to our fundraising.

**Financial Review**

In the year to 31 August 2021 the Foundation made a surplus of £1,260,000 (2020: £1,622,000) before actuarial gains and losses. Whilst income remained stable, this was a decreased surplus on the previous year due to increased expenditure in the period albeit slightly offset with gains on investment in the period. The underlying operational performance has been strong in the current climate with services continuing to deliver despite the challenges of COVID-19 during the year. There were small costs linked to the closure of Children's Residential Services. There was also £72k benefit from the Government Job Retention Scheme with a very small proportion of staff not directly linked to services provided under contract furloughed.

As the impact of COVID-19 begins to impact on central and local government budgets, pressures will continue to impact on our services as Local Authorities look to manage tighter budgets and increase value for money. The surplus is important to the Foundation as it allows us to invest this in improving our services and facilities next year.

Income from charitable activities increased slightly (less than 1%) year on year at £31,495,000. The vast majority of our funding is received from 22 local authorities responsible for the education and care of the children, young people and adults that use the services we provide. These fees fund the day to day running costs of the services. The Foundation has a fundraising team, responsible for supplementing this income to help improve the estate, enrich provision, and support capital developments. (See further details on page 33.)

The Percy Hedley Pension Scheme provides benefits on a final salary or defined benefit basis, it is closed to new members but open to future accrual of benefits for its active members. The actuarial deficit has been revalued, in accordance with FRS 102, using up to date assumptions over discount rate, future salary increases, the rate of inflation and mortality assumptions. This revaluation has resulted in a decrease in the actuarial deficit of £2.2m from the previous year to £9,386,000 (2020: £11,593,000) which reflects the investment choices made by the pension trustees and market conditions. The trustees of both the Foundation and the Percy Hedley Pension Scheme are acutely aware of the need to balance the interests of the members of the pension scheme with those of the current and future beneficiaries that the charity supports. A long-term deficit recovery plan has been agreed with the Pension Scheme Trustees that will allow the Foundation to continue to prosper and grow and a pension subcommittee established to monitor the actions arising from the plan, and the pension scheme is currently performing well against the targets.

As in previous years the Trustees continue to make specific provision, Note 15 and 16, for the Foundation's obligations to make additional payments to the Tyne and Wear Local Government Pension Scheme (LGPS). The LGPS is a multi-employer pension scheme and the charity is part of a group of bodies admitted to the pension scheme whose assets and liabilities are pooled. The liability in the balance sheet is under FRS 102, accounting for contributions as if a defined scheme and any future deficit funding.

The Foundation also contributes to a third defined benefit pension scheme, in relation to teaching staff, which is the Teachers' Pension Scheme (TPS). Contributions to the scheme are determined by actuarial review by the Government Actuary, the latest valuation for which is 2012. The latest valuation of the TPS was as at March 2019 and the employer contribution rate is expected was reassessed and payable from 1 April 2020.

The Foundation has total funds of £14,009,000 (2020: £10,542,000). The balance sheet highlights a very slight increase in net book value of tangible fixed assets to £16,693,000 (2020: £16,653,000) with depreciation effectively matching new additions in the year.

Restricted funds total increased to £361,000 (2020: £274,000). The Foundation holds £1,728,000 (2020: £1,374,000) of service designated funds. These are small donations and fundraising carried out within a particular service and are used throughout the year to provide 'added extras' to enrich service provision. There are other amounts which have been set aside by the trustees which will be spent during 2020/21, further details can be found in note 18.

Impacted by the positive valuation on pensions, unrestricted reserves have increased to £21,306,000 (2020: £20,489,000) and these are defined as those not allocated for specific purposes and excluding tangible fixed assets - primarily buildings which are held for charitable purposes.

**Reserves Policy**

The Trustees consider that unrestricted and undesignated reserves should be kept between £3.8m and £4.6m. This allows for the Foundation to react to unforeseen circumstances, whilst providing sufficient flexibility to operate on a day to day basis and take any appropriate decisions to further the Foundation's strategic development.

The lower end of this range is equivalent to 4 months or 1 term of staff costs at the Foundation's 2 largest services (Percy Hedley and Northern Counties Schools) and the higher end reflects the Foundation's aim to build a fund that will enable the continued refurbishment of some of our old buildings into an estate which is 'fit for purpose, fit for future' for the children, young people and adults for whom they are designed.

In recent years the Foundation went through a period of significant investment in this estate and free reserves fell below the minimum target range. During the last few years, we have rebuilt reserves and these are now being reviewed as part of the corporate strategy in order to make significant improvements to the estate and services provided and options appraisals are being reviewed during 2021/22. Currently the Foundation's reserves are £5.2m at 31 August 2021. In 2018/19 and 2019/20, the Trustees designated £1m of funds to be set aside for a two-year programme of additional maintenance and minor improvement works to the charity's buildings and development projects to support our services and member needs. Due to continued focus on COVID-19 working, plus lockdown/access restrictions and limited availability to contractors, this was not used fully as planned. Therefore the balance of £869k carries over to 2021/22 to a programme of works to be completed and the intention remains to continue the change programme as and when restrictions allow. In addition, from the 2020/21 accounts, a further £600k has been set aside to ensure that the projects can move forwards as planned and with additional investment in the coming year.

### Investment Policy

The Foundation has a longer-term strategy for investments with increasing investments from £2.45m (book value) to £3.25m.

This strategy allows for mid-term reserves to be held on cash deposits until they are needed for specific projects and for an element of reserves to be held for the long term in the event of future unknown uncertainties. It is the intention that the charity will add to longer term deposits at a similar rate to which the Foundation itself grows. The Trustees appoint investment managers to whom they delegate responsibility for managing the investment assets in accordance with an agreed policy statement. This statement sets out the Trustees aim, to produce the best financial return within an acceptable level of risk and includes the manner in which these assets may be ethically invested to ensure that they do not conflict with the aims of the charity.

### Going concern

After making appropriate enquiries, including evaluating any impact with the continued and ongoing effects of COVID-19 and reviewing forecasts into 2023, the Trustees have a reasonable expectation that the charitable company has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements. Further details regarding the adoption of the going concern basis can be found in the Accounting Policies on page 28.

### Risk management

The Trustees have given consideration to the major risks to which the Foundation is exposed to and satisfied themselves that systems or procedures are established in order to manage those risks.

The Board continues to improve the systems and procedures that are in place to mitigate our exposure to strategic risks. The Foundation has Risk Management Policy & Procedure to support the overall Risk Register which scope covers Operational, Strategic and Governance level risk.

The charity's exposure to risk is overseen by the Audit Committee who provide assurance to the Trustees in this regard and to the charity's commitment to continuous improvement. All risks are monitored on an ongoing basis and a treatment plan is developed for risks that are considered to be significant or emerging. This is reviewed regularly through Exec to ensure mitigating actions are sufficient and effective. These risks include, but are not limited to:

Operational
Key staff cover plans and emergency contingency procedures are in place. Recruitment and retention policies and procedures are reviewed to ensure the charity is able to continue to deliver high quality services at all times.

Reputation
Maintaining high quality in all areas of service provision to ensure that our service users are able to achieve their potential.

Compliance
A focus on the increasing standards and procedures from Ofsted, CQC, the Fundraising Regulator and local authority commissioning and which the charity is committed to meeting and exceeding. There is also a focus on ensuring that the Foundation is compliant with changing legislation, such as our continued focus on General Data Protection Regulations and potential Brexit implications.

Financial
Funding cuts continue in all areas of commissioning, however budgetary controls are in place to manage costs, in particular the rising cost of employment and pensions. The charity places an increasing reliance on fundraising to ensure it is able to continue to invest in its aging estate for the benefit of those that use our services.

Projects
The Foundation are involved in various ongoing projects in line with our strategic roadmap, these varying projects will support compliance, IT infrastructure as well as improvements of services and growth for the Charity. All projects are managed effectively and a regularly reviewed to mitigate emerging and changing risks.

The Charity's activities are complex by nature and fall under several legal and regulatory frameworks and standards (i.e. Ofsted; Care Quality Commission and Health and Safety Executive and Local Authorities).

The significant risks typically faced within the sector relate to Safeguarding of the people under the care of the Foundation and maintaining services to Regulatory requirements and standards. Operating within the COVID-19 impact and restrictions, and the closure of the Children's Residential homes, have shown how devastating unprecedented events can be, as rules and unknown factors were rapidly changing driven by external factors beyond the control of the Foundation and liaison with multiple external agencies is challenging at times. The risk-based approach adopted by the Foundation driven at an operational and strategic level allowed for regular monitoring of arrangements to ensure actions were focused to mitigate the risks from happening and effective and appropriate controls remain in place or are changed to remain effective.

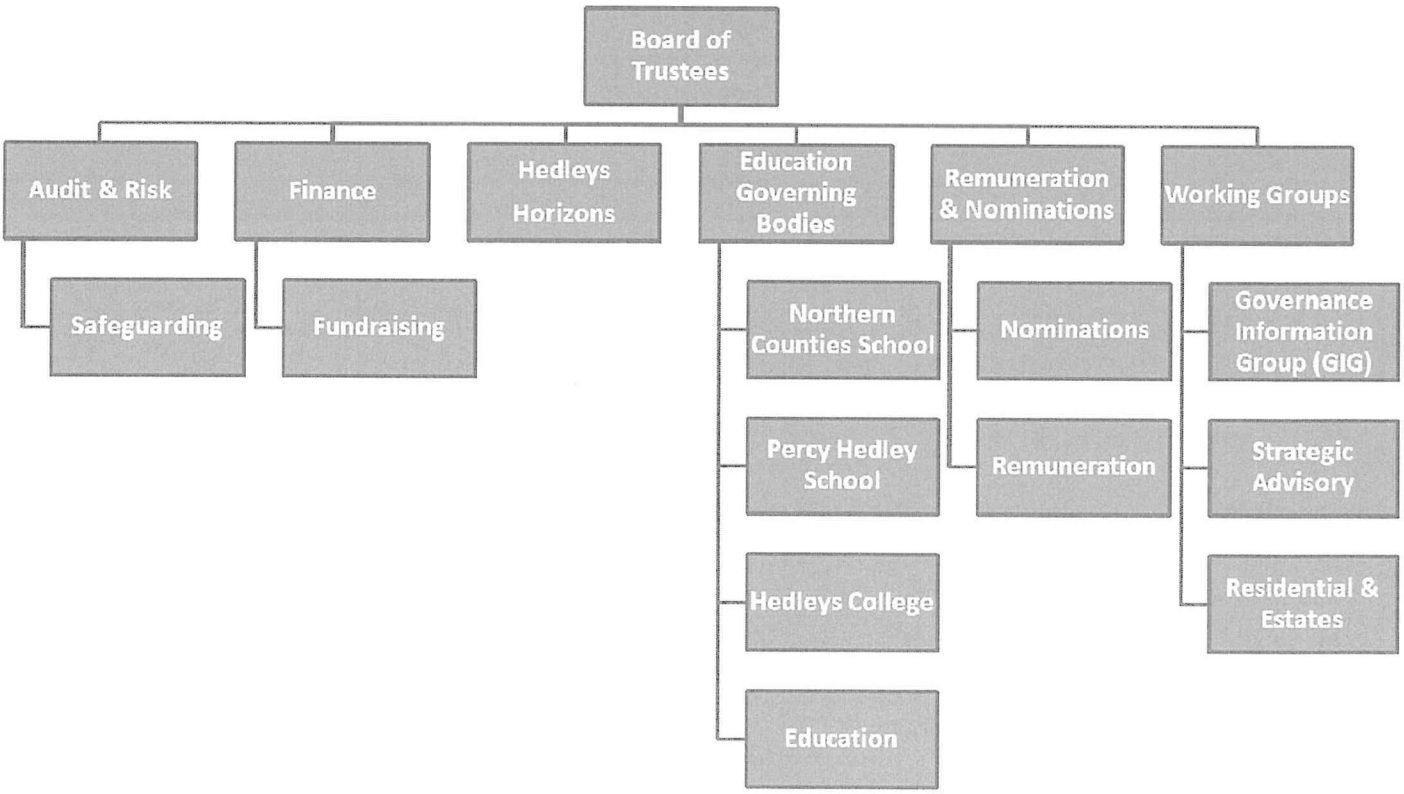
**Structure, governance and management**

The Percy Hedley Foundation is registered as a charitable company limited by guarantee and was set up by Articles of Association on 12 October 1984.

It was founded in 1953 and is registered under the Charities Act 1960. Its governing documents are its Articles of Association incorporated on 12 October 1984 adopted on 1 November 2005 and amended by special resolutions dated 8 December 2008 and 8 November 2014. Northern Counties School, now an integrated part of the Foundation as a result of the merger in October 2005, was founded in 1838.

The Board of Trustees has responsibility for all aspects of the running of the Foundation. Members of the Board of Trustees are appointed for a three-year term, and appointments are made in accordance with the Articles of Association. Each member of the Board of Trustees agrees to contribute £1 in the event of the charity winding up.

Our Trustees have experience from all walks of life and are encouraged to keep these skills and knowledge up to date, and trustees' meetings are held according to annual schedule with appropriate alignment to the business cycle. A thorough review of the governance of the Charity showed that we required a refresh of the number and skills-mix of the Trustees, adding new skills and experience with the three new appointments and not replacing all Trustees who had reached the end of their term of office. A new competency analysis was introduced and the new governance structure (shown below) has been completed towards the end of 2021. We continue to seek new Trustees who have the necessary skills required as shown by our competency review.



### Organisational structure and decision making

The Board has responsibility for the overall leadership and direction of the Foundation. It approves the Foundation's long-term objectives and strategy, policies and annual budgets. The Board meets quarterly and there are sub committees covering residential services, Horizons adult day services, finance, remuneration, nominations, audit and pensions. This is in addition to the Governing Boards for Percy Hedley School, Northern Counties School and Hedleys College. Separately there are working groups set up for specific purposes, such as in 2020/21 the Governance Information Group which reports to the overall Board, for the improvement of governance structure and procedures across the Foundation.

The Trustees delegate the day to day operation of the Foundation and its services to the Executive Management Team, led by the Chief Executive. In April 2021, Chief Executive Carole Harder left the Foundation after 8 years, and the position was held on an interim basis by D'Arcy Myers since then throughout the rest of 2020/21 financial year. (A new permanent CEO has been appointed and will be starting in March 2022). The Executive have delegated authority, within the terms of delegation approved by the Trustees for operational matters including finance, employment and the sound running of the Foundation's services.

### Trustee selection, induction and appraisal

Recruitment of new Trustees is carried out through a process of open advertisement followed by interview and selection by the Nominations Committee, a sub group of the Board, whose proposals are reviewed and approved by the full Board of Trustees. New Trustees receive induction and training as necessary, including visits to services to ensure they have a thorough understanding of the working of the Foundation. Appraisals are carried out to review and support individual Trustee's needs and appointments are made in line with the competency requirements.

### Pay policy for senior staff

The Trustees consider that the Board of Directors, who are the Foundation's Trustees and the Executive team comprises of the key management personnel of the charity. All Trustees give their time voluntarily to the charity and do not receive any financial benefits or emoluments from the charity. Any expenses claimed are set out in note 11 to the accounts.

The pay of the Executive is reviewed annually. The Trustees believe that the levels of remuneration should be sufficient to attract, retain and motivate an Executive team of the quality required to run a large charity. The Foundation ensures that remuneration levels are linked to a regular objective setting system of performance appraisal and benchmarked against comparable roles. The Executive team is paid on the basis of a fixed salary and is commensurate with experience, responsibilities and performance.

### Trustees' indemnities

Included within insurance charges is an annual charge of £2,675 (2020: £2,675) for Trustee Indemnity Insurance.

**Statement of trustees' responsibilities and corporate governance**

The Trustees (who are also Directors of The Percy Hedley Foundation for the purposes of company law) are responsible for preparing the Trustees' report (including the Strategic Report) and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

- select suitable accounting policies and then apply them consistently;
- observe the methods and principles in the Charities SORP (FRS 102);
- make judgements and accounting estimates that are reasonable and prudent
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charitable company will continue in operation.

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

In so far as the trustees are aware:

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

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

This report was approved by the Trustees on 4 February 2022 and signed on their behalf by:

**Mr D Arthur**
**Chairman**

**Dr Bill Snaith**
**Vice Chair**

## Independent Auditors' Report to the members of The Percy Hedley Foundation For the year ended 31 August 2021

### Opinion

We have audited the financial statements of The Percy Hedley Foundation (the 'charitable company') for the year ended 31 August 2021 which comprise the Statement of Financial Activities, the Balance Sheet and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the charitable company's affairs as at 31 August 2021, 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.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the charitable company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Conclusions relating to going concern

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

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

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

However, not all future events or conditions can be predicted. The COVID-19 viral pandemic is one of the most significant economic events for the UK with unprecedented levels of uncertainty of outcomes. It is therefore difficult to evaluate all of the potential implications on the charitable company's activities, customers, suppliers and wider economy. The trustees' view on the impact of COVID-19 is disclosed on page 4 and within the accounting policies note.

**Other information**

The trustees are responsible for the other information. The other information comprises the information included in the trustees' 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.

**Opinions on other matters prescribed by the Companies Act 2006**

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

- the information given in the Trustees' report including the Strategic report for which the financial statements are prepared is consistent with the financial statements; and
- the Trustees' report and the Strategic report have been prepared in accordance with applicable legal requirements.

**Matters on which we are required to report by exception**

In the light of 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 including the Strategic report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Trustees' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.
- the trustees were not entitled to prepare the financial statements in accordance with the small companies' regime and take advantage of the small companies' exemptions in preparing the directors' report and from the requirement to prepare a strategic report.

**Responsibilities of trustees**

As explained more fully in the Trustees' responsibilities statement set out on page 20, 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 auditor under the Companies Act 2006 and section 151 of the Charities Act 2011 and report in accordance with those acts.

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

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

We obtained an understanding of the legal and regulatory framework applicable to both the company itself and the industry in which it operates. We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our sector experience and through discussion with the directors and other management. The most significant were identified as the Charities Act 2011, Companies Act 2006, UK GAAP (FRS102) and relevant tax legislation. We considered the extent of compliance with those laws and regulations as part of our procedures on the related financial statements. Our audit procedures included:

- confirming with the trustees and management whether they have any knowledge or suspicion of fraud;
- obtaining an understanding of the internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations;
- assessing the risk of management override including identifying and testing a sample of journal entries;
- confirmation received from the banks to verify the balance as on the last day of the accounting year;
- reviewing minutes of meetings of those charged with governance; and
- challenging the assumptions and judgements made by management in its significant accounting estimates.

Our audit did not identify any key audit matters relating to the detection of irregularities including fraud. However, despite the audit being planned and conducted in accordance with ISAs (UK) there remains an unavoidable risk that material misstatements in the financial statements may not be detected owing to inherent limitations of the audit, and that by their very nature, any such instances of fraud or irregularity likely involve collusion, forgery, intentional misrepresentations, or the override of internal controls.

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

**Use of our report**

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

**Donna Bulmer BA (Hons) ACA (Senior Statutory Auditor)**
**For and on behalf of Haines Watts North East Audit LLP**

22 February 2022

**Chartered Accountants and Statutory Auditors**

17 Queens Lane
Newcastle upon Tyne
NE1 6SU

**The Percy Hedley Foundation**
**(A company limited by guarantee)**

**Statement of Financial Activities Incorporating Income and expenditure account**
**For the year ended 31 August 2021**

| | Notes | Unrestricted General Fund £000 | Unrestricted Designated Fund £000 | Restricted Funds £000 | Total 2021 £000 | Total 2020 £000 |
|---|---|---|---|---|---|---|
| **Income from:** | | | | | | |
| Donations and legacies | 2 | 179 | 175 | 36 | 390 | 595 |
| Charitable activities | 5 | 31,245 | - | 250 | 31,495 | 31,260 |
| Fundraising activities | 3 | 66 | - | - | 66 | 83 |
| Investments | 4 | 41 | - | - | 41 | 36 |
| **Total income** | | 31,531 | 175 | 286 | 31,992 | 31,974 |
| **Expenditure on:** | | | | | | |
| Raising funds | | | | | | |
| Investment management costs | | 30 | - | - | 30 | 19 |
| Costs of generating fundraising | | 125 | - | - | 125 | 213 |
| Charitable activities | 6 | 30,355 | 411 | 196 | 30,962 | 30,190 |
| **Total expenditure** | | 30,510 | 411 | 196 | 31,117 | 30,422 |
| Net gain on investment | | 385 | - | - | 385 | 70 |
| **Net income before transfers** | | 1,406 | ( 236 ) | 90 | 1,260 | 1,622 |
| Transfers between funds | 18 | ( 587 ) | 590 | ( 3 ) | - | - |
| **Net income before other recognised gains and losses** | | 819 | 354 | 87 | 1,260 | 1,622 |
| Actuarial gains/(losses) on defined benefit pension schemes | 22 | 2,207 | - | - | 2,207 | 515 |
| **Net movement in funds** | | 3,026 | 354 | 87 | 3,467 | 2,137 |
| **Reconciliation of funds:** | | | | | | |
| Total funds brought forward | | 8,894 | 1,374 | 274 | 10,542 | 8,405 |
| **Total funds carried forward** | | 11,920 | 1,728 | 361 | 14,009 | 10,542 |

There were no unrecognised gains or losses other than the surplus for the year.

The Percy Hedley Foundation
(A company limited by guarantee)

## Balance Sheet
As at 31 August 2021

| | Notes | £000 | 2021 £000 | £000 | 2020 £000 |
|---|---|---|---|---|---|
| **Fixed assets** | | | | | |
| Tangible assets | 12 | | 16,693 | | 16,653 |
| Investments | 13 | | 3,360 | | 2,455 |
| | | | 20,053 | | 19,108 |
| **Current assets** | | | | | |
| Debtors | 14 | 2,105 | | 1,387 | |
| Cash at bank and in hand | | 8,204 | | 8,278 | |
| | | 10,309 | | 9,665 | |
| **Creditors:** amounts falling due within one year | 15 | ( 4,228 ) | | ( 3,754 ) | |
| **Net current assets** | | | 6,081 | | 5,911 |
| **Total assets less current liabilities** | | | 26,134 | | 25,019 |
| **Creditors:** amounts falling due after more than one year | 16 | | ( 2,739 ) | | ( 2,884 ) |
| **Net assets excluding pension scheme liabilities** | | | 23,395 | | 22,135 |
| Defined benefit pension scheme liability | 22 | | ( 9,386 ) | | ( 11,593 ) |
| | | | 14,009 | | 10,542 |
| **Charity Funds** | | | | | |
| Restricted funds | 18 | | 361 | | 274 |
| Unrestricted funds | 18 | 21,306 | | 20,487 | |
| Pension reserve | | ( 9,386 ) | | ( 11,593 ) | |
| Designated funds | | 1,728 | | 1,374 | |
| Total unrestricted funds | | | 13,648 | | 10,268 |
| **Total funds** | | | 14,009 | | 10,542 |

The financial statements were approved and authorised for issue by the Trustees on 4 February 2022 and signed on their behalf by:

**Mr D Arthur**
**Chairman**

**Dr Bill Snaith**
**Vice Chair**

***Company Number: 01855026***

The notes on pages 28 to 51 form part of these financial statements.

**The Percy Hedley Foundation**
**(A company limited by guarantee)**

## Statement of Cash Flows
## As at 31 August 2021

| | Notes | 2021 £000 | 2020 £000 |
|---|---|---|---|
| **Cash flows from operating activities:** | | | |
| Net cash provided by operating activities | 20 | 1,632 | 5,688 |
| **Cash flows from investing activities:** | | | |
| Dividends and interest | | 41 | 36 |
| Purchase of tangible fixed assets | | ( 1,097 ) | ( 1,391 ) |
| Purchase of fixed asset investments | | ( 850 ) | ( 1,096 ) |
| Proceeds from sale of fixed asset investments | | 269 | 365 |
| **Net cash used in investing activities** | | ( 1,637 ) | ( 2,086 ) |
| **Cash flows from financing activities:** | | | |
| Repayments of borrowings | | ( 101 ) | ( 77 ) |
| Loan interest | | ( 27 ) | ( 54 ) |
| **Net cash provided by financing activities** | | ( 128 ) | ( 131 ) |
| **Change in cash and cash equivalents in the year** | | ( 133 ) | 3,471 |
| Cash and cash equivalents brought forward | | 8,452 | 4,981 |
| **Cash and cash equivalents carried forward** | | 8,319 | 8,452 |
| **Cash and cash equivalents consist of:** | | | |
| Cash at bank and in hand | | | |
| - Current account | | - | - |
| - Deposit account | | 8,187 | 8,269 |
| - Funds held with investment managers | | 115 | 174 |
| - Petty cash | | 17 | 9 |
| | | 8,319 | 8,452 |

## 1. Accounting Policies

### 1.1 Basis of preparation

The financial statements have been prepared in accordance with 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) issued in October 2019, the Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland (FRS 102), the Charities Act 2011, the Companies Act 2006 and UK Generally Accepted Accounting Practice.

The Percy Hedley Foundation meets the definition of a public benefit under FRS 102. The financial statements are prepared under the historical cost convention or transaction value unless otherwise stated in the relevant accounting policy note(s). The financial statements are prepared in Sterling which is the functional currency of the charity and rounded to the nearest £000.

The significant accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented unless otherwise stated.

### 1.2 Company status

The company is a company limited by guarantee and incorporated in England and Wales. The members of the company are the Trustees named on page 1. In the event of the company being wound up, the liability in respect of the guarantee is limited to £1 per member of the company. The charitable company's registered office is at Hampeth Lodge, Station Road, Newcastle upon Tyne, NE12 8YY.

### 1.3 Going concern

After making appropriate enquiries, including evaluating any impact with the continued and ongoing effects of COVID-19 and reviewing forecasts into 2023, the Trustees have a reasonable expectation that the charitable company has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

### 1.4 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 cost 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.

### 1.5 Income

All income is recognised once the 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.

For legacies, entitlement is the earlier of the charity being notified of an impending distribution or the legacy being received. At this point income is recognised. On occasion legacies will be notified to the charity however it is not possible to measure the amount expected to be distributed. On these occasions, the legacy is treated as a contingent asset and disclosed.

Gifts in kind donated for distribution are included at valuation and recognised as income when they are distributed to the projects. Gifts donated for resale are included as income when they are sold. Donated facilities are included at the value to the company where this can be quantified and a third party is bearing the cost. No amounts are included in the financial statements for services donated by volunteers.

Income tax recoverable in relation to donations received under Gift Aid or deeds of covenant is recognised at the time of the donation.

The charitable company received government grants in respect of the Job Retention Scheme. Income from government and other grants are recognised at fair value when the charity has entitlement after any performance conditions have been met, it is probable that the income will be received and the amount can be measured reliably. If entitlement is not met then these amounts are deferred.

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

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

### 1.6 Expenditure

Expenditure is recognised once there is a legal or constructive obligation to transfer economic benefit to a third party, it is probable that a transfer of economic benefits will be required in settlement and the amount of the obligation can be measured reliably. Expenditure is classified by activity. The costs of each activity are made up of the total of direct costs and shared costs, including support costs involved in undertaking each activity. Direct costs attributable to a single activity are allocated directly to that activity. Shared costs which contribute to more than one activity and support costs which are not attributable to a single activity are apportioned between those activities on a basis consistent with the use of resources. Central staff costs are allocated on the basis of time spent, and depreciation charges allocated on the portion of the asset's use.

Expenditure is categorised under the following headings;

- Expenditure on raising funds includes costs incurred to seek voluntary contributions in the form of donations, grants and fundraising events; and
- Charitable activities are costs incurred on the charitable company's charitable operations, including support costs and costs relating to the governance of the company apportioned to charitable activities.

Support costs are those costs incurred directly in support of expenditure on the objects of the company.

### 1.7 Tangible fixed assets and depreciation

All fixed assets are initially recorded at cost.

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, over their expected useful lives on the following basis:

| | |
|---|---|
| Freehold property | 40-100 years |
| Leasehold property | 100 years or length of lease if less |
| Motor vehicles | 3 years |
| Fixtures and fittings | 3 years |
| Therapy, office and computer equipment | 3 years |
| Refurbishments | 10-15 years |

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

### 1.8 Investments

Investments are initially recognised at their transaction value excluding transaction cost. Subsequently they are measured at fair value through the statement of financial activities if the shares are publicly traded or their fair value can be measured reliably.

### 1.9 Debtors

Trade and other debtors are recognised at the settlement amount. Prepayments are valued at the amount prepaid.

### 1.10 Current asset investments

Current asset investments are non-current account bank and building society deposits.

### 1.11 Cash at bank and in hand

Cast 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.

### 1.12 Liabilities and provisions

Liabilities are recognised when there is an obligation at the balance sheet date as a result of a past event, it is probable that a transfer of economic benefit will be required in settlement, and the amount of the settlement can be estimated reliably. Liabilities are recognised at the amount that the company anticipates it will pay to settle the debt or the amount it has received as advanced payments for the goods or services it must provide. Provisions are measured at the best estimate of the amounts required to settle the obligation. Where the effect of the time value of money is material, the provision is based on the present value of those amounts, discounted at the pre-tax discount rate that reflects the risks specific to the liability. The unwinding of the discount is recognised within interest payable and similar charges.

### 1.13 Financial instruments

The company only has financial assets and financial liabilities of a kind that qualify as basic financial instruments. Basic financial instruments are initially recognised at transaction value and subsequently measured at their settlement value with the exception of bank loans which are subsequently measured at amortised cost using the effective interest method.

### 1.14 Taxation

The company is considered to pass the tests set out in Paragraph 1 Schedule 6 of the Finance Act 2010 and therefore it meets the definition of a charitable company for UK corporation tax purposes. Accordingly, the company is potentially exempt from taxation in respect of income or capital gains received within categories covered by Chapter 3 Part 11 of the Corporation Tax Act 2010 or Section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied exclusively to charitable purposes.

### 1.15 Operating leases

Rentals under operating leases are charged to the Statement of Financial Activities incorporating income and expenditure account on a straight line basis over the lease term.

### 1.16 Pensions

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

Other retirement benefits to employees of the Charity are provided by the Teacher's Pension Scheme (TPS), the Local Government Pension Scheme (LGPS) and the Percy Hedley Pension Scheme (PHPS). These are defined benefit schemes, which are funded, with the assets being held separately from the charity. The PHP Scheme is closed to new members, being replaced with a defined contribution scheme.

Contributions to the TPS are charged to the income and expenditure account as the amount paid or payable in the year.

The contributions to all three schemes are determined by qualified actuaries on the basis of triennial valuations using the projected unit method for the LGPS and PHPS and quinquennial valuations using a prospective benefit method for the TPS.

The assets of the PHPS are measured using fair value. PHPS liabilities are measured using the projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability. The increase in present value of the liabilities of the scheme expected to arise from employee service in the period is charged to the operating surplus.

**1.16 Pensions** ***(Continued)***

The expected return on the scheme's assets and the increase during the period in the present value of the scheme's liabilities, arising from the passage of time, are included in pension finance costs. Actuarial gains and losses are recognised within the Statement of Financial Activities.

The LGPS is a multi-employer pension scheme. The charity is part of a group of bodies admitted to the pension scheme whose assets and liabilities are pooled, consequently the charity is unable to identify its share of the underlying assets and liabilities of the scheme. Accordingly, the charity has taken advantage of the exemption for multi-employer schemes and has accounted for its contributions to the scheme as if it were a defined contribution scheme except to the extent that future funding of pensions deficits has been agreed, such deficits being recognised from the date of agreement as a liability.

**1.17 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 charitable 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.

The present value of the Local Government Pension Scheme defined benefit liability depends on a number of factors that are determined on an actuarial basis using a variety of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions, which are disclosed in note 24, will impact the carrying amount of the pension liability.

Critical areas of judgement:

The amount by which fixed assets are depreciated annually is material to the financial statements and consequently, the estimate of the useful lives of fixed assets and their residual value is considered to be a critical area of judgement. There has been no change in these estimates this year.

**2. Donations and legacies**

| | Unrestricted funds £000 | Restricted funds £000 | Total 2021 £000 | Total 2020 £000 |
|---|---|---|---|---|
| Grants and donations | 155 | 36 | 191 | 286 |
| Government grants | 72 | - | 72 | 309 |
| Legacies | 127 | - | 127 | - |
| | 354 | 36 | 390 | 595 |

The government grant relates to the claims made to the Job Retention Scheme.

## 3. Fundraising activities

| | Unrestricted funds £000 | Restricted funds £000 | Total 2021 £000 | Total 2020 £000 |
|---|---|---|---|---|
| Fundraising events | 66 | - | 66 | 83 |

## 4. Investment income

| | Unrestricted funds £000 | Restricted funds £000 | Total 2021 £000 | Total 2020 £000 |
|---|---|---|---|---|
| Dividends | 41 | - | 41 | 36 |
| | 41 | | 41 | 36 |

## 5. Income from charitable activities

| | Unrestricted funds £000 | Restricted funds £000 | Total 2021 £000 | Total 2020 £000 |
|---|---|---|---|---|
| Education and Adult day services | 21,659 | 250 | 21,909 | 21,734 |
| Adult residential | 7,355 | - | 7,355 | 5,354 |
| Children's residential | 2,231 | - | 2,231 | 4,172 |
| | 31,245 | 250 | 31,495 | 31,260 |

## 6. Analysis of expenditure by activities

| | Activities undertaken directly £000 | Support costs £000 | Total 2021 £000 | Total 2020 £000 |
|---|---|---|---|---|
| Education and Adult day services | 18,744 | 1,969 | 20,713 | 20,252 |
| Adult residential | 6,476 | 573 | 7,049 | 5,461 |
| Children's residential | 2,796 | 404 | 3,200 | 4,477 |
| | 28,016 | 2,946 | 30,962 | 30,190 |

## 7. Support costs

| | Education Adult day services £000 | Adult Residential £000 | Children's Residential £000 | Total 2021 £000 | Total 2020 £000 |
|---|---|---|---|---|---|
| Staff costs | 1,609 | 468 | 330 | 2,407 | 1,901 |
| Professional costs | 47 | 14 | 10 | 71 | - |
| Other direct costs | 152 | 44 | 31 | 227 | 83 |
| Facilities cost | 17 | 5 | 3 | 25 | 22 |
| IT costs | 78 | 23 | 16 | 117 | 113 |
| Maintenance costs | - | - | - | - | 8 |
| Depreciation | 66 | 19 | 14 | 99 | 98 |
| Interest | - | - | - | - | - |
| | 1,969 | 573 | 404 | 2,946 | 2,225 |

## 8. Governance costs

Included within support costs above are governance costs as follows:

| | 2021 £000 | 2020 £000 |
|---|---|---|
| Audit fees | 17 | 14 |
| Legal fees | 37 | 23 |
| | 54 | 37 |

## 9. Net income before transfers

This is stated after charging:

| | 2021 £000 | 2020 £000 |
|---|---|---|
| Depreciation of tangible fixed assets: | | |
| - owned by the charity | 1,204 | 1,059 |
| Interest payable | 27 | 54 |

## 10. Auditors remuneration

| | 2021 £000 | 2020 £000 |
|---|---|---|
| Fees payable to the company's auditor and its associates for the audit of the company's annual accounts | | |
| Audit of the charitable company | 17 | 12 |
| Audit of the pension scheme | 3 | 3 |
| Other | 1 | 1 |

## 11. Analysis of staff costs, trustee remuneration and expenses, and the cost of key management personnel

| | 2021 £000 | 2020 £000 |
|---|---|---|
| Wages and salaries | 21,255 | 21,363 |
| Social security costs | 1,535 | 1,454 |
| Other pension costs | 1,980 | 2,232 |
| | 24,770 | 25,049 |

Total redundancy announced pre 31 August 2021 and termination payments made to staff in the year amounted to £235,959 (2020 - £79,000).

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

| | 2021 No. | 2020 No. |
|---|---|---|
| Operational staff | 940 | 1,023 |
| Admin and support | 117 | 112 |
| Management | 4 | 3 |
| | 1,061 | 1,138 |

Average headcount expressed as a full time equivalent:

| | 2021 No. | 2020 No. |
|---|---|---|
| Full time equivalent – all employees | 1,000 | 989 |

The number of higher paid employees were:

| | 2021 No. | 2020 No. |
|---|---|---|
| In the band £60,001 - £70,000 | 1 | 2 |
| In the band £70,001 - £80,000 | 3 | 1 |
| In the band £80,001 - £90,000 | 1 | 1 |
| In the band £90,001 - £100,000 | - | 1 |
| In the band £100,001 - £110,000 | - | - |
| In the band £110,001 - £120,000 | - | - |
| In the band £120,001 - £130,000 | - | 1 |
| In the band £210,001 - £220,000 | 1 | - |

Total remuneration received by 9 key management personnel in the year (2020 – 8 members), including employers national insurance contributions amounted to £927,067 (2020 - £729,337).

The charity trustees were not paid and did not receive any other benefits from employment in the year (2020 – none) neither were they reimbursed expenses during the period (2020 – none). No charity trustee received payment for professional or other services supplied to the charity (2020 – none).

## 12. Tangible fixed assets

| | Freehold property £000 | Long term leasehold property £000 | Motor vehicles £000 | Fixtures & fittings £000 | Equipment £000 | Total £000 |
|---|---|---|---|---|---|---|
| **Cost** | | | | | | |
| At 1 September 2020 | 9,492 | 12,706 | 306 | 1,173 | 1,981 | 25,658 |
| Additions | 519 | - | 99 | 223 | 404 | 1,245 |
| Disposals | - | - | ( 7 ) | - | ( 347 ) | ( 354 ) |
| At 31 August 2021 | 10,011 | 12,706 | 398 | 1,396 | 2,038 | 26,549 |
| **Depreciation** | | | | | | |
| At 1 September 2020 | 4,039 | 2,129 | 272 | 876 | 1,689 | 9,006 |
| Charge for year | 640 | 154 | 35 | 186 | 190 | 1,204 |
| On disposal | - | - | ( 6 ) | - | ( 347 ) | ( 354 ) |
| At 31 August 2021 | 4,679 | 2,283 | 301 | 1,062 | 1,532 | 9,856 |
| **Net book value** | | | | | | |
| At 31 August 2021 | 5,332 | 10,423 | 97 | 334 | 506 | 16,693 |
| At 31 August 2020 | 5,453 | 10,577 | 34 | 297 | 292 | 16,653 |

## 13. Fixed assets investments

| | 2021 £ | 2020 £ |
|---|---|---|
| Listed investments | 3,245 | 2,281 |
| Cash held with investment managers | 115 | 174 |
| | 3,360 | 2,455 |

| | £ |
|---|---|
| Market value at 1 September 2020 | 2,281 |
| Additions to investments at cost | 849 |
| Disposals at carrying value | ( 270 ) |
| Revaluation of investments to market value | 385 |
| Market value at 31 August 2021 | 3,245 |
| Historical cost | 2,875 |

Equity investments that are traded on a quoted market are held at fair value determined by reference to the quoted price for identical assets in an active market at the balance sheet date.

## 14. Debtors

| | 2021 | 2020 |
|---|---|---|
| | £000 | £000 |
| Trade debtors | 4,383 | 2,908 |
| Bad debt provision | ( 2,774 ) | ( 2,087 ) |
| Other debtors | 6 | 15 |
| Prepayments and accrued income | 492 | 551 |
| | 2,107 | 1,387 |

## 15. Creditors: amounts falling due within one year

| | 2021 | 2020 |
|---|---|---|
| | £000 | £000 |
| Bank loans | 220 | 203 |
| Trade creditors | 793 | 670 |
| Other taxation and social security | 567 | 352 |
| LGPS pension scheme deficit | 44 | 44 |
| Other creditors | 41 | 224 |
| Accruals and deferred income | 2,563 | 2,261 |
| | 4,228 | 3,754 |

### Deferred income

Deferred income comprises fee income relating to future periods:

| | £000 |
|---|---|
| Balance at 1 September 2020 | 585 |
| Amounts released to income earned from charitable activities | ( 585 ) |
| Amounts deferred in the year | 764 |
| Balance at 31 August 2021 | 764 |

## 16. Creditors: amounts falling due after more than one year

| | 2021 | 2020 |
|---|---|---|
| | £000 | £000 |
| Bank loans | 1,983 | 2,102 |
| LGPS pension scheme deficit | 755 | 782 |
| | 2,738 | 2,884 |

Creditors include amounts not wholly repayable within 5 years as follows:

| | 2021 | 2020 |
|---|---|---|
| | £000 | £000 |
| LGPS pension scheme deficit | 755 | 782 |

The pension scheme deficit is the agreed deficit contribution to be made by the charitable company to the Local Government Pension Scheme following the last valuation of that Scheme.

Bank loans due after one year are repayable as follows:

| | 2021 | 2020 |
|---|---|---|
| | £000 | £000 |
| Between one and two years | 220 | 203 |
| Between two and five years | 1,983 | 2,102 |

The Foundation has a single mortgage with Barclays Bank plc which is secured on the charity's freehold and leasehold assets. The term remaining on the loan is 11 months with interest charged at 1.5% over base rates. The ratio of the loan to the value of assets secured is 21%.

## 17. Financial instruments

| | 2021 | 2020 |
|---|---|---|
| | £000 | £000 |
| Measured at fair value through net income | 3,360 | 2,455 |
| Financial assets measured at amortised cost | 9,820 | 9,114 |
| Financial liabilities measures at amortised cost | ( 4,805 ) | ( 5,122 ) |

Financial assets measured at amortised cost comprise cash at bank and cash deposits, trade debtors and other debtors.

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

## 18. Statement of Funds

*For the year ended 31 August 2021*

| | Balance At 1 September 2020 £000 | Income £000 | Expenditure £000 | Transfers in/out £000 | Gains/ (losses) £000 | Balance At 31 August 2021 £000 |
|---|---|---|---|---|---|---|
| **Unrestricted funds** | | | | | | |
| General funds | 20,487 | 31,531 | ( 30,510 ) | ( 587 ) | 385 | 21,306 |
| Pension reserve | ( 11,593 ) | - | - | - | 2,207 | ( 9,386 ) |
| | 8,894 | 31,531 | ( 30,510 ) | ( 587 ) | 2,592 | 11,920 |
| **Designated funds** | | | | | | |
| Education | 78 | 125 | ( 20 ) | - | - | 183 |
| Adult Day Services | 18 | 3 | ( 9 ) | - | - | 12 |
| Adult Residential | 9 | 19 | ( 1 ) | ( 10 ) | - | 17 |
| Children's Residential | 8 | 1 | - | - | - | 9 |
| Central Services | 11 | 27 | - | - | - | 38 |
| Maintenance fund | 500 | - | ( 13 ) | - | - | 487 |
| Strategic Development fund | 500 | - | ( 118 ) | - | - | 382 |
| Recovery Plan PHS fund | 250 | - | ( 250 ) | - | - | - |
| Improvement projects | - | - | - | 300 | - | 300 |
| Estate development | - | - | - | 300 | - | 300 |
| | 1,374 | 175 | ( 411 ) | 590 | - | 1,728 |
| ***Total unrestricted funds*** | 10,268 | 31,706 | ( 30,921 ) | 3 | 2,592 | 13,648 |
| **Restricted funds** | | | | | | |
| Education | 266 | 286 | ( 196 ) | ( 3 ) | - | 353 |
| Adult Day Services | 8 | - | - | - | - | 8 |
| | 274 | 286 | ( 196 ) | ( 3 ) | - | 361 |
| **Total of funds** | 10,542 | 31,992 | ( 31,117 ) | - | 2,592 | 14,009 |

## 18. Statement of Funds *(Continued)*

| | Balance At 1 September 2019 £000 | Income £000 | Expenditure £000 | Transfers in/out £000 | Gains/ (losses) £000 | Balance At 31 August 2020 £000 |
|---|---|---|---|---|---|---|
| **Unrestricted funds** | | | | | | |
| General funds | 19,621 | 31,667 | ( 30,266 ) | ( 605 ) | 70 | 20,487 |
| Pension reserve | ( 12,108 ) | - | - | - | 515 | ( 11,593 ) |
| | 7,513 | 31,667 | ( 30,266 ) | ( 605 ) | 585 | 8,894 |
| **Designated funds** | | | | | | |
| Education | 61 | 31 | ( 10 ) | ( 4 ) | - | 78 |
| Adult Day Services | 16 | 17 | ( 15 ) | - | - | 18 |
| Adult Residential | 9 | 2 | ( 2 ) | - | - | 9 |
| Children's Residential | 4 | 10 | ( 6 ) | - | - | 8 |
| Central Services | - | 11 | - | - | - | 11 |
| Maintenance fund | 300 | - | - | 200 | - | 500 |
| Strategic Development fund | 300 | - | - | 200 | - | 500 |
| Recovery Plan PHS fund | - | - | - | 250 | - | 250 |
| | 690 | 71 | ( 33 ) | 646 | - | 1,374 |
| ***Total unrestricted funds*** | 8,203 | 31,738 | ( 30,299 ) | 41 | 585 | 10,268 |
| **Restricted funds** | | | | | | |
| Education | 191 | 207 | ( 123 ) | ( 9 ) | - | 266 |
| Adult Day Services | 11 | 29 | - | ( 32 ) | - | 8 |
| | 202 | 236 | ( 123 ) | ( 41 ) | - | 274 |
| **Total of funds** | 8,405 | 31,974 | ( 30,422 ) | - | 585 | 10,542 |

## 18. Statement of Funds *(Continued)*

### Designated funds

Designated funds in the main are small donations and income from some fundraising events, which are led by users, families, friends and staff of that particular service. These are set aside as a designated fund for use within that service. In addition there have also been larger values recognised in the year including a £95k legacy received by Northern Counties School These funds are used each year to provide 'added extras' to enrich provision and might include pieces of equipment and day or residential trips for those that use the service. A fund for general use for equipment purchases across the Foundation stands at 38k.

The maintenance fund carried forwards from 2019/20 and relates to amounts set aside to cover a two-year programme of maintenance and minor improvements to the charity's buildings. Due to ongoing restrictions during COVID-19 lockdown the programme was delayed with minimal spend in the year. The balance of the fund is expected to be spent in 2021/22

The strategic development fund relates to amounts set aside to develop new services and to invest in technologies to support the beneficiaries and those staff who support them. This is a total of £500k carried forward from 2019/20, £118k was spent in the year on projects such as the stabilisation of residential service and the IT Development programme..

The recovery plan PHS fund relates to amounts set aside for additional contributions toward the liability of pension scheme and was fully spent in the year.

In addition, from the 2020/21 accounts, a further £600k has been set aside to ensure that the projects can move forwards as planned and with additional investment in the coming year.

### Restricted funds

*Education*

Percy Hedley School, Northern Counties School and Percy Hedley College receive income from the Education Funding Authority towards the education of our children and young people, including grants that are set aside specifically for new sports equipment, building maintenance improvements and for general use within the schools and college.

The Transfers represent funds received for capital projects which have been transferred to unrestricted funds once the projects have purchased the assets the fund was intended for.

## 19. Analysis of net assets between funds

*For the year ended 31 August 2021*

| | Unrestricted funds £000 | Restricted funds £000 | Total funds £000 |
|---|---|---|---|
| Tangible fixed assets | 16,693 | - | 16,693 |
| Fixed asset investments | 3,360 | - | 3,360 |
| Current assets | 9,948 | 361 | 10,309 |
| Creditors due within one year | ( 4,228 ) | - | ( 4,228 ) |
| Creditors due in more than one year | ( 2,739 ) | - | ( 2,739 ) |
| Provisions for liabilities and charges | ( 9,386 ) | - | ( 9,386 ) |
| | 13,648 | 361 | 14,009 |

*For the year ended 31 August 2020*

| | Unrestricted funds £000 | Restricted funds £000 | Total funds £000 |
|---|---|---|---|
| Tangible fixed assets | 16,653 | - | 16,653 |
| Fixed asset investments | 2,455 | - | 2,455 |
| Current assets | 9,391 | 274 | 9,665 |
| Creditors due within one year | ( 3,754 ) | - | ( 3,754 ) |
| Creditors due in more than one year | ( 2,884 ) | - | ( 2,884 ) |
| Provisions for liabilities and charges | ( 11,593 ) | - | ( 11,593 ) |
| | 10,268 | 274 | 10,542 |

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

| | 2021 £000 | 2020 £000 |
|---|---|---|
| Net income/(deficit) for the year (as per Statement of Financial Activities) | 3,467 | 2,137 |
| Adjustment for: | | |
| Depreciation charges | 1,058 | 1,059 |
| Interest payable | 27 | 54 |
| Interest from investments | ( 41 ) | ( 36 ) |
| Pension provision adjustment | ( 2,207 ) | ( 515 ) |
| Unrealised gain | ( 385 ) | ( 75 ) |
| (Increase)/decrease in debtors | ( 721 ) | 2,196 |
| Increase/(decrease) in creditors | 434 | 868 |
| Net cash provided by operating activities | 1,632 | 5,688 |

## 21. Analysis of changes in net debt

| | At 1 Sep 2020 £000 | Cash flows £000 | At 31 Aug 2021 £000 |
|---|---|---|---|
| Long term borrowings | ( 2,102 ) | 118 | ( 1,984 ) |
| Short term borrowings | ( 203 ) | ( 17 ) | ( 220 ) |
| Total liabilities | ( 2,305 ) | 101 | ( 2,204 ) |
| Cash and cash equivalents | 8,452 | ( 133 ) | 8,319 |
| | 6,147 | ( 32 ) | 6,115 |

## 22. Pension commitments

The charity's employees belong to three defined benefit pension schemes and two defined contribution scheme; AEGON and Peoples Pension.

The three defined benefit pension schemes are: The Teachers' Pension Scheme England and Wales ("TPS"); the Local Government Pension Scheme ("LGPS"); and the Percy Hedley Pension Scheme ("PHPS"). The PHPS was closed to new members in 2012.

### Defined contribution scheme

With respect to the defined contributions pension scheme, the assets of the scheme are held separately from those of the company in an independently administered fund. The pension cost charge represents contributions payable by the company to the fund and amounted to £377,000 (2020 - £373,000). Contributions totalling £99,000 (2020 - £68,000) were payable to the fund at the balance sheet date and are included in creditors.

### Teachers' Pension Scheme

### Introduction

The Teachers' Pension Scheme (TPS) is a statutory, contributory, defined benefit scheme, governed by the Teachers' Pensions Regulations (2010) and, by the Teachers' Pension Scheme Regulations 2014. These regulations apply to teachers in schools and other educational establishments, including academies, in England and Wales that are maintained by local authorities. In addition, teachers in many independent and voluntary-aided schools and teachers and lecturers in some establishments of further and higher education may be eligible for membership. Membership is automatic for full-time teachers and lecturers and, from 1 January 2007, automatic too for teachers and lecturers in part-time employment following appointment or a change of contract. Teachers and lecturers are able to opt out of the TPS.

### The Teachers' Pension Budgeting and Valuation Account

Although members may be employed by various bodies, their retirement and other pension benefits are set out in regulations made under the Superannuation Act (1972) and Public Service Pensions Act (2013) and are paid by public funds provided by Parliament. The TPS is an unfunded scheme and members contribute on a 'pay as you go 'basis – contributions from members, along with those made by employers, are credited to the Exchequer under arrangements governed by the above Acts.

The Teachers' Pensions Regulations 2010 require an annual account, the Teachers' Pension Budgeting and Valuation Account, to be kept of receipts and expenditure (including the cost of pension increases). From 1 April 2001, the Account has been credited with a real rate of return, which is equivalent to assuming that the balance in the Account is invested in notional investments that produce that real rate of return.

## 22. Pension commitments *(Continued)*

### Valuation of the Teachers' Pension Scheme

As a result of the latest scheme valuation employer contributions were increased in September 2019 from a rate of 16.4% to 23.6%. Employers also pay a charge equivalent to 0.08% of pensionable salary costs to cover administration expenses.

The next valuation is expected to take effect in 2023.

A copy of the latest valuation report can be found by following this link to the Teachers' Pension Scheme website.

### Scheme Changes

In December 2018, the Court of Appeal held that transitional protection provisions contained in the reformed judicial and firefighter pension schemes, introduced as part of public service pension reforms in 2015, gave rise to direct age discrimination and were therefore unlawful. The Supreme Court, in a decision made in June 2019, rejected the Government's application for permission to appeal the Court of Appeal's ruling and subsequently referred the case to an Employment Tribunal to determine a remedy which will need to be offered to those members of the two schemes who were subject of the age discrimination.

Since then, claims have also been lodged against the main public service schemes including the TPS. The Department has conceded those in line with the rest of the government. In July 2020 HM Treasury launched a 12-week public consultation which will provide evidence to support the delivery of an appropriate remedy for the affected schemes, including TPS.

A final remedy will be determined once the results of the consultation are established.

In December 2019, a further legal challenge was made against the TPS relating to an identified equalities issue whereby male survivors of opposite-sex marriages and civil partnerships are treated less favourably than survivors in same-sex marriages and civil partnerships. The Secretary of State for Education agreed not to defend the case. In June 2020, the Employment Tribunal recorded its findings in respect of the claimant. DfE is currently working to establish what changes are necessary to address this discrimination.

Any impact of these events will be taken into account when the next scheme valuation is implemented. This is scheduled to be implemented in April 2023, based on April 2020 data.

The employer's pension costs paid to TPS in the period amounted to £492,000 (2020 - £469,000).

## 22. Pension commitments *(Continued)*

### Local Government Superannuation Scheme

The LGPS is a funded defined benefit pension scheme, with the assets held in separate trustee administered funds. The total contribution made for the year ended 31 August 2021 was £145,000 (2020 - £147,000), of which employer's contributions totalled £123,000 (2020 - £123,000) and employees' contributions totalled £22,000 (2020 - £24,000). The agreed contribution rates for future years are 33.6% for employers and between 5.5% and 6.8% for employees.

The total contribution included an additional payment of £43,000 (2020 - £46,000) in respect of past service deficit.

The pensions cost is assessed every three years in accordance with the advice of a qualified independent actuary. The assumptions and other data that have the most significant effect on the determination of the contribution levels are as follows:

- Latest actuarial valuation: 31 March 2019
- Investment returns per annum: 4.3% per annum
- Pension increases per annum: 2.1% per annum
- Salary scale increases per annum: 3.6% per annum
- Fair value of assets at date of last valuation: £5.731 million
- Present value of liabilities at date of the valuation: £6.417 million
- Deficit funding period for Percy Hedley: 17 years
- Future contribution rate 1 April 2018 to 31 March 2020 for Percy Hedley: 34.8%
- Life expectancy at age 65: men – 21.8 years, women – 24.9 years
- Life expectancy at age 65 for members currently aged 45: men – 23.4 years, women – 26.7 years

Under the definitions set out in Financial Reporting Standard 17 (Retirement Benefits), the LGPS is a multi-employer pension scheme. The charity is unable to identify its share of the underlying assets and liabilities of the scheme.

Accordingly, the charity has taken advantage of the exemption in FRS 102 and has accounted for its contributions to the scheme as if it were a defined contribution scheme except to the extent that the charity has agreed to provide future deficit funding, which is recorded as a liability. The charity has set out above the information available on the deficit in the scheme and the implications for the charity in terms of anticipated contribution rates.

## 22. Pension commitments *(Continued)*

### Percy Hedley Pension Scheme

The group operates a defined benefit scheme in the UK. A full actuarial valuation of the Percy Hedley Pension Scheme was carried out as at 31 March 2019 and the results of this valuation have been updated to 31 August 2021 by a qualified independent actuary. As required by FRS 102 the defined benefit liabilities have been measured using the projected unit method. The scheme is closed to new entrants and further benefit accrual.

The disclosures below are provided in respect of Percy Hedley Pension Scheme ("the Scheme").

The total cost recognised in the period was as follows:

| | 2021 | 2020 |
|---|---|---|
| | £'000 | £'000 |
| Current service cost | ( 300 ) | ( 345 ) |
| Past service cost | - | - |
| Net interest | ( 204 ) | ( 235 ) |
| Total cost recognised | ( 504 ) | ( 580 ) |

**The amounts recognised in the balance sheet are as follows:**

| | 2021 | 2020 |
|---|---|---|
| | £'000 | £'000 |
| Fair value of scheme liabilities | ( 38,116 ) | ( 34,849 ) |
| Fair value of scheme assets | 28,730 | 23,256 |
| Deficit in the scheme | ( 9,386 ) | ( 11,593 ) |

## 22. Pension commitments *(Continued)*

### Change in the present value of the defined benefit obligation

| | 2021 | 2020 |
|---|---|---|
| | £'000 | £'000 |
| Opening defined benefit obligation | 34,849 | 33,569 |
| Current service cost | 300 | 345 |
| Past service cost | - | - |
| Interest cost | 623 | 669 |
| Contributions to scheme participants | 82 | 117 |
| Actuarial (gain)/loss arising on the scheme liabilities | 3,070 | 870 |
| Benefits paid | ( 808 ) | ( 721 ) |
| Liabilities in scheme at end of the year | 38,116 | 34,849 |

### Change in the fair value of scheme assets

| | 2021 | 2020 |
|---|---|---|
| | £'000 | £'000 |
| Opening fair value of scheme assets | 23,256 | 21,461 |
| Interest income | 419 | 434 |
| Actual return assets | 4,989 | 859 |
| Contributions by employer | 792 | 1,106 |
| Contributions to scheme participants | 82 | 117 |
| Benefits paid | ( 808 ) | ( 721 ) |
| Total market value of assets | 28,730 | 23,256 |

### Major categories of scheme assets as a percentage of total assets

| | 2021 | 2020 |
|---|---|---|
| | % | % |
| Equities | 99.1 | 96.9 |
| Other (incl cash and net current assets) | 0.9 | 3.1 |

None of the scheme's assets are invested in property or other assets used by the employer.

### The return on plan assets was as follows:

| | 2021 | 2020 |
|---|---|---|
| | £'000 | £'000 |
| Interest income | 419 | 434 |
| Actual return assets | 4,989 | 859 |
| Total return on plan assets | 5,408 | 1,293 |

## 22. Pension commitments *(Continued)*

### Principal actuarial assumptions at the balance sheet date

| | As at 31 August 2021 | As at 31 August 2020 |
|---|---|---|
| | % | % |
| Discount rate | 1.75 | 1.80 |
| Salary increases | 0.00 | 0.00 |
| Inflation assumption (RPI) | 4.00 | 3.35 |
| Inflation assumption (CPI) | 3.00 | 2.35 |

The mortality assumptions used for longevity (in years) on retirement at age 65 are:

| | As at 31 August 2021 | As at 31 August 2020 |
|---|---|---|
| | years | years |
| Retiring at the balance sheet date | | |
| – males | 21.8 | 21.5 |
| – females | 24.2 | 23.5 |
| Retiring in 20 years | | |
| – males | 23.1 | 22.8 |
| – females | 25.7 | 24.9 |

## 23. Operating lease commitments

At 31 August 2021 the total of the Charity's future minimum lease payments under non-cancellable operating leases was:

| | 2021 | 2020 |
|---|---|---|
| | £000 | £000 |
| Amounts payable: | | |
| Within 1 year | 41 | 37 |
| Between 1 and 5 years | 138 | 92 |
| After more than 5 years | 390 | 409 |
| Total | 569 | 538 |

## 24. Related party transactions

During the year the Foundation received services from the following companies for whom one of our Trustees is also a director;

- £nil (2020 - £2,997) of services from ITPS Communications Ltd. There were no amounts outstanding at the year end.
- £6,561 of services from ARCOL (2020 - £nil). An amounts of £455 (2020 - £nil) was due to the company at the year end.

## Statement of Financial Activities Incorporating Income and expenditure account
## For the year ended 31 August 2021

### 26. Comparative Statement of Financial Activities

| | Notes | Unrestricted General Fund £000 | Unrestricted Designated Fund £000 | Restricted Funds £000 | Total 2020 £000 | Total 2019 £000 |
|---|---|---|---|---|---|---|
| **Income from:** | | | | | | |
| Donations and legacies | 2 | 455 | 71 | 69 | 595 | 255 |
| Charitable activities | 5 | 31,093 | - | 167 | 31,260 | 29,507 |
| Fundraising activities | 3 | 83 | - | - | 83 | 178 |
| Investments | 4 | 36 | - | - | 36 | 65 |
| **Total income** | | 31,667 | 71 | 236 | 31,974 | 30,005 |
| **Expenditure on:** | | | | | | |
| Raising funds | | | | | | |
| Investment management costs | | 19 | - | - | 19 | 11 |
| Costs of generating fundraising | | 213 | - | - | 213 | 184 |
| Charitable activities | 6 | 30,034 | 33 | 123 | 30,190 | 28,576 |
| **Total expenditure** | | 30,266 | 33 | 123 | 30,422 | 28,771 |
| Net gain on investment | | 70 | - | - | 70 | 53 |
| **Net income before transfers** | | 1,471 | 38 | 113 | 1,622 | 1,287 |
| Transfers between funds | 18 | ( 605 ) | 646 | ( 41 ) | - | - |
| **Net income before other recognised gains and losses** | | 866 | 684 | 72 | 1,622 | 1,287 |
| Actuarial gains/(losses) on defined benefit pension schemes | 22 | 515 | - | - | 515 | ( 3,915 ) |
| **Net movement in funds** | | 1,381 | 684 | 72 | 2,137 | ( 2,628 ) |
| **Reconciliation of funds:** | | | | | | |
| Total funds brought forward | | 7,513 | 690 | 202 | 8,405 | 11,033 |
| **Total funds carried forward** | | 8,894 | 1,374 | 274 | 10,542 | 8,405 |

**THE PERCY HEDLEY FOUNDATION**

England & Wales - Charity number 515943

# Accounts

Company Number: 01855026 (England and Wales)
Charity Number: 515943

# The Percy Hedley Foundation
(A company limited by guarantee)

## Trustees' Report and Financial Statements

For the year ended 31 August 2020

**The Percy Hedley Foundation**
**(A company limited by guarantee)**

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**The Percy Hedley Foundation**
**(A company limited by guarantee)**

**Reference and administrative details of the company, its Trustees and Advisers**
**For the year ended 31 August 2020**

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| | | |
|---|---|---|
| **Trustees:** | Mr J Jowett | |
| | Ms A Curran | |
| | Mr D Arthur | |
| | Ms S Jopling | |
| | Dr M Gibson | |
| | Mr D Kent | |
| | Ms A Russell | |
| | Ms A Woods | |
| | Dr N Spencer | (resigned 28 February 2020) |
| | Ms L Charles-Jones | |
| | Mr A Chadda | (resigned 28 February 2020) |
| | Ms S Fitzpatrick | |
| | Mr T Frazer | |
| | Ms A Moore | |
| | Mr P Foreman | (appointed 30 December 2019) |
| **Company number:** | 01855026 | |
| **Charity number:** | 515943 | |
| **Registered office:** | Hampeth Lodge, Station Road, Newcastle upon Tyne, NE12 8YY | |
| **Company secretary:** | Tara Allen | |
| **Senior management team:** | | |
| Chief Executive Officer | Carole Harder | |
| Headteacher – Percy Hedley School | Katie Murray | |
| Headteacher – Northern Counties School | Jo Allen | |
| College Principal | Joanne Rees-Proud | |
| Director of Resources | Tara Allen | |
| Director of Business Development, Quality & Performance | Alison Williams | |
| **Auditors:** | Haines Watts, 17 Queens Lane, Newcastle upon Tyne, NE1 1RN | |
| **Bankers:** | Barclays Bank Plc, 5 St Ann's Street, Newcastle upon Tyne, NE1 3DX | |
| **Solicitors:** | Womble Bond Dickinson (UK) LLP<br>St Ann's Wharf, 112 Quayside, Newcastle upon Tyne, NE1 3DX | |

## Welcome to our annual report

***Jonathan Jowett, Chair***



This has been an extraordinary year for the Foundation which has brought new challenges and opportunities as we have responded to the unprecedented circumstances brought about by the COVID-19 pandemic. As a provider of frontline services to some of the most vulnerable people in our community, most of our services have remained open throughout the pandemic, providing homes and vital support for our service users. It has also been fantastic to see how our local communities supported us throughout the lockdown with donations of Personal Protective Equipment, food, and general kindness.

Our promise is to put people at the heart of what we do, and as chair, I have been extremely proud of the commitment, resilience, and agility that staff across the organisation have shown this year through challenging circumstances. Regrettably, we fell short of the high standard we set ourselves in the circumstances leading to the closure of our Children's Residential Service at Bradbury View. We took immediate steps to address the situation, including liaising with all parties involved. We are deeply sorry for the situation and the impact this has caused our residents and their families and the Trustees commissioned an independent review to address the lessons learnt. The Trustees are committed to ensuring that the actions highlighted in that review are addressed as soon as possible.

I would like to thank the Foundation staff, service users, and our network of friends and followers for their support during what has certainly been an exceptionally difficult time for all concerned.

***Carole Harder, Chief Executive***



In March this year, like many organisations, we found that our world very suddenly became radically different. COVID-19 challenged us and people everywhere. We had to rapidly adapt, rethink priorities, be flexible and find new ways of working. Many of these changes needed to happen and will endure, having changed our organisation for the better.

This year I have been reminded by how strong we are as one Foundation and my respect for the amazing staff team we have has reached a new level. I have seen collaborative working at every level throughout the pandemic – sharing ideas, pooling resources, and supporting each other so that we could continue to deliver our essential services.

With the closure of Bradbury View children's home, we have been reminded about the reliance our residents and families have on our services and the requirement to operate at the highest standard. We apologise for the events leading up to the closure in September 2020 and for the disruption caused to the children and their parents and carers following the closure, and we are committed to address the actions highlighted in the independent review that followed.

As we now look forward to a new future with COVID-19 as part of our lives for the near future I would like to express my deepest gratitude once again to all of the team who I see making such a difference every day to people's lives and who will give us the strength and resilience to continue to deliver the services we offer.

## Objectives and activities

### Who we are

We are one of the UK's largest regional disability charities.

We promise to put people at the heart of everything we do to help meet the needs of disabled people and their families.

We provide specialist pre-school, primary, secondary and post 16 education services, as well as a specialist further education college and a wide variety of day services for adults. We also provide residential and short break respite services for children, young people and adults.

### Our vision and purpose




### Public benefit statement

The trustees have due regard to the guidance published by the Charity Commission on public benefit.

**Who we support**
We specialise in high quality, personalised care and education support to disabled people with a range of needs.

We provide specialist pre-school, secondary and post 16 education, as well as a specialist further education college and a wide variety of activities for adults. In addition, we provide residential services for all ages, transition, and employability support.

**Achievements and developments**
In March 2020, the global pandemic COVID-19 hit the UK and as a provider of essential services for some of the most vulnerable in society we had to respond quickly to an extremely fast-moving environment. COVID-19 created a challenging working environment for our staff and services and had a significant impact on the lives of our staff and service users.

In late March, a national lockdown meant that whilst our residential services remained open, we had to find new and innovative ways to deliver education services through internet and home schooling and ways to support our day services users and those students who continued to attend our schools and college.

Early challenges were delayed guidance, accessing PPE (Protective Personal Equipment), getting to grips with remote working and modern technology, as well as finding new ways to support students and service users who were at home and supporting them through confusing and unsettling times.

All our staff are hugely committed to our promise to put people at the heart of everything we do and we are so proud of the ways they have really showed this dedication. During the national Thursday "Clap for Carers," our staff were no doubt all supporting one another and colleagues in other key worker roles who were risking their lives to keep the country healthy, safe and fed.

The lockdown meant that those who could work from home did and we took the opportunity to fast-track some of the IT and systems developments that were planned in the Technology Strategy in the coming years, advancing in weeks what was planned to take months. Staff adapted very well to the changing methods of communicating and sharing information that permeated all services and agile working became the norm for some. The ability to stay connected with each other while working remotely has been vital to enable us to respond quickly to any issues.

Our teams have worked hard to interpret and implement the huge swathes of guidance that the government has published to prevent the spread of COVID-19 and during the financial year to August 2020 we had not had a COVID-19 outbreak within our service user group and had no internal transmission of the virus within our environments or from staff.

To make sure that we have been delivering our services in a 'covid secure' way, complying with government guidance, we adapted environments, trained staff on the processes around infection control specifically for coronavirus, and adjusted our procedures for visitors and support for service users. This has meant that we have had to change the ways we deliver some of our activities to reduce the risk of transmission, but we have tried to balance the need to prioritise infection prevention with maintaining quality outcomes for our students and service users using person-centred approach.

We have incurred additional costs for PPE, cleaning and other expenditure as would be expected to keep our service users and staff safe, and some of this was covered by additional contribution from local authorities for our residential packages and the ongoing financial support for education and adult day services. This allowed us to deliver continuously throughout 2019-20.

The Foundation was able to furlough a small percentage of our staff using the Government's Job Retention Scheme covering the period April through August. This was for our short break services which closed in the period, where contracts are subject to direct payments, and where costs are not covered by the core costs of the packages contracted with local authorities.

In all services we have fully utilised the staff group to work flexibly across our services where needed to respond to local requirements.

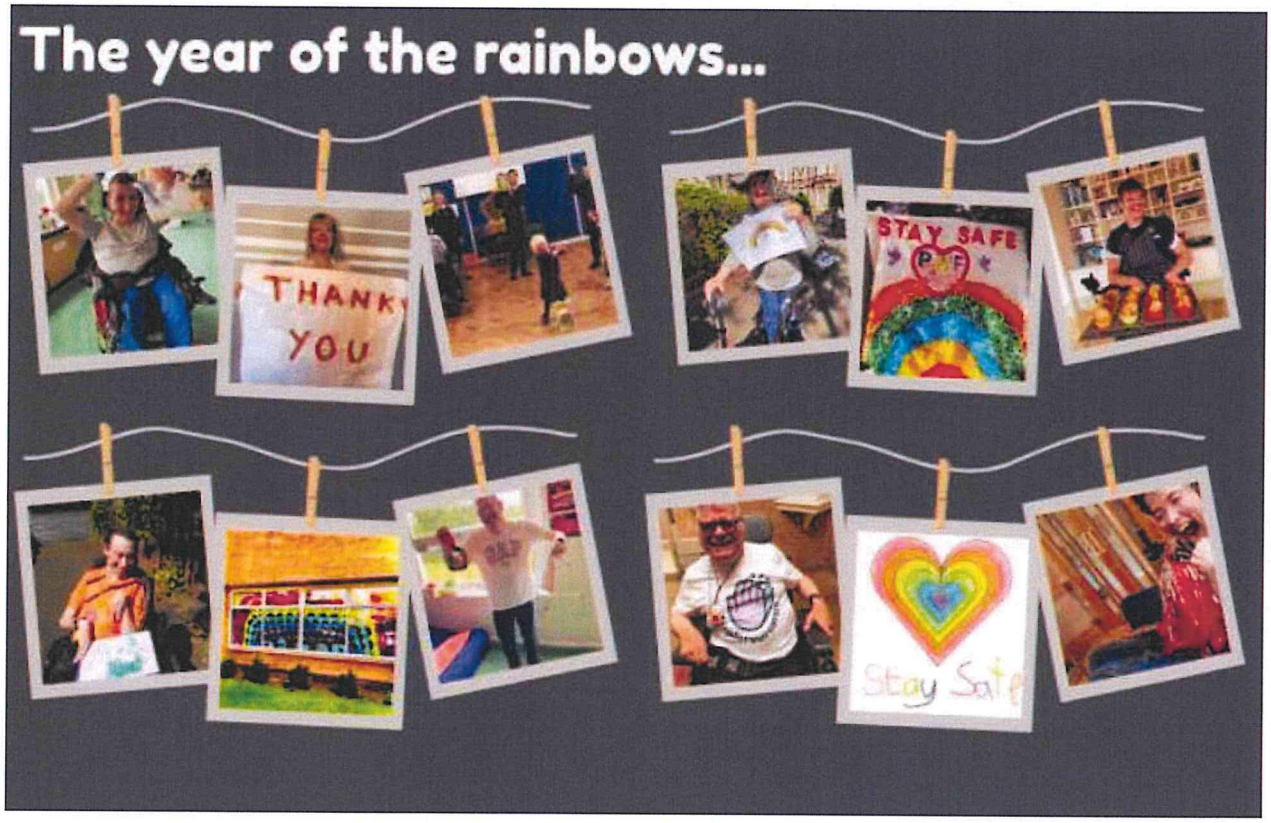
COVID-19 has had an impact on many of our plans and priorities for the year. Due to the enormous effort our teams have put into responding to the impact of the pandemic and keeping our students and service users safe, some of our plans for the year were delayed. The pandemic has also given us an unexpected opportunity to accelerate some of our plans to implement new technology.

Looking forwards, some of that uncertainty continues after national lockdown was lifted but local restrictions were put in place. At time of writing, we continue to flex the workforce as we face the challenge of increased positive cases of the virus and the impact of self-isolation and precautionary changes to services. Whilst 2019-20 has resulted in a good result in the circumstances we expect that there will be some ongoing impact within the 2020-21 financial year and budgets have been set to reflect those challenges.

Aside from COVID-19 impact and returning to events prior, during that period and facing the future, the demand for our services continues to grow. The need for our services continues to grow. In 2019 it was estimated that 8% of children in the UK are living with disabilities (up from 6% in 2012) and 354,000 children and young people have education, health and care plans or statements – legal documents that detail the additional support to which a child is entitled (an increase of 11% on 2018).

In 2019, the proportion of working age adults living with a disability was 18% (an increase from 14% in 2008), and the North East (alongside Wales) has the largest proportion of the population declaring that they have a disability (Family Resources Survey).

At the same time, the Foundation continues to operate in a challenging financial context, as commissioning authorities continually review their contracting arrangements in the face of significant funding shortfalls and increasing demand for social care and SEND resources. Unfortunately, there will be many organisations in this position in the coming years given the pressures on local authority budgets and difficulties faced by charities in securing donations and grants.



**Delivering Special Education**




Demand for our education services continues to grow. Our unique approach which brings together the skills of teachers, speech and language therapists, physiotherapists and occupational therapists continues to help our children and young people realise their potential is key to this.

In our Education Services, all our students have special educational needs and are offered a highly differentiated curriculum, delivered by a multi-disciplinary team. Individual potential is enhanced and realised using a person-centred approach. As our student population has grown, we are working hard to make sure that we continuously develop and strengthen our learning environment.

We continue to review and develop our estate and grounds to support the numbers of students within our schools, including outside playground areas and classroom refurbishment. We have also significantly invested in infrastructure at the Jesmond site this year.

In March, when the lockdown was announced by the Prime Minister, our teams across our education services reacted fast – identifying alternative ways of working that would enable students to learn from home and be supported with therapy needs remotely. We set up remote wellbeing checks and therapy sessions, delivered homework packs to students to they could continue learning from home. We also set up groups on social media so that we could share information with students and their families and to enable them to stay connected while our schools and college were closed.

From June, our learners gradually started to return onsite and our teams in education have been focusing on supporting students' wellbeing and on delivering a recovery curriculum while they settle back into school and college. The challenges presented by COVID-19 have not overshadowed some of the fantastic achievements this year. Here are a couple of examples:

Hedleys College retained its 'good' rating from Ofsted following an onsite inspection in January 2020. The report from the inspection states:
"Learners enjoy their learning and are proud to study at the college."
"Learners enthusiastically describe jumping out of bed each morning to come to college."
One of our teachers at Northern Counties School won a silver award at the Pearson Teaching Awards for outstanding new teacher. This fantastic achievement reflects how Ashleigh regularly goes the extra mile for our wonderful students.

**Children's residential homes**
Our children's residential service provides children and young people's residential and short break facilities across two locations: Bradbury View in Killingworth (in the grounds of Percy Hedley School) and Tees House in Jesmond (in the grounds of Northern Counties School). These aim to provide a happy, healthy nurturing home from home environment which is attractive, comfortable, safe, and secure and enables children/young people to thrive and reach their maximum potential in life.

In March, when the national lockdown started, both our short break services were temporarily suspended, given the nature of the services would create difficulties in maintaining safe, COVID-19-free bubbles. They remain closed until it is possible to safely open to young people.

We have had to make improvements to our Tees House service which has been operating under a Requires Improvement status with Ofsted, however all compliance notices have been lifted at time of writing and we thank everyone for their support during this challenging period and supporting this achievement.

Towards the end of the financial year we identified shortfalls in the quality of our children's homes and Ofsted inspections in the services raised compliance notices and an immediate suspension of Bradbury View Residential in September 2020. We then took the decision to permanently close Bradbury View Residential due to the challenges of increasing COVID-19 risk and our ability to achieve the improvements required within the specified timescales.

This was a difficult decision, and we are sorry for the impact this has had on young people who lived at the home and their families. As a Board and Executive Team we are determined to learn the lessons from this situation and the events leading up to the closure of the home.

We will continue to work with the local authorities and Ofsted to develop children's residential services in future that are fit for purpose and operating at the high standard that should be expected of our services. In October 2020, we welcomed a new Director of Residential Care and Safeguarding who will lead on improving and developing our children's residential services.

**Activity programmes for adults**
During the year, we have reviewed our adult activity offer and launched a new and improved offer. We have combined what previously operated as two separate programmes – one for young adults which was offered from our college (Firtrees Programme) and our Able 2 offer. We have developed a new and improved activity offer called Hedleys Horizons which operates from our two sites in Forest Hall. The offer is activity based, designed around the people, their needs and what they want to do. Therapy is integrated into the offer for those who need it.

The launch of the new programme sadly meant saying goodbye to some of the sites we had operated from and to a small number of service users, but we are confident that our service users are going to love the new programme.

COVID-19 has had a significant impact on our activity programme – being defined as a non-essential activity for most service users during the restrictions and with many of our service users staying at home while they shielded from COVID-19. During this time, we refurbished our buildings to get ready to launch Hedley's Horizons and our staff team helped us to keep our other services running.

**Adult Residential services**




Our Adult residential service offers accommodation and care, complimented by a range of meaningful community activity for our residents, who have a range of disabilities, including Physical Disabilities, Learning Disabilities, Profound Multiple Learning Disabilities (PLMD) and Autism, including those behaviours which challenge services. Each of our services support all these conditions differently, depending on the service offered, from meeting accommodation needs, daily activities, to extra support in homes, to sports and recreational activities.
We operate registered adult residential services at;

- Chipchase House/Ferndene in Forest Hall
- Leybourne in Killingworth
- Tyne House/ Moor View in Jesmond
- Wansbeck House in Jesmond
-

During the year Wansbeck House retained a good rating from the Care Quality Commission (CQC) and in its inspection in August, Chipchase House improved from 'requires improvement' to good, meaning that all our residential homes are now rated as good.

Our teams across our residential services have risen to the challenges presented by COVID-19 this year. Our residential homes were busier than ever, with our residents who usually only stay with us 38 weeks of the year, staying full time and all our residents having to stay at home much more than usual. They have taken on extra shifts to help when colleagues have been absent and worked in services they do not usually work in where needed. They have also done an amazing job of supporting residents and kept them smiling during some uncertain and frightening times, putting their own personal anxieties and concerns to one side, and focusing on our residents.

Staff have been very diligent and worked hard to make sure that we are preventing the spread of COVID-19 within our homes. From March 2020 until the end of this financial year, there were no confirmed cases of COVID-19 across our residential services. Chipchase House was inspected by the CQC under its COVID-19 Emergency Support Framework and on infection prevention and control and the findings were incredibly positive with the report stating that "systems were in place to help prevent people, staff and visitors from catching and spreading infections."

One of the hardest things about the COVID-19 restrictions for our residents has been the restrictions on visits with their families. Visits to care homes have not been allowed for most of the period since March so our teams have found new ways of enabling families to stay connected - using tablets to enable video call, using social media to set up groups so they could find out what their relatives were getting up to and find ways to enable safe visits to happen using gardens and outside spaces.

Our teams have also kept residents busy with lots of exciting activities when they have not been able to go out and about.

When the COVID-19 restrictions end it is our intention to thank the staff teams properly with a celebration of everything they have been doing. Here are some examples of feedback we received from families about their fantastic efforts:

*"I do admire the way you and your team have handled this extraordinary crisis. It must have meant massive hard work and sacrifice for many of you. I have always had every faith that daughter was in safe hands and am happy to go along with any procedure you put in place."*

*"I am most grateful to you and your team for your care of my son, during these unusual and difficult times. Although we have greatly missed enjoying his company during lockdown, we have been able to maintain contact with him via the telephone or Zoom. We fully support the very sensible restrictions you have put in place to protect my son and his fellow residents, and the dedicated staff who care for them. "*

*"We are missing L very much but have taught ourselves the technology needed to keep in touch every day by FaceTime. We know some families will not have this facility but hope they will understand this is not just about residents keeping safe but ensuring staff are kept well to continue their sterling job of caring for loved ones. Please let all staff know how grateful we are to know what a wonderful job they are doing in such strange times and please pass on our thanks to each and every one of them."*

**#TeamPercyHedley**

Our staff are our biggest asset. We now employ more than 1,100 staff working from multiple locations across the region.

**Our values**




We want to be an employer of choice, and to have an engaged workforce that are happy at work. Happy staff will mean that we are delivering the best possible outcomes for the people we support. To help us achieve this we developed a new People Strategy, which focuses on three main objectives:

- Attract and recruit
- Train and develop
- Retain and promote

We started with a staff survey to help us understand how our staff feel about working at the Foundation and what they would like us to improve. A strong theme emerging from the feedback was a desire for improved communication. The COVID-19 pandemic has given us an unexpected opportunity to respond to this feedback. We recognised the need for regular communication with colleagues due to the constantly changing situation. We set up a COVID-19 staff intranet and regular staff briefings to make sure that colleagues were kept informed about government changes, what was happening across the Foundation, things they needed to do to stay as safe as possible at work and support they could access.

An enormous amount of work has taken place daily to maintain a safe environment for our students and service users and to ensure that during the lockdown period to ensure that our students could continue to learn while at home.

Our teams across the Foundation have dealt with this huge volume of work while also dealing with disruptions to their teams when colleagues were absent and while providing reassurance to students, service users and families who have had heightened anxiety during this period. In addition, the usual challenges of working in our services have not gone away.

We have seen incredible resilience, a strong commitment to work strategically, to help one another, to share disasters and successes, and to laugh together. We are incredibly proud of our staff teams.

**Progress against objectives**

We measure progress against our objectives in several ways, including growth in service delivery, our reputation for quality service provision, staff engagement, and improvements to our estate.

Demand for our services has continued to grow which is an amazing testament to our team of skilled staff who work hard to help each person we support to thrive. As demand for our services continues to grow, it is essential that we retain focus on sustaining the quality services that we are proud of. This year, Northern Counties School maintained advanced accredition by the National Autism Society, which was significant for us as it is a nationally recognised standard by which autistic provision is assessed and we're the only school in the North East to achieve this level. Hedleys College retained its 'good' rating from Ofsted and all our adult residential homes are rated as good by the Care Quality Commission.

COVID-19 has had an impact on our progress against our plans during the year – due to the enormous amount of work our teams have put into some of our objectives had to be reprioritised and we will progress these during next financial year. COVID-19 also presented some opportunities that enabled us to accelerate some of our priorities such as our technology strategy.

Use of technology is an area where the whole charitable sector lags behind others. As we are increasingly challenged to work as efficiently as possible and to provide more information to commissioners and regulators about the services we deliver, we know this is an area that we need to develop. During the year, we worked together with some industry Information Technology (IT) experts to complete a gap analysis and identify our key priority areas going forward. We have created and recruited to a new leadership role to take forward this work.

With our technology strategy, we had planned significant change in the coming three years and because of responding to the COVID-19 situation, we implemented and rolled-out Office365 environment across the Foundation. This enabled us to hold virtual meetings regularly and more flexibly than ever before, improving the communication and ability to respond to the changing situation. We have enabled families to get together where lockdown was preventing physical meeting and these developments will continue as we continuously look to shape a more technology focused approach for our services. We strengthened the internal team to implement transformational projects to respond to more efficient and effective ways of working across our teams and services.

We have continued our work throughout the year to improve the buildings that our services are delivered from, however there were some delays due to access to external contractors. We have developed the Hedleys Horizons offer, updated some of the estate and invested in the infrastructure, which has included creating capacity in our adult day services and improved the environments.

**Plans for the future**

Our priorities for 2020/21 are focussed around three main objectives:

- Protecting our core business by ensuring we retain our reputation for quality and provide value for money
- Developing new services or expanding our current service provision either as a stand-alone organisation or in partnership with others to increase income
- Transformation programme investing in core systems (including safeguarding), improving accommodation, delivery of the People Strategy, and continuous improvement so we are fit for purpose and fit for future

During 2020/21 we will conclude the review our Corporate Strategy which will bring further clarity to our decision making and will identify the principles, ways of working and competences that we need to retain at the heart of each of our services.

We need to develop our people and teams, because more of our users are vulnerable and require the absolute highest standards of care and support. Our reputation for excellence has been hard-won and is one of the things that has helped us maintain such a broad service offer in a challenging financial environment. Our dedicated recruitment team have established and managed a flexible staffing bank, which has been invaluable during the last 6 months and reduced our use of agency workers. We were also able to make it easier for our staff to balance their working and personal commitments when personal circumstances were affected by COVID-19.

Drawing on the trans-disciplinary traditions of the Foundation is delivering better outcomes for many of our service users, particularly the children and young people who have health, speech, and language, and behavioural conditions that are complex and require a level of specialism that mainstream educational and vocational providers are often unable to provide. We need to retain and build on these traditions as they continue to differentiate us from other providers.

Even though we have made progress with our estate over the last couple of years, many of our buildings still need refurbishment, or replacement, to cope with the demands posed by supporting service users with complex needs. Our buildings bring a great deal of history with them, but they need to be arranged for, and furnished with, the equipment that maximises the experience of our current and emerging service user populations. We will continue to review the layout and furnishing of our residential homes, changing capacity and space standards where change can have a real impact on the lives of our service users.

We plan to reopen our short break respite service in 2021 and we will continue to modernise and develop our residential services to improve the environments, leadership and management, and skills of the staff to support our service users.

**Fundraising update**

The money we raise through voluntary contributions from the public, local businesses and grant making organisations supports a wide range of activities and developments across the Foundation.

Our fundraising in 2019/20 began very successfully with over 90 people running the Great North Run for us in September, followed by our most successful charity ball in November which raised over £87,000. We also built strong relationships with local and national companies such as Tolent and Tui. The COVID-19 pandemic had an immediate and devastating impact on our fundraising with all planned events and activities cancelled or postponed. In response we set up a COVID-19 Appeal and were overwhelmed by the donations and kindness we have received throughout the pandemic.

Our approach to fundraising is very much centred around the people who raise money for us. Our in-house fundraising team listen, encourage, and offer the ongoing support, tools, and information they need to maximise their fundraising. As well as supporting individuals and companies to do their own fundraising, we also recruit supporters to take on events organised by third parties such as the Great North Run and Great North Swim. In addition, we organise and deliver our own fundraising events such as the annual Percy Hedley Ball and seek grants from local and national trusts and foundations. In 2019/20 we did not engage any professional fundraisers or commercial participators, for example face to face or door to door fundraisers.

It is incredibly important to us that our fundraising activities comply with all appropriate regulations and guidelines as laid out by the Charity Commission and the Fundraising Regulator, who we are registered with. Our Fundraising Policy is regularly updated and is available to view at our website. We adhere to the Fundraising Regulator's Code of Fundraising Practice in all aspects of our fundraising and regularly refer to this to ensure our existing and new fundraising activities are compliant, for example updating our Fundraising Policy to include the recent updates around fundraising during the COVID-19 pandemic. We have a Customer Relationship Management (CRM) database in place to support our fundraising oversight, ongoing adherence to General Data Protection Regulation (GDPR), financial record keeping, monitoring and evaluation. In 2019/20 there were no compliance issues raised about our fundraising by the Charity Commission, Fundraising Regulator, or Information Commissioner's Office.

We are lucky to have committed volunteers who regularly raise money on behalf of the charity, for example our Board of Trustees and Percy Hedley Ball Committee. These volunteers represent and raise funds for Percy Hedley on a regular basis and as such we give them the appropriate training and support to ensure they maintain our fundraising standards. This includes sharing guidelines from the Code of Fundraising Practice, regular meetings, and oversight from the fundraising team. In 2019/20 we did not engage/pay any external fundraisers.

We remain committed to ensuring our donors and supporters receive the highest level of customer service when they choose to raise money for Percy Hedley, and we pride ourselves on building long last relationships with the many people who support us. Our Fundraising Policy clearly lays out how people can raise a concern or complaint about our fundraising and as in previous years, in 2019/20 we received no complaints with regards to our fundraising.

2019/20 has been an incredibly challenging year for Percy Hedley in terms of fundraising, and we are so grateful to everyone who has supported us by donating, taking part in an event, or pledging their support in the future. We are so grateful for their kind support of our work.

**Financial Review**

In the year to 31 August 2020 the Foundation made a surplus of £1,622,000 (2019: £1,287,000) before actuarial gains and losses. This increased surplus on the previous year is important to the Foundation as it allows us to invest this in improving our services and facilities next year. A significant proportion of this increase is as a result of settling a number of outstanding debtors in the period with the release of bad debt provision and prior year uplift agreements which has taken a significant resource to resolve. The old balances were provided for at 2018/19 year-end and have since been collected within the year and into 2020/21. We continue to hold a prudent bad debt provision in our accounts related to current debtors' ledger. The underlying operational performance has been excellent in the current climate with strong management of a flexible workforce and avoiding any COVID-19 outbreak being the key factor. Despite the challenges, we have continued to maintain levels of sickness that would be considered normal. There was some benefit from the Government Job Retention Scheme with a small proportion of staff furloughed. This related to those not directly linked to services provided under contract, for short breaks services that were closed during the pandemic, or where direct payments were received. The total benefit of the scheme was £309,000. We expect during next financial year that we will focus on the delivery of our People Strategy.

Income from charitable activities has again increased by 6% to £31,260,000. The vast majority of our fundingis received from 22 local authorities responsible for the education and care of the children, young people and adults that use the services we provide. These fees fund the day to day running costs of the services. The Foundation has a fundraising team, which is responsible for augmenting this income to help improve the estate, enrich provision and support major capital developments. (See further details on page 14.)

Local authority budget pressures continue to impact on our services as they look to manage tighter budgets and increase value for money The Percy Hedley Pension Scheme provides benefits on a final salary or defined benefit basis, it is closed to new members but open to future accrual of benefits for its active members. The actuarial deficit has been revalued, in accordance with FRS 102, using up to date assumptions over discount rate, future salary increases, the rate of inflation and mortality assumptions. This revaluation has resulted in a decrease in the actuarial deficit of £515,000 from the previous year to £11,593,000. The trustees of both the Foundation and the Percy Hedley Pension Scheme are acutely aware of the need to balance the interests of the members of the pension scheme with those of the current and future beneficiaries that the charity supports. A deficit recovery plan over the coming 15 years has been agreed with the Pension Scheme Trustees that will allow the Foundation to continue to prosper and grow and a pension subcommittee established to monitor the actions arising from the plan.

As in previous years the Trustees continue to make specific provision, Note 15 and 16, for the Foundation's obligations to make additional payments to the Tyne and Wear Local Government Superannuation (LGSS). The LGSS is a multi-employer pension scheme and the charity is part of a group of bodies admitted to the pension scheme whose assets and liabilities are pooled, consequently the charity is unable to identify its share of the underlying assets and liabilities.

The Foundation also contributes to a third defined benefit pension scheme, in relation to teaching staff, which is the Teachers' Pension Scheme (TPS). Contributions to the scheme are determined by actuarial review by the Government Actuary, the latest valuation for which is 2012. The latest valuation of the TPS was as at March 2019 and the employer contribution rate is expected to be reassessed and payable from 1 April 2020.

The Foundation has total funds of £10,542,000 (2019: £8,405,000). The balance sheet highlights a slight decrease in net book value of tangible fixed assets of £333,000 to £16,653,000, as depreciation is now less than new additions in the year.

Restricted funds total £274,000 (2019: £202,000). The Foundation holds £1,374,000 (2019: £690,000) of service designated funds. These are small donations and fundraising carried out within a particular service and are used throughout the year to provide 'added extras' to enrich service provision. There are other amounts which have been set aside by the trustees which will be spent during 2020/21, further details can be found in note 18.

As a result of our fundraising programme, which has primarily been used to invest in the Foundation's estate, general unrestricted reserves have increased to £20,489,000 (2019: £19,621,000). Unrestricted reserves are defined as those not allocated for specific purposes and excluding tangible fixed assets - primarily buildings which are held for charitable purposes.

**Reserves Policy**

The Trustees consider that unrestricted and undesignated reserves should be kept between £3.8m and £4.6m. This allows for the Foundation to react to unforeseen circumstances, whilst providing sufficient flexibility to operate on a day to day basis and take any appropriate decisions to further the Foundation's strategic development.

The lower end of this range is equivalent to 4 months or 1 term of staff costs at the Foundation's 2 largest services (Percy Hedley and Northern Counties Schools) and the higher end reflects the Foundation's aim to build a fund that will enable the continued refurbishment of some of our old buildings into an estate which is 'fit for purpose, fit for future' for the children, young people and adults for whom they are designed.

In recent years the Foundation has been through a period of significant investment in this estate including the development of our Killingworth Campus (Hydrotherapy Pool, Bradbury View Children's Residential Home and Percy Hedley School Annex), the renovation of Leybourne to a home for eight young disabled adults, as well as smaller refurbishments in a number of services. As a consequence of this investment, as expected, the free reserves fell below the minimum target range. During the last three years we have rebuilt reserves in a planned manner, balancing the need to continue refurbish and renovate our accommodation but at a much slower pace.

As a result the Foundation's reserves were £3.8m at 31 August 2020. During 2018/19 the Trustees have designated £300k of funds to be set aside for a two-year programme of additional maintenance and minor improvement works to the charity's buildings. Due to availability of contractors this was not used in the 2019/20 financial year and carries over to 2020/21 to a programme of works to be completed. There were also additional designated funds of £200k set aside in the year as it has been recognised that the estate developments need to be fast-tracked in order to respond to the service user needs and development of services. The additional reserve of £300k, has also been carried forward to accelerate work that has commenced in a number of areas that the Trustees believe will support the longer-term growth of the charity and the people whom it supports. This work includes the development of new services and also an investment in technologies to support beneficiaries and those staff who support them. A further £200k has been allocated to this financial year, giving a total of £500k for this purpose.

**Investment Policy**

The Foundation has a longer-term strategy for investments with increasing investments from £1.5m (book value) to £2.45m and a further £1.6m (2019: £1.3m) was held in short term deposits.

This strategy allows for mid-term reserves to be held on cash deposits until they are needed for specific projects and for an element of reserves to be held for the long term in the event of future unknown uncertainties. It is the intention that the charity will add to longer term deposits at a similar rate to which the Foundation itself grows. The Trustees appoint investment managers to whom they delegate responsibility for managing the investment assets in accordance with an agreed policy statement. This statement sets out the Trustees aim, to produce the best financial return within an acceptable level of risk and includes the manner in which these assets may be ethically invested to ensure that they do not conflict with the aims of the charity.

**Going concern**

After making appropriate enquiries, including evaluating any impact with the continued effects of COVID-19, possible second wave, and local lockdown measures, the Trustees have a reasonable expectation that the charitable company has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements. Further details regarding the adoption of the going concern basis can be found in the Accounting Policies on page 28.

**Risk management**

The Trustees have given consideration to the major risks to which the Foundation is exposed to and satisfied themselves that systems or procedures are established in order to manage those risks.

The Board is satisfied that systems and procedures are in place to mitigate our exposure to major risks. The Foundation has implemented a Risk Management Policy & Procedure to support the overall Risk Register which scope covers Operational, Strategic and Governance level risk and is maintained by the Foundation's Head of Quality and Compliance.

The charity's exposure to risk is overseen by the Audit Committee who provide assurance to the Trustees in this regard and to the charity's commitment to continuous improvement. All risks are monitored on an ongoing basis and a treatment plan is developed for risks that are considered to be significant or emerging. This is reviewed regularly through Exec to ensure mitigating actions are sufficient and effective. These risks include, but are not limited to:

Operational
Key staff cover plans and emergency contingency procedures are in place. Recruitment and retention policies and procedures are reviewed to ensure the charity is able to continue to deliver high quality services at all times.

Reputation
Maintaining high quality in all areas of service provision to ensure that our service users are able to achieve their potential.

Compliance
A focus on the increasing standards and procedures from Ofsted, CQC, the Fundraising Regulator and local authority commissioning and which the charity is committed to meeting and exceeding. There is also a focus on ensuring that the Foundation is compliant with changing legislation, such as our continued focus on General Data Protection Regulations and potential Brexit implications.

Financial
Funding cuts continue in all areas of commissioning, however budgetary controls are in place to manage costs, in particular the rising cost of employment and pensions. The charity places an increasing reliance on fundraising to ensure it is able to continue to invest in its aging estate for the benefit of those that use our services.

Projects
The Foundation are involved in various ongoing projects in line with our strategic roadmap, these varying projects will support compliance, IT infrastructure as well as improvements of services and growth for the Charity. All projects are managed effectively and a regularly reviewed to mitigate emerging and changing risks.

The Charity's activities are complex by nature and fall under several legal and regulatory frameworks and standards (ie Ofsted; Care Quality Commission and Health and Safety Executive and Local Authorities).

The major risks typically faced are related to Safeguarding of the people under the care of the Foundation and maintaining services to Regulatory requirements and standards. Recent events relating to the pandemic have shown how devastating unprecedented events can be as rules and unknown factors were rapidly changing driven by external factors beyond the control of the Foundation. The risk-based approach adopted by the Foundation driven at an operational and strategic level allowed for regular monitoring of arrangements to ensure actions were focused to mitigate the risks from happening and effective and appropriate controls remain in place or are changed to remain effective.

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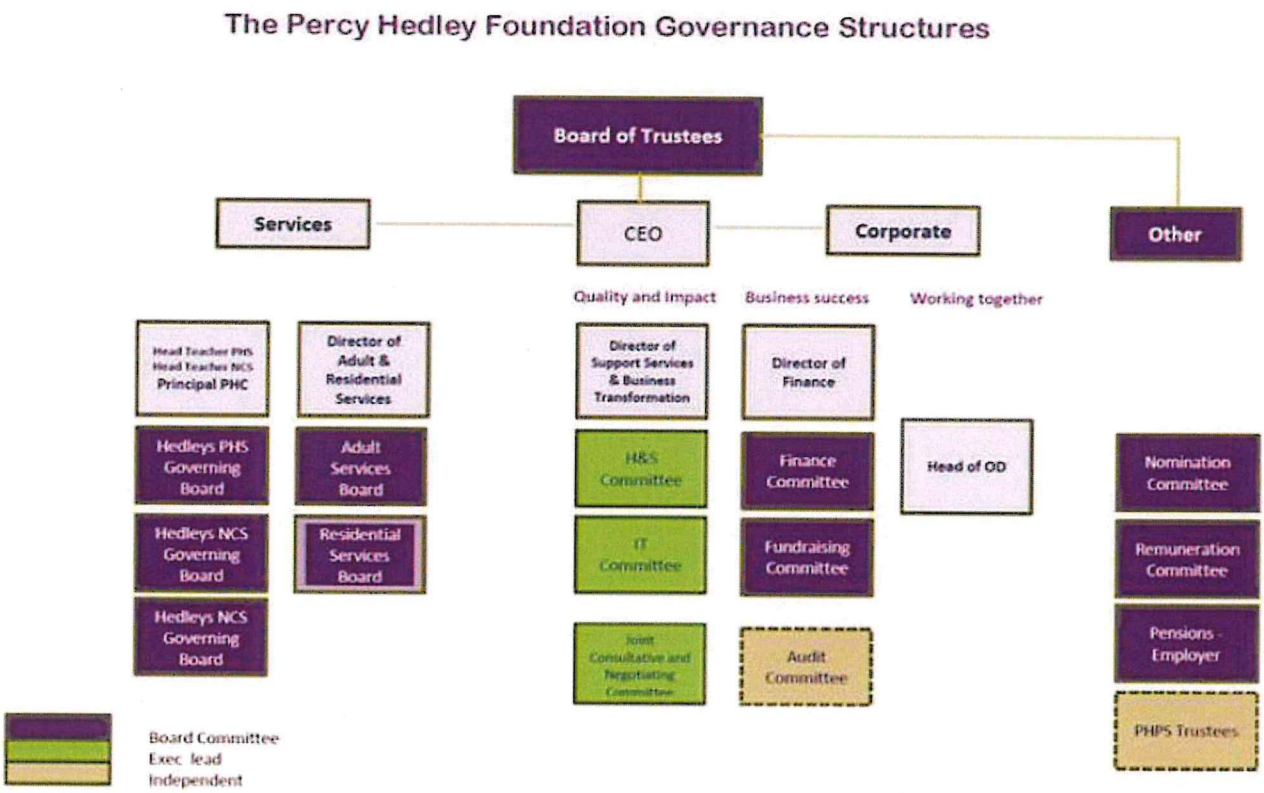
**Structure, governance and management**

The Percy Hedley Foundation is registered as a charitable company limited by guarantee and was set up by Articles of Association on 12 October 1984.

It was founded in 1953 and is registered under the Charities Act 1960. Its governing documents are its Articles of Association incorporated on 12 October 1984 adopted on 1 November 2005 and amended by special resolutions dated 8 December 2008 and 8 November 2014. Northern Counties School, now an integrated part of the Foundation as a result of the merger in October 2005, was founded in 1838.

The Board of Trustees has responsibility for all aspects of the running of the Foundation. Members of the Board of Trustees are appointed for a three-year term, and appointments are made in accordance with the Articles of Association. Each member of the Board of Trustees agrees to contribute £1 in the event of the charity winding up.

Our Trustees have experience from all walks of life and are encouraged to keep these skills and knowledge up to date. Trustees' meetings are held periodically and issues are identified where new skills may be required and matched against specific Trustees.



**Organisational structure and decision making**

The Board has responsibility for the overall leadership and direction of the Foundation. It approves the Foundation's long-term objectives and strategy, policies and annual budgets. The Board meets quarterly and there are sub committees covering adult services, residential services, finance, remuneration, nominations, audit and pensions. This is in addition to the Governing Boards for Percy Hedley School, Northern Counties School and Hedleys College. At the start of the 2019/20 financial year the remit and membership of the audit committee was updated to reinforce the focus on charity and effective governance.

The Trustees delegate the day to day operation of the Foundation and its services to the Executive Management Team, led by the Chief Executive, Carole Harder. The Executive have delegated authority, within the terms of delegation approved by the Trustees for operational matters including finance, employment and the sound running of the Foundation's services.

**Trustee selection, induction and appraisal**

Recruitment of new Trustees is carried out through a process of open advertisement followed by interview and selection by the Nominations Committee, a sub group of the Board, whose proposals are reviewed and approved by the full Board of Trustees. New Trustees receive induction and training as necessary, including visits to services to ensure they have a thorough understanding of the working of the Foundation. Appraisals are carried out to review and support individual Trustee's needs.

**Pay policy for senior staff**

The Trustees consider that the Board of Directors, who are the Foundation's Trustees and the Executive team comprises of the key management personnel of the charity. All Trustees give their time voluntarily to the charity and do not receive any financial benefits or emoluments from the charity. Any expenses claimed are set out in note 11 to the accounts.

The pay of the Executive is reviewed annually. The Trustees believe that the levels of remuneration should be sufficient to attract, retain and motivate an Executive team of the quality required to run a large charity. The Foundation ensures that remuneration levels are linked to a regular objective setting system of performance appraisal and benchmarked against comparable roles. The Executive team is paid on the basis of a fixed salary and is commensurate with experience, responsibilities and performance.

**Trustees' indemnities**

Included within insurance charges is an annual charge of £2,675 (2019: £2,675) for Trustee Indemnity Insurance.

**Statement of trustees' responsibilities and corporate governance**

The Trustees (who are also Directors of The Percy Hedley Foundation for the purposes of company law) are responsible for preparing the Trustees' report (including the Strategic Report) and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

- select suitable accounting policies and then apply them consistently;
- observe the methods and principles in the Charities SORP (FRS 102);
- make judgements and accounting estimates that are reasonable and prudent
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charitable company will continue in operation.

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

In so far as the trustees are aware:

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

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

This report was approved by the Trustees on 17 March 2021 and signed on their behalf by:

.....
**Mr J Jowett**
**Chair**

.....
**Mr D Arthur**
**Vice Chair**

**Independent Auditors' Report to the members of The Percy Hedley Foundation**
**For the year ended 31 August 2020**

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**Opinion**

We have audited the financial statements of The Percy Hedley Foundation (the 'charitable company') for the year ended 31 August 2020 which comprise the Statement of Financial Activities, the Balance Sheet and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the charitable company's affairs as at 31 August 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.

**Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the charitable company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Conclusions relating to going concern**

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

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

However, not all future events or conditions can be predicted. The COVID-19 viral pandemic is one of the most significant economic events for the UK with unprecedented levels of uncertainty of outcomes. It is therefore difficult to evaluate all of the potential implications on the charitable company's activities, customers, suppliers and wider economy. The trustees' view on the impact of COVID-19 is disclosed on page 9 and within the accounting policies note.

**Other information**

The trustees are responsible for the other information. The other information comprises the information included in the trustees' 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.

**Other information**
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.

**Opinions on other matters prescribed by the Companies Act 2006**
In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Trustees' report including the Strategic report for which the financial statements are prepared is consistent with the financial statements; and
- the Trustees' report and the Strategic report have been prepared in accordance with applicable legal requirements.

**Matters on which we are required to report by exception**
In the light of 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 including the Strategic report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

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

**Responsibilities of trustees**
As explained more fully in the Trustees' responsibilities statement set out on page 21, 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 auditor under the Companies Act 2006 and section 151 of the Charities Act 2011 and report in accordance with those acts.

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

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

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

**Donna Bulmer BA (Hons) ACA (Senior Statutory Auditor)**
**For and on behalf of Haines Watts**

29/04/2021

**Statutory Auditors**

17 Queens Lane
Newcastle upon Tyne
NE1 6SU

**The Percy Hedley Foundation**
**(A company limited by guarantee)**

**Statement of Financial Activities Incorporating Income and expenditure account**
**For the year ended 31 August 2020**

| | Notes | Unrestricted General Fund £000 | Unrestricted Designated Fund £000 | Restricted Funds £000 | Total 2020 £000 | Total 2019 £000 |
|---|---|---|---|---|---|---|
| **Income from:** | | | | | | |
| Donations and legacies | 2 | 455 | 71 | 69 | 595 | 255 |
| Charitable activities | 5 | 31,093 | - | 167 | 31,260 | 29,507 |
| Fundraising activities | 3 | 83 | - | - | 83 | 178 |
| Investments | 4 | 36 | - | - | 36 | 65 |
| **Total income** | | 31,667 | 71 | 236 | 31,974 | 30,005 |
| **Expenditure on:** | | | | | | |
| Raising funds | | | | | | |
| Investment management costs | | 19 | - | - | 19 | 11 |
| Costs of generating fundraising | | 213 | - | - | 213 | 184 |
| Charitable activities | 6 | 30,034 | 33 | 123 | 30,190 | 28,576 |
| **Total expenditure** | | 30,266 | 33 | 123 | 30,422 | 28,771 |
| Net gain on investment | | 70 | - | - | 70 | 53 |
| **Net income before transfers** | | 1,471 | 38 | 113 | 1,622 | 1,287 |
| Transfers between funds | 18 | ( 605 ) | 646 | ( 41 ) | - | - |
| **Net income before other recognised gains and losses** | | 866 | 684 | 72 | 1,622 | 1,287 |
| Actuarial gains/(losses) on defined benefit pension schemes | 22 | 515 | - | - | 515 | ( 3,915 ) |
| **Net movement in funds** | | 1,381 | 684 | 72 | 2,137 | ( 2,628 ) |
| **Reconciliation of funds:** | | | | | | |
| Total funds brought forward | | 7,513 | 690 | 202 | 8,405 | 11,033 |
| **Total funds carried forward** | | 8,894 | 1,374 | 274 | 10,542 | 8,405 |

There were no unrecognised gains or losses other than the surplus for the year.

**The Percy Hedley Foundation**
**(A company limited by guarantee)**

## Balance Sheet
## As at 31 August 2020

| | Notes | £000 | 2020 £000 | £000 | 2019 £000 |
|---|---|---|---|---|---|
| **Fixed assets** | | | | | |
| Tangible assets | 12 | | 16,653 | | 16,320 |
| Investments | 13 | | 2,455 | | 1,568 |
| | | | 19,108 | | 17,888 |
| **Current assets** | | | | | |
| Debtors | 14 | 1,387 | | 3,583 | |
| Cash at bank and in hand | | 8,278 | | 4,886 | |
| | | 9,665 | | 8,469 | |
| **Creditors:** amounts falling due within one year | 15 | ( 3,754 ) | | ( 2,691 ) | |
| **Net current assets** | | | 5,911 | | 5,778 |
| **Total assets less current liabilities** | | | 25,019 | | 23,666 |
| **Creditors:** amounts falling due after more than one year | 16 | | ( 2,884 ) | | ( 3,153 ) |
| **Net assets excluding pension scheme liabilities** | | | 22,135 | | 20,513 |
| Defined benefit pension scheme liability | 22 | | ( 11,593 ) | | ( 12,108 ) |
| | | | 10,542 | | 8,405 |
| **Charity Funds** | | | | | |
| Restricted funds | 18 | | 274 | | 202 |
| Unrestricted funds | 18 | 20,487 | | 19,621 | |
| Pension reserve | | ( 11,593 ) | | ( 12,108 ) | |
| Designated funds | | 1,374 | | 690 | |
| Total unrestricted funds | | | 10,268 | | 8,203 |
| **Total funds** | | | 10,542 | | 8,405 |

The financial statements were approved and authorised for issue by the Trustees on 17 March 2021 and signed on their behalf by:

.....
**Mr J Jowett**
**Chairman**

.....
**Mr D Arthur**
**Vice Chair**

***Company Number: 01855026***

The notes on pages 28 to 51 form part of these financial statements.

**The Percy Hedley Foundation**
**(A company limited by guarantee)**

**Statement of Cash Flows**
**As at 31 August 2020**

| | Notes | 2020 £000 | 2019 £000 |
|---|---|---|---|
| **Cash flows from operating activities:** | | | |
| Net cash provided by operating activities | 20 | 5,688 | 3,330 |
| **Cash flows from investing activities:** | | | |
| Dividends and interest | | 36 | 51 |
| Purchase of tangible fixed assets | | ( 1,391 ) | ( 944 ) |
| Purchase of fixed asset investments | | ( 1,096 ) | ( 1,165 ) |
| Proceeds from sale of fixed asset investments | | 365 | 223 |
| **Net cash used in investing activities** | | ( 2,086 ) | ( 1,835 ) |
| **Cash flows from financing activities:** | | | |
| Repayments of borrowings | | ( 77 ) | ( 141 ) |
| Loan interest | | ( 54 ) | ( 55 ) |
| **Net cash provided by financing activities** | | ( 131 ) | ( 196 ) |
| **Change in cash and cash equivalents in the year** | | 3,471 | 1,299 |
| Cash and cash equivalents brought forward | | 4,981 | 3,682 |
| **Cash and cash equivalents carried forward** | | 8,452 | 4,981 |
| **Cash and cash equivalents consist of:** | | | |
| Cash at bank and in hand | | | |
| - Current account | | - | ( 12 ) |
| - Deposit account | | 8,269 | 4,887 |
| - Funds held with investment managers | | 174 | 95 |
| - Petty cash | | 9 | 11 |
| | | 8,452 | 4,981 |

## 1. Accounting Policies

### 1.1 Basis of preparation

The financial statements have been prepared in accordance with 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) issued in October 2019, the Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland (FRS 102), the Charities Act 2011, the Companies Act 2006 and UK Generally Accepted Accounting Practice.

The Percy Hedley Foundation meets the definition of a public benefit under FRS 102. The financial statements are prepared under the historical cost convention or transaction value unless otherwise stated in the relevant accounting policy note(s). The financial statements are prepared in Sterling which is the functional currency of the charity and rounded to the nearest £000.

The significant accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented unless otherwise stated.

### 1.2 Company status

The company is a company limited by guarantee and incorporated in England and Wales. The members of the company are the Trustees named on page 1. In the event of the company being wound up, the liability in respect of the guarantee is limited to £1 per member of the company. The charitable company's registered office is at Hampeth Lodge, Station Road, Newcastle upon Tyne, NE12 8YY.

### 1.3 Going concern

The financial statements have been prepared on a going concern basis as the Trustees believe that no material uncertainties exist, even when considering the ongoing impact of Covid-19 on the services and Foundation as a whole. The Trustees have considered the level of funds held and the expected level of income and expenditure for 12 months from authorising these financial statements. The budgeted income and expenditure is sufficient with the level of reserves for the charity to be able to continue as a going concern.

### 1.4 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 cost 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.

### 1.5 Income

All income is recognised once the 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.

For legacies, entitlement is the earlier of the charity being notified of an impending distribution or the legacy being received. At this point income is recognised. On occasion legacies will be notified to the charity however it is not possible to measure the amount expected to be distributed. On these occasions, the legacy is treated as a contingent asset and disclosed.

Gifts in kind donated for distribution are included at valuation and recognised as income when they are distributed to the projects. Gifts donated for resale are included as income when they are sold. Donated facilities are included at the value to the company where this can be quantified and a third party is bearing the cost. No amounts are included in the financial statements for services donated by volunteers.

Income tax recoverable in relation to donations received under Gift Aid or deeds of covenant is recognised at the time of the donation.

The charitable company received government grants in respect of the Job Retention Scheme. Income from government and other grants are recognised at fair value when the charity has entitlement after any performance conditions have been met, it is probable that the income will be received and the amount can be measured reliably. If entitlement is not met then these amounts are deferred.

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

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

### 1.6 Expenditure

Expenditure is recognised once there is a legal or constructive obligation to transfer economic benefit to a third party, it is probable that a transfer of economic benefits will be required in settlement and the amount of the obligation can be measured reliably. Expenditure is classified by activity. The costs of each activity are made up of the total of direct costs and shared costs, including support costs involved in undertaking each activity. Direct costs attributable to a single activity are allocated directly to that activity. Shared costs which contribute to more than one activity and support costs which are not attributable to a single activity are apportioned between those activities on a basis consistent with the use of resources. Central staff costs are allocated on the basis of time spent, and depreciation charges allocated on the portion of the asset's use.

Expenditure is categorised under the following headings;

- Expenditure on raising funds includes costs incurred to seek voluntary contributions in the form of donations, grants and fundraising events; and
- Charitable activities are costs incurred on the charitable company's charitable operations, including support costs and costs relating to the governance of the company apportioned to charitable activities.

Support costs are those costs incurred directly in support of expenditure on the objects of the company.

### 1.7 Tangible fixed assets and depreciation

All fixed assets are initially recorded at cost.

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, over their expected useful lives on the following basis:

| | |
|---|---|
| Freehold property | 40-100 years |
| Leasehold property | 100 years or length of lease if less |
| Motor vehicles | 3 years |
| Fixtures and fittings | 3 years |
| Therapy, office and computer equipment | 3 years |
| Refurbishments | 10-15 years |

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

### 1.8 Investments

Investments are initially recognised at their transaction value excluding transaction cost. Subsequently they are measured at fair value through the statement of financial activities if the shares are publicly traded or their fair value can be measured reliably.

### 1.9 Debtors

Trade and other debtors are recognised at the settlement amount. Prepayments are valued at the amount prepaid.

### 1.10 Current asset investments

Current asset investments are non-current account bank and building society deposits.

### 1.11 Cash at bank and in hand

Cast 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.

### 1.12 Liabilities and provisions

Liabilities are recognised when there is an obligation at the balance sheet date as a result of a past event, it is probable that a transfer of economic benefit will be required in settlement, and the amount of the settlement can be estimated reliably. Liabilities are recognised at the amount that the company anticipates it will pay to settle the debt or the amount it has received as advanced payments for the goods or services it must provide. Provisions are measured at the best estimate of the amounts required to settle the obligation. Where the effect of the time value of money is material, the provision is based on the present value of those amounts, discounted at the pre-tax discount rate that reflects the risks specific to the liability. The unwinding of the discount is recognised within interest payable and similar charges.

### 1.13 Financial instruments

The company only has financial assets and financial liabilities of a kind that qualify as basic financial instruments. Basic financial instruments are initially recognised at transaction value and subsequently measured at their settlement value with the exception of bank loans which are subsequently measured at amortised cost using the effective interest method.

### 1.14 Taxation

The company is considered to pass the tests set out in Paragraph 1 Schedule 6 of the Finance Act 2010 and therefore it meets the definition of a charitable company for UK corporation tax purposes. Accordingly, the company is potentially exempt from taxation in respect of income or capital gains received within categories covered by Chapter 3 Part 11 of the Corporation Tax Act 2010 or Section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied exclusively to charitable purposes.

### 1.15 Operating leases

Rentals under operating leases are charged to the Statement of Financial Activities incorporating income and expenditure account on a straight line basis over the lease term.

### 1.16 Pensions

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

Other retirement benefits to employees of the Charity are provided by the Teacher's Pension Scheme (TPS), the Tyne and Wear Local Government Superannuation Scheme (LGSS) and the Percy Hedley Pension Scheme (PHPS). These are defined benefit schemes, which are funded, with the assets being held separately from the charity. The PHP Scheme is closed to new members, being replaced with a defined contribution scheme.

Contributions to the TPS are charged to the income and expenditure account as the amount paid or payable in the year.

The contributions to all three schemes are determined by qualified actuaries on the basis of triennial valuations using the projected unit method for the LGSS and PHPS and quinquennial valuations using a prospective benefit method for the TPS.

The assets of the PHPS are measured using fair value. PHPS liabilities are measured using the projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability. The increase in present value of the liabilities of the scheme expected to arise from employee service in the period is charged to the operating surplus.

**1.16 Pensions *(Continued)***

The expected return on the scheme's assets and the increase during the period in the present value of the scheme's liabilities, arising from the passage of time, are included in pension finance costs. Actuarial gains and losses are recognised within the Statement of Financial Activities.

The LGSS is a multi-employer pension scheme. The charity is part of a group of bodies admitted to the pension scheme whose assets and liabilities are pooled, consequently the charity is unable to identify its share of the underlying assets and liabilities of the scheme. Accordingly, the charity has taken advantage of the exemption for multi-employer schemes and has accounted for its contributions to the scheme as if it were a defined contribution scheme except to the extent that future funding of pensions deficits has been agreed, such deficits being recognised from the date of agreement as a liability.

**1.17 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 charitable 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.

The present value of the Local Government Pension Scheme defined benefit liability depends on a number of factors that are determined on an actuarial basis using a variety of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions, which are disclosed in note 24, will impact the carrying amount of the pension liability.

Critical areas of judgement:

The amount by which fixed assets are depreciated annually is material to the financial statements and consequently, the estimate of the useful lives of fixed assets and their residual value is considered to be a critical area of judgement. There has been no change in these estimates this year.

**2. Donations and legacies**

| | Unrestricted funds £000 | Restricted funds £000 | Total 2020 £000 | Total 2019 £000 |
|---|---|---|---|---|
| Grants and donations | 217 | 69 | 286 | 236 |
| Legacies | - | - | - | 19 |
| Government grants | 309 | - | 309 | - |
| | 526 | 69 | 595 | 255 |

The government grant relates to the claims made to the Job Retention Scheme.

## 3. Fundraising activities

| | Unrestricted funds £000 | Restricted funds £000 | Total 2020 £000 | Total 2019 £000 |
|---|---|---|---|---|
| Fundraising events | 83 | - | 83 | 178 |

## 4. Investment income

| | Unrestricted funds £000 | Restricted funds £000 | Total 2020 £000 | Total 2019 £000 |
|---|---|---|---|---|
| Interest from cash held on deposit | - | - | - | 25 |
| Dividends | 36 | - | 36 | 26 |
| Other interest | - | - | - | 14 |
| | 36 | - | 36 | 65 |

## 5. Income from charitable activities

| | Unrestricted funds £000 | Restricted funds £000 | Total 2020 £000 | Total 2019 £000 |
|---|---|---|---|---|
| Education | 17,546 | 167 | 17,713 | 15,291 |
| Adult day services | 4,021 | - | 4,021 | 4,465 |
| Adult residential | 5,354 | - | 5,354 | 5,468 |
| Children's residential | 4,172 | - | 4,172 | 4,283 |
| | 31,093 | 167 | 31,260 | 29,507 |

## 6. Analysis of expenditure by activities

| | Activities undertaken directly £000 | Support costs £000 | Total 2020 £000 | Total 2019 £000 |
|---|---|---|---|---|
| Education | 14,678 | 1,172 | 15,850 | 14,818 |
| Adult day services | 4,082 | 320 | 4,402 | 4,437 |
| Adult residential | 5,048 | 413 | 5,461 | 5,225 |
| Children's residential | 4,157 | 320 | 4,477 | 4,096 |
| | 27,965 | 2,225 | 30,190 | 28,576 |

## 7. Support costs

| | Education | Adult Day Services | Adult Residential | Children's Residential | Total 2020 | Total 2019 |
|---|---|---|---|---|---|---|
| | £000 | £000 | £000 | £000 | £000 | £000 |
| Staff costs | 1,001 | 273 | 354 | 273 | 1,901 | 1,765 |
| Professional costs | - | - | - | - | - | 63 |
| Other direct costs | 44 | 12 | 15 | 12 | 83 | 36 |
| Facilities cost | 12 | 3 | 4 | 3 | 22 | 25 |
| IT costs | 60 | 16 | 21 | 16 | 113 | 86 |
| Maintenance costs | 4 | 1 | 1 | 2 | 8 | - |
| Depreciation | 52 | 14 | 18 | 14 | 98 | 169 |
| Interest | - | - | - | - | - | 25 |
| | 1,173 | 319 | 413 | 320 | 2,225 | 2,169 |

## 8. Governance costs

Included within support costs above are governance costs as follows:

| | 2020 | 2019 |
|---|---|---|
| | £000 | £000 |
| Audit fees | 14 | 14 |
| Legal fees | 23 | 27 |
| | 37 | 41 |

## 9. Net income before transfers

This is stated after charging:

| | 2020 | 2019 |
|---|---|---|
| | £000 | £000 |
| Depreciation of tangible fixed assets: | | |
| - owned by the charity | 1,059 | 1,273 |
| Interest payable | 54 | 55 |

## 10. Auditors remuneration

| | 2020 | 2019 |
|---|---|---|
| | £000 | £000 |
| Fees payable to the company's auditor and its associates for the audit of the company's annual accounts | | |
| Audit of the charitable company | 12 | 12 |
| Audit of the pension scheme | 3 | 3 |
| Other | 1 | 1 |

## 11. Analysis of staff costs, trustee remuneration and expenses, and the cost of key management personnel

| | 2020 | 2019 |
|---|---|---|
| | £000 | £000 |
| Wages and salaries | 21,363 | 20,352 |
| Social security costs | 1,454 | 1,393 |
| Other pension costs | 2,232 | 1,606 |
| | 25,049 | 23,351 |

Total redundancy and termination payments made to staff in the year amounted to £79,000 (2019 - £23,000).

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

| | 2020 | 2019 |
|---|---|---|
| | No. | No. |
| Operational staff | 1,023 | 1,032 |
| Admin and support | 112 | 76 |
| Management | 3 | 4 |
| | 1,138 | 1,112 |

Average headcount expressed as a full time equivalent:

| | 2020 | 2019 |
|---|---|---|
| | No. | No. |
| Full time equivalent – all employees | 989 | 1,029 |

The number of higher paid employees were:

| | 2020 | 2019 |
|---|---|---|
| | No. | No. |
| In the band £60,001 - £70,000 | 2 | 1 |
| In the band £70,001 - £80,000 | 1 | 4 |
| In the band £80,001 - £90,000 | 1 | - |
| In the band £90,001 - £100,000 | 1 | - |
| In the band £100,001 - £110,000 | - | - |
| In the bank £110,001 - £120,000 | - | 1 |
| In the band £120,001 - £130,000 | 1 | - |

Total remuneration received by 8 key management personnel in the year (2019 – 7 members), including employers national insurance contributions amounted to £729,337 (2019 - £714,341).

The charity trustees were not paid and did not receive any other benefits from employment in the year (2019 – none) neither were they reimbursed expenses during the period (2019 – none). No charity trustee received payment for professional or other services supplied to the charity (2019 – none).

## 12. Tangible fixed assets

| | Freehold property £000 | Long term leasehold property £000 | Motor vehicles £000 | Fixtures & fittings £000 | Equipment £000 | Total £000 |
|---|---|---|---|---|---|---|
| **Cost** | | | | | | |
| At 1 September 2019 | 8,452 | 12,706 | 280 | 1,022 | 1,806 | 24,266 |
| Additions | 1,040 | - | 26 | 151 | 175 | 1,392 |
| At 31 August 2020 | 9,492 | 12,706 | 306 | 1,173 | 1,981 | 25,658 |
| **Depreciation** | | | | | | |
| At 1 September 2019 | 3,540 | 1,974 | 241 | 711 | 1,480 | 7,946 |
| Charge for year | 499 | 155 | 31 | 165 | 209 | 1,059 |
| At 31 August 2020 | 4,039 | 2,129 | 272 | 876 | 1,689 | 9,006 |
| **Net book value** | | | | | | |
| At 31 August 2020 | 5,453 | 10,577 | 34 | 297 | 292 | 16,653 |
| At 31 August 2019 | 4,911 | 10,732 | 39 | 310 | 327 | 16,320 |

## 13. Fixed assets investments

| | 2020 £ | 2019 £ |
|---|---|---|
| Listed investments | 2,281 | 1,473 |
| Cash held with investment managers | 174 | 95 |
| | 2,455 | 1,568 |

| | £ |
|---|---|
| Market value at 1 September 2019 | 1,473 |
| Additions to investments at cost | 1,095 |
| Disposals at carrying value | ( 365 ) |
| Revaluation of investments to market value | 78 |
| Market value at 31 August 2020 | 2,281 |
| Historical cost | 2,203 |

Equity investments that are traded on a quoted market are held at fair value determined by reference to the quoted price for identical assets in an active market at the balance sheet date.

## 14. Debtors

| | 2020 | 2019 |
|---|---|---|
| | £000 | £000 |
| Trade debtors | 2,908 | 5,138 |
| Bad debt provision | ( 2,087 ) | ( 1,952 ) |
| Other debtors | 15 | 5 |
| Prepayments and accrued income | 551 | 392 |
| | 1,387 | 3,583 |

## 15. Creditors: amounts falling due within one year

| | 2020 | 2019 |
|---|---|---|
| | £000 | £000 |
| Bank loans | 203 | 162 |
| Trade creditors | 670 | 479 |
| Other taxation and social security | 352 | 367 |
| LGSS pension scheme deficit | 44 | 50 |
| Other creditors | 224 | 210 |
| Accruals and deferred income | 2,261 | 1,423 |
| | 3,754 | 2,691 |

**Deferred income**

Deferred income comprises fee income relating to future periods:

| | £000 |
|---|---|
| Balance at 1 September 2019 | 575 |
| Amounts released to income earned from charitable activities | ( 575 ) |
| Amounts deferred in the year | 585 |
| Balance at 31 August 2020 | 585 |

## 16. Creditors: amounts falling due after more than one year

| | 2020 | 2019 |
|---|---|---|
| | £000 | £000 |
| Bank loans | 2,102 | 2,220 |
| LGSS pension scheme deficit | 782 | 933 |
| | 2,884 | 3,153 |

Creditors include amounts not wholly repayable within 5 years as follows:

| | 2020 | 2019 |
|---|---|---|
| | £000 | £000 |
| LGSS pension scheme deficit | 782 | 933 |

The pension scheme deficit is the agreed deficit contribution to be made by the charitable company to the Tyne & Wear Local Government Pension Scheme following the last valuation of that Scheme.

Bank loans due after one year are repayable as follows:

| | 2020 | 2019 |
|---|---|---|
| | £000 | £000 |
| Between one and two years | 203 | 162 |
| Between two and five years | 2,102 | 2,058 |

The Foundation has a single mortgage with Barclays Bank plc which is secured on the charity's freehold and leasehold assets. The term remaining on the loan is 1 year and 11 months with interest charged at 1.5% over base rates. The ratio of the loan to the value of assets secured is 15%.

## 17. Financial instruments

| | 2020 | 2019 |
|---|---|---|
| | £000 | £000 |
| Measured at fair value through net income | 2,455 | 1,568 |
| Financial assets measured at amortised cost | 9,114 | 8,077 |
| Financial liabilities measures at amortised cost | ( 5,122 ) | ( 3,919 ) |

Financial assets measured at amortised cost comprise cash at bank and cash deposits, trade debtors and other debtors.

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

## 18. Statement of Funds

*For the year ended 31 August 2020*

| | Balance At 1 September 2019 £000 | Income £000 | Expenditure £000 | Transfers in/out £000 | Gains/ (losses) £000 | Balance At 31 August 2020 £000 |
|---|---|---|---|---|---|---|
| **Unrestricted funds** | | | | | | |
| General funds | 19,621 | 31,667 | ( 30,266 ) | ( 605 ) | 70 | 20,487 |
| Pension reserve | ( 12,108 ) | - | - | - | 515 | ( 11,593 ) |
| | 7,513 | 31,667 | ( 30,266 ) | ( 605 ) | 585 | 8,894 |
| **Designated funds** | | | | | | |
| Education | 61 | 31 | ( 10 ) | ( 4 ) | - | 78 |
| Adult Day Services | 16 | 17 | ( 15 ) | - | - | 18 |
| Adult Residential | 9 | 2 | ( 2 ) | - | - | 9 |
| Children's Residential | 4 | 10 | ( 6 ) | - | - | 8 |
| Central Services | - | 11 | - | - | - | 11 |
| Maintenance fund | 300 | - | - | 200 | - | 500 |
| Strategic Development fund | 300 | - | - | 200 | - | 500 |
| Recovery Plan PHS fund | - | - | - | 250 | - | 250 |
| | 690 | 71 | ( 33 ) | 646 | - | 1,374 |
| ***Total unrestricted funds*** | 8,203 | 31,738 | ( 30,299 ) | 41 | 585 | 10,268 |
| **Restricted funds** | | | | | | |
| Education | 191 | 207 | ( 123 ) | ( 9 ) | - | 266 |
| Adult Day Services | 11 | 29 | - | ( 32 ) | - | 8 |
| | 202 | 236 | ( 123 ) | ( 41 ) | - | 274 |
| **Total of funds** | 8,405 | 31,974 | ( 30,422 ) | - | 585 | 10,542 |

## 18. Statement of Funds *(Continued)*

*For the year ended 31 August 2019*

| | Balance At 1 September 2018 £000 | Income £000 | Expenditure £000 | Transfers in/out £000 | Gains/ (losses) £000 | Balance At 31 August 2019 £000 |
|---|---|---|---|---|---|---|
| **Unrestricted funds** | | | | | | |
| General funds | 18,927 | 29,595 | ( 28,421 ) | ( 533 ) | 53 | 19,621 |
| Pension reserve | ( 8,193 ) | - | - | - | ( 3,915 ) | ( 12,108 ) |
| | 10,734 | 29,595 | ( 28,421 ) | ( 533 ) | ( 3,862 ) | 7,513 |
| **Designated funds** | | | | | | |
| Education | 40 | 55 | ( 34 ) | - | - | 61 |
| Adult Day Services | 8 | 11 | ( 3 ) | - | - | 16 |
| Adult Residential | 5 | 8 | ( 2 ) | ( 2 ) | - | 9 |
| Children's Residential | 2 | 5 | ( 3 ) | - | - | 4 |
| Maintenance fund | - | - | - | 300 | - | 300 |
| Strategic development fund | - | - | - | 300 | - | 300 |
| | 55 | 79 | ( 42 ) | 598 | - | 690 |
| ***Total unrestricted funds*** | 10,789 | 29,674 | ( 28,463 ) | 65 | ( 3,862 ) | 8,203 |
| **Restricted funds** | | | | | | |
| Education | 201 | 269 | ( 214 ) | ( 65 ) | - | 191 |
| Adult Day Services | 17 | 23 | ( 29 ) | - | - | 11 |
| Children's Residential | 26 | - | ( 26 ) | - | - | - |
| | 244 | 292 | ( 269 ) | ( 65 ) | - | 202 |
| **Total of funds** | 11,033 | 29,966 | ( 28,732 ) | - | ( 3,862 ) | 8,405 |

## 18. Statement of Funds *(Continued)*

### Designated funds

Designated funds are small donations and income from some fundraising events, which are led by users, families, friends and staff of that particular service. These are set aside as a designated fund for use within that service. These funds are used each year to provide 'added extras' to enrich provision and might include small pieces of equipment and day or residential trips for those that use the service.

The maintenance fund carried forwards from 2018/19 relates to amounts set aside to cover a two-year programme of maintenance and minor improvements to the charity's buildings. Due to restrictions during COVID-19 lockdown the programme was delayed. A further £200k has been added to the maintenance fund in 2020/21.

The strategic development fund relates to amounts set aside to develop new services and to invest in technologies to support the beneficiaries and those staff who support them. This is a total of £500k which includes £300k carried forward from 2018/19.

The recovery plan PHS fund relates to amounts set aside for additional contributions toward the liability of pension scheme.

### Restricted funds

*Education*

Percy Hedley School, Northern Counties School and Percy Hedley College receive income from the Education Funding Authority towards the education of our children and young people, including grants that are set aside specifically for new sports equipment, building maintenance improvements and for general use within the schools and college.

Capital grant funding was also received to purchase specialist equipment or to refurbish and adapt areas of the schools and college.

*Adult Day Services*

During the year we received funding from The Karten Foundation to purchase new multimedia and printing equipment for our Able 2 adult services project.

During the year we received Heritage Lottery funding of £16,680 (2019: £20,850), this is a two year project that has brought our residents, students and supporters together to organise and share the formidable archive of pictures, books and artefacts we've built up over the years. Due to COVID-19 restrictions, the exhibition originally planned will be replaced with other activities appropriate to new guidelines.

*Children's Residential*

During 2017/18 we were lucky enough to receive a grant from Children in Need to support residential trips for children who live in our Children's Home's, these trips took place during the 2018/19 academic year. Funds in 2019/20 have been raised to purchase a new roundabout for the short breaks service.

The Transfers represent funds received for capital projects which have been transferred to unrestricted funds once the projects have purchased the assets the fund was intended for.

## 19. Analysis of net assets between funds

*For the year ended 31 August 2020*

| | Unrestricted funds £000 | Restricted funds £000 | Total funds £000 |
|---|---|---|---|
| Tangible fixed assets | 16,653 | - | 16,653 |
| Fixed asset investments | 2,455 | - | 2,455 |
| Current assets | 9,391 | 274 | 9,665 |
| Creditors due within one year | ( 3,754 ) | - | ( 3,754 ) |
| Creditors due in more than one year | ( 2,884 ) | - | ( 2,884 ) |
| Provisions for liabilities and charges | ( 11,593 ) | - | ( 11,593 ) |
| | 10,268 | 274 | 10,542 |

*For the year ended 31 August 2019*

| | Unrestricted funds £000 | Restricted funds £000 | Total funds £000 |
|---|---|---|---|
| Tangible fixed assets | 16,320 | - | 16,320 |
| Fixed asset investments | 1,568 | - | 1,568 |
| Current assets | 8,267 | 202 | 8,469 |
| Creditors due within one year | ( 2,691 ) | - | ( 2,691 ) |
| Creditors due in more than one year | ( 3,153 ) | - | ( 3,153 ) |
| Provisions for liabilities and charges | ( 12,108 ) | - | ( 12,108 ) |
| | 8,203 | 202 | 8,405 |

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

| | 2020 £000 | 2019 £000 |
|---|---|---|
| Net income/(deficit) for the year (as per Statement of Financial Activities) | 2,137 | ( 2,628 ) |
| Adjustment for: | | |
| Depreciation charges | 1,059 | 1,273 |
| Interest payable | 54 | 55 |
| Interest from investments | ( 36 ) | ( 51 ) |
| Pension provision adjustment | ( 515 ) | 3,915 |
| Unrealised gain | ( 75 ) | ( 53 ) |
| Decrease in debtors | 2,196 | 1,107 |
| Increase/(decrease) in creditors | 868 | ( 288 ) |
| Net cash provided by operating activities | 5,688 | 3,330 |

## 21. Analysis of changes in net debt

| | At 1 Sep 2019 £000 | Cash flows £000 | At 31 Aug 2020 £000 |
|---|---|---|---|
| Long term borrowings | ( 2,220 ) | 118 | ( 2,102 ) |
| Short term borrowings | ( 162 ) | ( 41 ) | ( 203 ) |
| Total liabilities | ( 2,382 ) | 77 | ( 2,305 ) |
| Cash and cash equivalents | 4,981 | 3,471 | 8,452 |
| | 2,599 | 3,548 | 6,147 |

## 22. Pension commitments

The charity's employees belong to three defined benefit pension schemes and two defined contribution scheme; AEGON and Peoples Pension.

The three defined benefit pension schemes are: The Teachers' Pension Scheme England and Wales ("TPS"); the Tyne & Wear Local Government Superannuation Scheme ("LGSS"); and the Percy Hedley Pension Scheme ("PHPS"). The PHPS was closed to new members in 2012.

### Defined contribution scheme

With respect to the defined contributions pension scheme, the assets of the scheme are held separately from those of the company in an independently administered fund. The pension cost charge represents contributions payable by the company to the fund and amounted to £373,000 (2019 - £312,000). Contributions totalling £68,000 (2019 - £72,000) were payable to the fund at the balance sheet date and are included in creditors.

### Teachers' Pension Scheme

### Introduction

The Teachers' Pension Scheme (TPS) is a statutory, contributory, defined benefit scheme, governed by the Teachers' Pensions Regulations (2010) and, by the Teachers' Pension Scheme Regulations 2014. These regulations apply to teachers in schools and other educational establishments, including academies, in England and Wales that are maintained by local authorities. In addition, teachers in many independent and voluntary-aided schools and teachers and lecturers in some establishments of further and higher education may be eligible for membership. Membership is automatic for full-time teachers and lecturers and, from 1 January 2007, automatic too for teachers and lecturers in part-time employment following appointment or a change of contract. Teachers and lecturers are able to opt out of the TPS.

### The Teachers' Pension Budgeting and Valuation Account

Although members may be employed by various bodies, their retirement and other pension benefits are set out in regulations made under the Superannuation Act (1972) and Public Service Pensions Act (2013) and are paid by public funds provided by Parliament. The TPS is an unfunded scheme and members contribute on a 'pay as you go 'basis – contributions from members, along with those made by employers, are credited to the Exchequer under arrangements governed by the above Acts.

The Teachers' Pensions Regulations 2010 require an annual account, the Teachers' Pension Budgeting and Valuation Account, to be kept of receipts and expenditure (including the cost of pension increases). From 1 April 2001, the Account has been credited with a real rate of return, which is equivalent to assuming that the balance in the Account is invested in notional investments that produce that real rate of return.

## 22. Pension commitments *(Continued)*

### Valuation of the Teachers' Pension Scheme

As a result of the latest scheme valuation employer contributions were increased in September 2019 from a rate of 16.4% to 23.6%. Employers also pay a charge equivalent to 0.08% of pensionable salary costs to cover administration expenses.

The next valuation is expected to take effect in 2023.

A copy of the latest valuation report can be found by following this link to the Teachers' Pension Scheme website.

### Scheme Changes

In December 2018, the Court of Appeal held that transitional protection provisions contained in the reformed judicial and firefighter pension schemes, introduced as part of public service pension reforms in 2015, gave rise to direct age discrimination and were therefore unlawful. The Supreme Court, in a decision made in June 2019, rejected the Government's application for permission to appeal the Court of Appeal's ruling and subsequently referred the case to an Employment Tribunal to determine a remedy which will need to be offered to those members of the two schemes who were subject of the age discrimination.

Since then, claims have also been lodged against the main public service schemes including the TPS. The Department has conceded those in line with the rest of the government. In July 2020 HM Treasury launched a 12-week public consultation which will provide evidence to support the delivery of an appropriate remedy for the affected schemes, including TPS.

A final remedy will be determined once the results of the consultation are established.

In December 2019, a further legal challenge was made against the TPS relating to an identified equalities issue whereby male survivors of opposite-sex marriages and civil partnerships are treated less favourably than survivors in same-sex marriages and civil partnerships. The Secretary of State for Education agreed not to defend the case. In June 2020, the Employment Tribunal recorded its findings in respect of the claimant. DfE is currently working to establish what changes are necessary to address this discrimination.

Any impact of these events will be taken into account when the next scheme valuation is implemented. This is scheduled to be implemented in April 2023, based on April 2020 data.

The employer's pension costs paid to TPS in the period amounted to £469,000 (2019 - £299,000).

## 22. Pension commitments *(Continued)*

### Local Government Superannuation Scheme

The LGSS is a funded defined benefit pension scheme, with the assets held in separate trustee administered funds. The total contribution made for the year ended 31 August 2020 was £193,000 (2019 - £189,000), of which employer's contributions totalled £123,000 (2019 - £117,000) and employees' contributions totalled £24,000 (2019 - £24,000). The agreed contribution rates for future years are 33.6% for employers and between 5.5% and 6.8% for employees.

The total contribution included an additional payment of £46,000 (2019 - £48,000) in respect of past service deficit.

The pensions cost is assessed every three years in accordance with the advice of a qualified independent actuary. The assumptions and other data that have the most significant effect on the determination of the contribution levels are as follows:

- Latest actuarial valuation: 31 March 2019
- Investment returns per annum: 4.3% per annum
- Pension increases per annum: 2.1% per annum
- Salary scale increases per annum: 3.6% per annum
- Fair value of assets at date of last valuation: £5.731 million
- Present value of liabilities at date of the valuation: £6.417 million
- Deficit funding period for Percy Hedley: 17 years
- Future contribution rate 1 April 2018 to 31 March 2020 for Percy Hedley: 34.8%
- Life expectancy at age 65: men – 21.8 years, women – 24.9 years
- Life expectancy at age 65 for members currently aged 45: men – 23.4 years, women – 26.7 years

Under the definitions set out in Financial Reporting Standard 17 (Retirement Benefits), the LGSS is a multi-employer pension scheme. The charity is unable to identify its share of the underlying assets and liabilities of the scheme.

Accordingly, the charity has taken advantage of the exemption in FRS 102 and has accounted for its contributions to the scheme as if it were a defined contribution scheme except to the extent that the charity has agreed to provide future deficit funding, which is recorded as a liability. The charity has set out above the information available on the deficit in the scheme and the implications for the charity in terms of anticipated contribution rates.

## 22. Pension commitments *(Continued)*

### Percy Hedley Pension Scheme

The group operates a defined benefit scheme in the UK. A full actuarial valuation of the Percy Hedley Pension Scheme was carried out as at 31 March 2019 and the results of this valuation have been updated to 31 August 2020 by a qualified independent actuary. As required by FRS 102 the defined benefit liabilities have been measured using the projected unit method. The scheme is closed to new entrants and further benefit accrual.

The disclosures below are provided in respect of Percy Hedley Pension Scheme ("the Scheme").

The total cost recognised in the period was as follows:

| | 2020 | 2019 |
|---|---|---|
| | £'000 | £'000 |
| Current service cost | ( 345 ) | ( 493 ) |
| Past service cost | - | 2,447 |
| Net interest | ( 235 ) | ( 193 ) |
| Total cost recognised | ( 580 ) | 1,761 |

**The amounts recognised in the balance sheet are as follows:**

| | 2020 | 2019 |
|---|---|---|
| | £'000 | £'000 |
| Fair value of scheme liabilities | ( 34,849 ) | ( 33,569 ) |
| Fair value of scheme assets | 23,256 | 21,461 |
| Deficit in the scheme | ( 11,593 ) | ( 12,108 ) |

## 22. Pension commitments *(Continued)*

### Change in the present value of the defined benefit obligation

| | 2020 | 2019 |
|---|---|---|
| | £'000 | £'000 |
| Opening defined benefit obligation | 33,569 | 29,292 |
| Current service cost | 345 | 493 |
| Past service cost | - | ( 2,447 ) |
| Interest cost | 669 | 779 |
| Contributions to scheme participants | 117 | 118 |
| Actuarial (gain)/loss arising on the scheme liabilities | 870 | 6,456 |
| Benefits paid | ( 721 ) | ( 1,112 ) |
| Liabilities in scheme at end of the year | 34,849 | 33,569 |

### Change in the fair value of scheme assets

| | 2020 | 2019 |
|---|---|---|
| | £'000 | £'000 |
| Opening fair value of scheme assets | 21,461 | 21,089 |
| Interest income | 434 | 586 |
| Actual return assets | 859 | 115 |
| Contributions by employer | 1,106 | 665 |
| Contributions to scheme participants | 117 | 118 |
| Benefits paid | ( 721 ) | ( 1,112 ) |
| Total market value of assets | 23,256 | 21,461 |

### Major categories of scheme assets as a percentage of total assets

| | 2020 | 2019 |
|---|---|---|
| | % | % |
| Equities | 96.9 | 98.5 |
| Other (incl cash and net current assets) | 3.1 | 1.5 |

None of the scheme's assets are invested in property or other assets used by the employer.

### The return on plan assets was as follows:

| | 2020 | 2019 |
|---|---|---|
| | £'000 | £'000 |
| Interest income | 434 | 586 |
| Actual return assets | 859 | 115 |
| Total return on plan assets | 1,293 | 701 |

## 22. Pension commitments *(Continued)*

### Principal actuarial assumptions at the balance sheet date

| | As at 31 August 2020 | As at 31 August 2019 |
|---|---|---|
| | % | % |
| Discount rate | 1.80 | 2.00 |
| Salary increases | 0.00 | 0.00 |
| Inflation assumption (RPI) | 3.35 | 3.50 |
| Inflation assumption (CPI) | 2.35 | 2.50 |

The mortality assumptions used for longevity (in years) on retirement at age 65 are:

| | As at 31 August 2020 | As at 31 August 2019 |
|---|---|---|
| | years | years |
| Retiring at the balance sheet date | | |
| – males | 21.5 | 21.4 |
| – females | 23.5 | 23.3 |
| Retiring in 20 years | | |
| – males | 22.8 | 22.7 |
| – females | 24.9 | 24.8 |

## 23. Operating lease commitments

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

| | 2020 | 2019 |
|---|---|---|
| | £000 | £000 |
| Amounts payable: | | |
| Within 1 year | 37 | 124 |
| Between 1 and 5 years | 92 | 92 |
| After more than 5 years | 409 | 424 |
| Total | 539 | 640 |

## 24. Related party transactions

During the year the Foundation received services from the following companies for whom one of our Trustees is also a director;

- £2,997 (2019 - £6,444) of services from ITPS Communications Ltd. There were no amounts outstanding at the year end.
- £nil of services from Acrol (2019 - £69,804). An amounts of £nil (2019 - £8,340) was due to the company at the year end.

## 25. Principal subsidiaries

The charitable company controls and owns one dormant subsidiary, NCS Developments Limited. The subsidiary is 100% owned by The Percy Hedley Foundation and is dormant with no assets or liabilities and nil net funds.

## Statement of Financial Activities Incorporating Income and expenditure account
## For the year ended 31 August 2019

### 26. Comparative Statement of Financial Activities

| | Notes | Unrestricted Fund £000 | Restricted Funds £000 | Total 2019 £000 | Total 2018 £000 |
|---|---|---|---|---|---|
| **Income from:** | | | | | |
| Donations and legacies | 2 | 146 | 109 | 255 | 508 |
| Charitable activities | 5 | 29,324 | 183 | 29,507 | 28,170 |
| Fundraising activities | 3 | 178 | - | 178 | 219 |
| Investments | 4 | 65 | - | 65 | 14 |
| **Total income** | | 29,713 | 292 | 30,005 | 28,911 |
| **Expenditure on:** | | | | | |
| Raising funds | | | | | |
| Investment management costs | | 11 | - | 11 | - |
| Costs of generating fundraising | | 184 | - | 184 | 218 |
| Charitable activities | 6 | 28,307 | 269 | 28,576 | 28,066 |
| **Total expenditure** | | 28,502 | 269 | 28,771 | 28,284 |
| Net gain on investment | | 53 | - | 53 | - |
| **Net income before transfers** | | 1,264 | 23 | 1,287 | 627 |
| Transfers between funds | 18 | 65 | ( 65 ) | - | - |
| **Net income/(expenditure) before other recognised gains and losses** | | 1,329 | ( 42 ) | 1,287 | 627 |
| Actuarial gains/losses on defined benefit pension schemes | 22 | ( 3,915 ) | - | ( 3,915 ) | 83 |
| **Net movement in funds** | | ( 2,586 ) | ( 42 ) | ( 2,628 ) | 710 |
| **Reconciliation of funds:** | | | | | |
| Total funds brought forward | | 10,789 | 244 | 11,033 | 10,323 |
| **Total funds carried forward** | | 8,203 | 202 | 8,405 | 11,033 |