

HACKNEY JOINT ESTATE CHARITY
REPORT AND FINANCIAL STATEMENTS
31 MARCH 2023

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HACKNEY JOINT ESTATE CHARITY

LEGAL AND ADMINISTRATIVE INFORMATION

Governing Instrument	Charity Commission Scheme dated 1 March 1898 as amended by Scheme dated 24 August 2004 and Scheme dated 23 July 2010.
Trustee	Hackney Endowed Trustee Limited. The Trustee is the owner of the assets and liabilities of the Charity.
Directors of the Trustee Hackney Parochial Charities	Ms M Cannon Councillor C Kennedy Mr A Hilton Cllr. R Chapman Cllr. S Patrick
South Hackney Parochial Charity	Mr D Paul-Worika Mrs J Andrews Cllr. J Ogunndemuren (appointed 31 Jan 23)
West Hackney Parochial Charities	Mr I Malik (Chair) Ms K Johnson Reverend Justin Gau
Charity registered number	219875
Clerk to the Trustee	Kellie Carson The Trust Partnership 6 Trull Farm Buildings Tetbury Gloucestershire GL8 8SQ
Auditor	Dunkley's Woodlands Grange Woodlands Bradley Stoke Bristol BS32 4JY
Property Agents	Strettons Ltd Central House 189 - 203 Hoe Street London E17 3SZ
Legal advisors	Charles Russell Speechly LLP 5 Fleet Place London EC4M 7RD
Bankers	CAF Bank 30 Old Broad St, London EC2N 1HT Clydesdale Bank 154-158 Kensington High St London EC2N 1HT

HACKNEY JOINT ESTATE CHARITY

REPORT OF THE TRUSTEE

The financial statements have been prepared in accordance with the accounting policies set out on pages 12 to 14 of the attached accounts and comply with the charity's trust deed, the Charities Act 2011, regulations applicable to that Act, and 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).

The year

These accounts record the 417th year of our stewardship of the gifts of Hackney people to their fellow parishioners. In 1898 the management of these assets was united in this single body. In line with the 1898 Scheme, the income from these assets is used to repair and insure the property with the remaining income being distributed to three parochial charities in the Borough of Hackney. These bodies appoint the Directors of the Corporate Trustee known as Hackney Endowed Trustee Ltd.

Structure, governance and management

Role

The Trustee's role, as defined by section 17 of the 1898 Scheme, is to manage the endowed Estate. This consists of historic properties in Hackney comprising long and short residential leaseholds, shops, and office/commercial units. The Trustee regards itself as accountable to the three beneficiary grant-making charities: Hackney Parochial Charity, West Hackney Parochial Charity, and South Hackney Parochial Charity. In turn, the Parochial Charities, who are individually registered with the Charity Commission, make grants to local causes in need, such as youth groups, parenting groups and individuals in need, as well as providing social housing through almshouses.

Director appointment

There was one appointment during the year – that of Councillor J Ogunndemuren effective 31st January 2023. The constitution and governance is kept under review and no major change has been seen, as necessary. Directors are appointed to the Corporate Trustee, Hackney Endowed Trustee Limited and are put forward by Hackney Parochial Charities, South Hackney Parochial Charity and West Hackney Parochial Charities, in accordance with the governing documents.

Operations

The Directors of the Trustee meet quarterly with standing arrangements and delegations permitting effective decision making between meetings. Sub-committees and Working Parties are established as required. The Clerk does not have direct operational control of the Estate, but instead facilitates the decision making of the directors and executes those decisions. The committee consists of three or more board Directors, each also representing their constituent charity (West Hackney Parochial Charity, Hackney Parochial Charities, and the South Hackney Parochial Charity), to facilitate broad consent and decision making.

Key management personnel

The Directors of the Trustee consider that they comprise the key management of the charity in charge of directing and controlling, running, and operating the charity on a day to day basis. The Directors receive no remuneration.

Risk management

The Charity regularly reviews its risk policies and procedures. Directors maintain a risk register which is regularly updated and considered at quarterly meetings by the Board of Directors. The impact of the Covid-19 pandemic on operations, activities and future plans is considered below. In terms of the impact of the pandemic on risk, Directors consider the main impact to be a reduced rental income particularly from commercial units and the potential for a loss of fixed asset value. In summary, the main risks to the Charity are considered to be:

Financial Risk - Properties remaining vacant awaiting redevelopment. Reduction in income from rents from market fluctuations especially during and after the Covid pandemic. Reduced asset valuation in real terms. Additional cost to the current refurbishment programme from shutdown during the pandemic when building supplies were unavailable and an increase in the Contract Sum for the works to 204-210 Well Street as a result of essential unforeseen works.

HACKNEY JOINT ESTATE CHARITY

REPORT OF THE TRUSTEE

Risk management (continued)

Mitigation - Regular Board meetings with commercial agents, Strettons, to review empty properties and ensure rent reviews and collections are conducted on time. Strategic review of asset management planned. Additional Director meetings with project managers and advisors during the pandemic and the refurbishment.

Statement of Trustee's responsibilities

The Trustee is responsible for preparing the Trustees' report and accounts in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

The law applicable to charities in England and Wales requires the Trustee to prepare accounts for each financial year which give a true and fair view of the state of affairs of the charity and of the income and expenditure of the charity for that period. In preparing these accounts, the trustees are required to:

- select suitable accounting policies and then apply them consistently;
- observe the methods and principles in 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);
- make judgements and estimates that are reasonable and prudent;
- state whether applicable United Kingdom Accounting Standards have been followed, subject to any material departures disclosed and explained in the accounts; and
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the charity will continue in operation.

The Trustee is responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the charity and enable them to ensure that the accounts comply with the Charities Act 2011, applicable Charity (Accounts and Reports) Regulations and the provisions of the charity's constitution. They are also responsible for safeguarding the assets of the charity and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Objectives and activities

The object of the Charity is to manage its endowed property portfolio to maximise the net rental income (after costs) for distribution to three beneficiaries: Hackney Parochial Charities, South Hackney Parochial Charities and West Hackney Parochial Charities. The Trustee continues to implement its ten-year strategy and to reaffirm its mission statement to achieve the Charity's objective whilst contributing to the local community in Hackney. The main activity throughout the year has been to maintain the property portfolio in order to protect its value for the long term. Individual vacant properties are refurbished as necessary and re-let as soon as possible to minimise loss of income through voids.

Public benefit

In carrying out the Charity's objectives, the Trustee has had regard to the Charity Commission's guidance on public benefit. The purpose of the Charity is to distribute surplus income to three individual parochial charities each charity with separate identifiable objectives to relieve hardship and need to the public within the local community. A distribution of £300,000 was made in the year. (2022 - £300,000).

HACKNEY JOINT ESTATE CHARITY

REPORT OF THE TRUSTEE

Achievements, performance and financial review

During the year gross property revenues increased by 6.05% from £1,485,768 for the year ended 31 March 2022 to £1,575,597 for the year ended 31 March 2023, which is considered a return to trend after a dip in income in 2021-22, which was primarily due to loss of income from commercial rents during the pandemic. Expenditure for the year increased by 21.6% from £971,143 for the year ended 31 March 2022 to £1,181,166 for the year ended 31 March 2023. This is primarily due to an increase in mortgage costs and legal and professional fees. In the prior year, the Charity increased the distribution to the three parochial charities from £260,000 in 2020-21, to £300,000 in 2021-22. No further increase has been proposed in the current year.

The Charity's objective is to continue to provide residential and commercial lettings to generate income to maintain the estate, principally in order that it may provide for the annual distribution to the parochial charities. The Directors of the Trustee have reviewed the performance of the Charity during the year against objectives set and are satisfied that the objectives have been met.

The valuation of investment properties in the accounts at 31 March 2023 has been calculated by the directors by reference to a desktop valuation performed by Strettons Ltd on behalf of the charity at 31 March 2022, and estimates of movements in property valuations since that date. This resulted in a loss on revaluation of £1,040,616 for the year ended 31 March 2023 (2022: gain of £424,849).

The Trustee continues to invest into the modernisation of the property portfolio and has commissioned an asset management plan to determine the levels of investment required to ensure the portfolio has longevity and attracts full marketing rent to maximise income. The asset management programme will enable the Trustee to ensure sufficient income is ringfenced for the future investment in the portfolio.

A capital programme of works continues to improve the quality of the portfolio and increase the annual passing rent that can be achieved for both residential and commercial properties. Directors have commissioned the final stages of the 204-210 Well Street project, which will provide an additional four residential units. The project is anticipated to be completed by 2024. The refurbishment of 192a, 194a, 200a and 234a Well Street (all residential units) has been completed and all units have been let to a total value of £92,400 passing rent per annum.

No fundraising activities were undertaken during the year.

Reserves policy

The adopted approach to reserves is explained in notes 14 and 15 to these accounts. Commitments and liabilities due within one year total £313,791 at 31 March 2023. The Trustee believes that the anticipated income for the year ending 31 March 2024, together with the cash balance of £240,214 as at 31 March 2023 is sufficient to cover these commitments and liabilities. At 31 March 2023 the Charity had Endowment funds of £22,261,013 (2022 - £22,221,693), and designated funds of £400,000 (2022 - £400,000). This left the Charity with general unrestricted funds of £1,704,931 (2022 - £1,389,612).

The Trustee is of the opinion that the Charity has made a good recovery from the additional challenges of the pandemic in 2022, and that it will continue to have sufficient resources to meet its liabilities as they fall due.

Future plans

In 2021, the Trustee established a Working Party to consider the options for redeveloping a block of properties known as "The Triangle" adjacent to Well Street market. In the previous financial reporting period, Directors had reassessed the financial commitment required and had decided not to proceed.

In the current year, 'The Triangle Working Party' has reconvened and following a tender process commissioned a local Architect firm, to review the previous options for the redevelopment of the site. The proposal is to refurbish the existing site, rather than redevelopment. The Working Party will further consider in conjunction with various professional advisors the future possibilities for this site.

Approved by the Trustee and signed on its behalf on:

.....
Director of the Trustee

HACKNEY JOINT ESTATE CHARITY

INDEPENDENT AUDITOR'S REPORT TO THE TRUSTEE OF HACKNEY JOINT ESTATE CHARITY

Opinion

We have audited the accounts of Hackney Joint Estate Charity (the 'charity') for the year ended 31 March 2023 which comprise the statement of financial activities, the balance sheet, the statements of cash flows principal accounting policies and the notes to the accounts. 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 accounts:

- ◆ give a true and fair view of the state of the charity's affairs as at 31 March 2023 and of 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 Charities Act 2011.

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 accounts section of our report. We are independent of the charity in accordance with the ethical requirements that are relevant to our audit of the accounts 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 accounts, we have concluded that the trustees' use of the going concern basis of accounting in the preparation of the accounts 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 accounts 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 trustees are responsible for the other information. The other information comprises the information included in the annual report and accounts, other than the accounts and our auditor's report thereon. Our opinion on the accounts does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the accounts, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the accounts 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 accounts 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.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters in relation to which the Charities Act 2011 requires us to report to you if, in our opinion:

- ◆ the information given in the trustees' annual report is inconsistent in any material respect with the accounts; or
- ◆ sufficient accounting records have not been kept; or

- ◆ the accounts are not in agreement with the accounting records and returns; or
- ◆ we have not received all the information and explanations we require for our audit.

Responsibilities of trustees

As explained more fully in the trustees' responsibilities statement, the trustees are responsible for the preparation of the accounts 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 accounts that are free from material misstatement, whether due to fraud or error.

In preparing the accounts, 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's responsibilities for the audit of the accounts

Our objectives are to obtain reasonable assurance about whether the accounts 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 accounts.

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:

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

- the engagement partner ensured that the engagement team collectively had the appropriate competence, capabilities and skills to identify or recognise non-compliance with applicable laws and regulations; and
- we obtained an understanding of the legal and regulatory frameworks that are applicable to the charity and determined that the most significant frameworks which are directly relevant to specific assertions in the financial statements are those that relate to the reporting framework (Statement of Recommended Practice: Accounting and Reporting by Charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland (FRS 102) and the Charities Act 2011) and those that relate to data protection (General Data Protection Regulation).
- We understood how the charity is complying with those legal and regulatory frameworks by making enquiries of management and those responsible for legal and compliance procedures. We corroborated our enquiries through our review of the minutes of trustees' meetings and reports from regulatory bodies.

We assessed the susceptibility of the charity's financial statements to material misstatement, including obtaining an understanding of how fraud might occur. Audit procedures performed by the engagement team included:

Auditor's responsibilities for the audit of the accounts (continued)

- Identifying and assessing the design effectiveness of controls in place to prevent and detect fraud;
- Understanding how those charged with governance considered and addressed the potential for override of controls or other inappropriate influence over the financial reporting process;
- Challenging assumptions and judgements made by management in its significant accounting estimates;
- Identifying and testing journal entries;
- Assessing the extent of compliance with the relevant laws and regulations as part of our procedures on the relevant accounts item to which they relate.

HACKNEY JOINT ESTATE CHARITY

INDEPENDENT AUDITOR'S REPORT TO THE TRUSTEE OF HACKNEY JOINT ESTATE CHARITY

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

- performed analytical procedures to identify any unusual or unexpected relationships;
- performed substantive testing on expenditure; and
- tested journal entries to identify unusual transactions.

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

- reading the minutes of meetings of those charged with governance; and
- enquiring of management as to actual and potential litigation and claims.

As a result of our procedures we did not identify any key audit matters relating to irregularities.

There are inherent limitations in our audit procedures described above. The more removed that laws and regulations are from financial transactions, the less likely it is that we would become aware of non-compliance. Auditing standards also limit the audit procedures required to identify non-compliance with laws and regulations to enquiry of the trustees and other management and the inspection of regulatory and legal correspondence, if any.

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

A further description of our responsibilities for the audit of the accounts 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 charity's trustees, as a body, in accordance with section 144 of the Charities Act 2011 and with regulations made under section 154 of that Act. 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 charity and the charity's trustees as a body, for our audit work, for this report, or for the opinions we have formed.

Dunkley's
Chartered Accountants
Registered Auditors
Woodlands Grange
Woodlands Lane
Bradley Stoke
Bristol
BS32 4JY

Date:

HACKNEY JOINT ESTATE CHARITY

STATEMENT OF FINANCIAL ACTIVITIES FOR THE YEAR ENDED 31 MARCH 2023

	Notes	General Funds £	Estate Repairs Reserve £	Future Development Reserve £	Endowment Funds £	Total Funds 2023 £	Total Funds 2022 £
Income from:							
Rent receivable	3	1,575,597	-	-	-	1,575,597	1,485,768
Interest receivable		824	-	-	-	824	-
Total income		1,576,421	-	-	-	1,576,421	1,485,768
Expenditure on:							
Cost of raising funds	4	671,487	209,679	-	-	881,166	671,143
Charitable activities Distributions	17	300,000	-	-	-	300,000	300,000
Total expenditure		971,487	209,679	-	-	1,181,166	971,143
Net income/(expenditure)		604,933	(209,679)	-	-	395,254	514,625
Transfer between funds	14/15	(289,614)	209,679	-	79,935	-	-
Gain/(loss) on investment properties	7	-	-	-	(1,040,616)	(1,040,616)	424,849
Net movement in funds		315,319	-	-	(960,680)	(645,361)	939,474
Reconciliation of funds							
Total funds brought forward		1,389,612	100,000	300,000	22,221,693	24,011,305	23,071,831
Total funds carried forward		1,704,931	100,000	300,000	21,261,013	23,365,944	24,011,305

The notes on pages 12 to 22 form part of these accounts.

All of the charity's activities derived from continuing operations during the above two financial periods.

HACKNEY JOINT ESTATE CHARITY COMPARATIVE INFORMATION

Analysis of income and expenditure in the year ended 31 March 2022 between general, designated and endowment funds.

	Notes	General Funds £	Estate Repairs Reserve £	Future Development Reserve £	Endowment Funds £	Total Funds 2022 £
Income from:						
Rent receivable	3	1,485,768	-	-	-	1,485,768
Interest receivable		-	-	-	-	-
Total income		1,485,768	-	-	-	1,485,768
Expenditure on:						
Cost of raising funds	4	465,985	205,158	-	-	671,143
Charitable activities						
Distributions	17	300,000	-	-	-	300,000
Total expenditure		765,985	205,158	-	-	971,143
Net income/(expenditure)		719,783	(205,158)	-	-	514,625
Transfer between funds	14/15	(98,998)	205,158	-	(106,160)	-
Loss on investment properties					424,849	424,849
Net movement in funds		620,785	-	-	318,689	939,474

HACKNEY JOINT ESTATE CHARITY

BALANCE SHEET 31 MARCH 2023

	Notes	£	2023 £	£	2022 £
Fixed assets					
Investment property	7		26,000,000		26,530,000
Current assets					
Debtors	8	217,051		261,802	
Cash at bank and in hand		<u>240,214</u>		<u>374,797</u>	
		457,265		636,599	
Current liabilities					
Creditors: amounts falling due within one year	9	<u>(313,791)</u>		<u>(294,711)</u>	
Net current assets			143,474		341,888
Creditors: amounts falling due after more than one year	10		<u>(2,777,530)</u>		<u>(2,860,583)</u>
Net assets			<u>23,365,944</u>		<u>24,011,305</u>
Represented by:					
Endowment funds	14		21,261,013		22,221,693
Unrestricted funds	15				
Designated funds	15		400,000		400,000
General funds	15		<u>1,704,931</u>		<u>1,389,612</u>
			<u>23,365,944</u>		<u>24,011,305</u>

Approved by the Trustee on

2023 signed on its behalf by:

Councillor R Chapman)
Mr I Malik) Directors

The notes on pages 12 to 22 form part of these accounts.

STATEMENT OF CASHFLOWS FOR THE YEAR ENDED 31 MARCH 2023

	Note	2023 £	2022 £
Cash flows from operating activities:			
Net cash provided by operating activities	12	<u>(135,406)</u>	<u>240,830</u>
Cash flows from investing activities:			
Interest received		824	-
Net cash provided by investing activities:		<u>824</u>	<u>-</u>
Change in cash and cash equivalents in the year		(134,583)	240,830
Cash equivalents at the beginning of the year		<u>374,797</u>	<u>133,967</u>
Cash and cash equivalents at the end of the year		<u>240,214</u>	<u>374,797</u>

The notes on pages 12 to 22 form part of these accounts.

**NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31 MARCH 2023**

1. Accounting policies

The principal accounting policies adopted, judgements and key sources of estimation uncertainty in the preparation of the financial statements are laid out below.

1.1. Basis of accounting

The financial statements have been prepared for the year to 31 March 2023.

The financial statements have been prepared under the historical cost convention with items recognised at cost or transaction value unless otherwise stated in the relevant accounting policies below or the notes to these financial statements.

The financial statements have been prepared in accordance with the Statement of Recommended Practice: Accounting and Reporting by Charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) issued on 1 January 2019 and Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland (FRS 102) and Charities Act 2011.

The charity constitutes a public benefit entity as defined by FRS 102.

The financial statements are presented in sterling and are rounded to the nearest pound.

1.2. Critical accounting estimates and areas of judgement

Preparation of the financial statements requires the Trustee and management to make significant judgements and estimates.

The items in the accounts where these judgements and estimates have been made include:

- assessing the appropriateness of the assumptions and methodology used in determining the fair value of investment properties; and
- estimating future income and expenditure flows for the purpose of assessing going concern.

1.3. Assessment of going concern

The Trustee has assessed whether the use of the going concern assumption is appropriate in preparing these financial statements. The Trustee has made this assessment in respect to a period of one year from the date of approval of these financial statements.

The Trustee of the Charity has concluded that there are no material uncertainties related to events or conditions that may cast significant doubt on the ability of the Charity to continue as a going concern. The Trustee is of the opinion that the Charity has made a good recovery from the additional challenges of the pandemic in 2022, and that it will continue to have sufficient resources to meet its liabilities as they fall due.

**NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31 MARCH 2023**

1.4. Income recognition

Income is recognised in the period in which the charity has entitlement to the income, the amount of income can be measured reliably and it is probable that the income will be received.

Income is deferred only when the charity has to fulfil conditions before becoming entitled to it or where the donor has specified that the income is to be expended in a future accounting period. Income comprises rental income from investment property and interest receivable. Rental income from investment property is recognised when it becomes contractually due under the relevant lease or tenancy agreement and receipt is considered probable. Interest on funds held on deposit is included when receivable and the amount can be measured reliably by the charity; this is normally upon notification of the interest paid or payable by the bank.

1.5. Expenditure recognition

Liabilities are recognised as expenditure as soon as there is a legal or constructive obligation committing the charity to make a payment 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.

All expenditure is accounted for on an accruals basis and includes attributable VAT which cannot be recovered. Expenditure comprises direct costs and support costs. All expenses, including support costs, are allocated to the applicable expenditure heading.

Expenditure comprises the following:

- Expenditure on raising funds comprises expenditure incurred on investment properties.
- Expenditure on charitable activities comprises grants payable in the form of distributions to connected charities.

Grants payable are included in the statement of financial activities when approved and when the intended recipient has either received the funds or been informed of the decision to make the grant and has satisfied all related conditions.

1.6. Allocation of support and governance costs

Support costs represent indirect charitable expenditure. In order to carry out the primary purposes of the charity it is necessary to provide support in the form of financial and governance procedures, provision of office services and equipment and a suitable working environment.

Governance costs comprise the costs involving the public accountability of the charity (including audit costs) and costs in respect to its compliance with regulation and good practice.

Support costs and governance costs are allocated directly to expenditure on raising funds.

HACKNEY JOINT ESTATE CHARITY

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2023

1.7. Investment properties

Investment properties are included in the accounts at market value at the year end. Their valuation at 31 March 2023 has been calculated by the directors by reference to a desktop valuation performed by Strettons Ltd on behalf of the charity at 31 March 2022, and estimates of movements in property valuations since that date. At 31 March 2022 and 31 March 2021, investment properties were included in the accounts based on desktop valuation performed by Strettons Ltd as at the year-end dates. Prior to that the property valuation had been informed by a desktop valuation performed by Strettons Ltd, on behalf of the charity in 2019 and historic valuations undertaken in 2009 and 2010 and internal valuations as at 31st March 2015.

Development costs are written off as expenditure in the year in which they are incurred. Trustees also consider the impact of capital works performed within the properties since the last full revaluation when determining the year end valuation. Gains and losses on the revaluation of investment properties are included in the statement of financial activities.

1.8. Debtors

Debtors are recognised at the settlement amount, less any provision for non-recoverability. They have been discounted to the present value of the future cash receipt where such discounting is material.

1.9. Cash at bank and in hand

Cash at bank and in hand represents such accounts and instruments that are available on demand or have a maturity of less than three months from the date of acquisition.

1.10. Creditors and provisions

Creditors and provisions 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. Creditors and provisions are recognised at the amount the charity anticipates it will pay to settle the debt. They have been discounted to the present value of the future cash payment where such discounting is material.

1.11. Fund accounting

Endowment funds comprise the value of the freehold property settled on the Charity at market valuation. The Charity does not apply the total return basis in relation to its Endowment funds.

Designated funds are monies set aside of unrestricted general funds and designated for specific purposes by the trustee.

General funds represent those monies that are freely available for application towards achieving any charitable purpose that fall within the charity's charitable objects.

Further details on the nature and purpose of each fund is set out in notes 14 and 15 to the financial statements.

2 Taxation

The Charity is exempt from taxation on its income and gains where they are applied for charitable purposes.

HACKNEY JOINT ESTATE CHARITY

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2023

3 Rental income

	General funds	
	2023 £	2022 £
Source of rental income:		
Residential	903,980	821,451
Commercial	671,617	664,317
	<u>1,575,597</u>	<u>1,485,768</u>

HACKNEY JOINT ESTATE CHARITY

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2023 (continued)

4	Property expenses	General Funds £	Estate Repairs Reserves £	Future Development Reserve £	Endowment Funds £	Total Funds 2023 £	Total Funds 2022 £
	Rates and water rates	60,668	-	-	-	60,668	39,363
	Lighting and caretaking	91,998	-	-	-	91,998	65,899
	Repairs	-	209,679	-	-	209,394	205,158
	Miscellaneous	4,698	-	-	-	4,698	4,263
	Commission on collection of rents	98,261	-	-	-	98,261	97,339
	Property insurance	48,098	-	-	-	48,098	33,580
	Legal and professional						
	- enforcement and collection	10,137	-	-	-	10,137	9,885
	- rent review and new leases	80,719	-	-	-	80,719	53,414
	- other	34,452	-	-	-	34,452	21,870
	Estate agent's fees	885	-	-	-	885	4,727
	Bad debts and rent arrears provision	23,319	-	-	-	23,319	(40,317)
	Mortgage legal & arrangement fee	14,000	-	-	-	14,000	14,285
	Mortgage interest	150,049	-	-	-	150,049	95,113
	Governance costs (see note 5)	54,203	-	-	-	54,203	66,564
		<u>671,487</u>	<u>209,679</u>	<u>-</u>	<u>-</u>	<u>881,166</u>	<u>671,143</u>

All expenditure in the year ended 31 March 2023 was made from General Funds except for repairs and maintenance where £209,679 was expended from the Estate Repairs Reserves and £nil from the Future Development Reserve. Development expenditure totalling £510,616 was capitalised as at 31 March 2023 (2022 £390,151) (see note 7).

5	Governance costs	2023 £	2022 £
	Administration fees	35,121	46,891
	Accountancy fees	12,014	12,349
	Auditor's remuneration for statutory audit	7,068	7,324
		<u>54,203</u>	<u>66,564</u>

HACKNEY JOINT ESTATE CHARITY

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2023 (continued)

6 Net income for the year

This is stated after charging:

	2023 £	2022 £
Auditor's remuneration (prior year)	468	104
Auditor's remuneration (current year)	6,600	7,220

7 Investment property

Balance 1 April 2022 £	Property Additions £	Revaluation £	Balance 31 March 2023 £
26,530,000	510,616	(1,040,616)	26,000,000

All freehold investment properties are vested in Hackney Endowed Trustee Limited, the 'trust corporation' that is now the Trustee. The valuation of investment properties in the accounts at 31 March 2023 has been calculated by the directors by reference to a desktop valuation performed by Strettons Ltd on behalf of the charity at 31 March 2022, and estimates of movements in property valuations since that date. Certain properties have been used as security for bank loans and further details are provided in note 10 to these accounts.

8 Debtors and prepayments

	2023 £	2022 £
Due from agent	115,155	173,582
Rent receivable, less specific provision	62,531	47,822
Prepayments	22,582	23,617
Other debtors	16,781	16,781
	<u>217,051</u>	<u>261,802</u>

9 Creditors: amounts falling due within one year

	2023 £	2022 £
Bank loan (note 10)	93,891	90,773
Deferred income	127,835	130,514
Other creditors	<u>92,065</u>	<u>73,424</u>
	<u>313,791</u>	<u>294,711</u>

Deferred income comprises rents, service charges and insurance refunds received in advance.

	2023 £	2022 £
Balance as at 1 April	130,514	141,431
Amount released to income	(130,514)	(141,431)
Amount deferred in year	<u>127,835</u>	<u>130,514</u>
Balance as at 31 March	<u>127,835</u>	<u>130,514</u>

HACKNEY JOINT ESTATE CHARITY

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2023 (continued)

10 Creditors: amounts falling due after more than one year

	2023 £	2022 £
Bank loans	2,777,530	2,860,583
The above liability is payable as follows:		
Within one year (note 9)	93,891	90,773
Between one and two years	97,672	93,891
Between two and five years	316,478	304,793
After more than five years	2,363,380	2,461,899
	<u>2,871,421</u>	<u>2,951,356</u>

A loan with CAF Bank was entered into by the end of March 2014 and the first draw down of funds was made in August 2014. The CAF Bank loan totalling £700,000 will be repaid over the next 16 years, with interest being payable monthly at a rate of 4.5% over the Bank of England Base Rate. The loan is secured on properties at 184-186 Well Street and Celia Fiennes House.

During 2019/20 the two loans from Charity Bank £700,000 and £338,005 which were in place as at 31 March 2019 were consolidated into a new loan with a facility totalling £3,165,467, which provides an additional £2,200,000 funding for a projects in Well Street. The loan, of which £2,309,112 was utilised, as at 31 March 2023 will be repaid over the next 22 years, with interest being payable monthly at a rate of 2.65% over the Bank of England Base Rate. The loan is secured on properties at 184-186 Well Street, Celia Fiennes House and 204, 206, 208, 210 and 226 Well Street.

11 Capital Commitments

As at 31 March 2023, the Trustee had entered into capital commitments totalling £487,128, subject to planning permission, in respect of the redevelopment of the freehold investment properties at 204-210 Well Street Hackney. The funding for this project was secured via bank a loan from Charity Bank. As at 31 March 2023, £1,500,000 of the £2,200,000 had been drawn down.

HACKNEY JOINT ESTATE CHARITY

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2023 (continued)

12	Reconciliation of net movement in funds to net cash flow from operating activities	2023	2022
		£	£
	Net movement in funds as per the statement of financial activities	(645,361)	939,474
	Adjustments for:		
	Additions to property portfolio	(510,616)	(390,151)
	Revaluation of property portfolio	1,040,616	(424,849)
	Interest receivable	(824)	-
	Decrease in debtors	44,751	14,188
	(Decrease) / Increase in creditors	<u>(63,973)</u>	<u>102,168</u>
	Net cash used in operating activities	<u>(135,406)</u>	<u>240,830</u>

13 Key management personnel

The Charity considers its key management personnel comprise the Directors of the Trustee. The total employment benefits, including employer pension costs of key management personnel were £nil (2022 - £nil). There were no employees in this charity in 2023 (2022 - nil).

HACKNEY JOINT ESTATE CHARITY

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2023 (continued)

14 Endowment funds

The endowment funds comprise the freehold property settled on the Charity at market valuation. Net movement in funds reflects any change in the market value of the properties and the value of the loans secured against them in the year. General expenditure related to the properties is treated as an expense of the general unrestricted fund which has the benefit of the related rental income.

Balance 31 March 2022 £	Revaluation £	Net movement in fund £	Balance 31 March 2023 £
22,221,693	79,935	(1,040,616)	21,261,013
Balance 31 March 2021 £	Revaluation £	Net movement in fund £	Balance 31 March 2022 £
21,903,004	(106,160)	424,849	22,221,693

The transfer to endowment funds is to bring the value of the fund in line with the market value of the endowed property, less the loans secured against them.

15 Unrestricted funds – current year 2022/23

The General Fund has accumulated over a number of years, due to the Parochial Charities waiving their right to a full distribution. This ensures that the Charity can meet its financial commitments into the future.

The Trustee acknowledges that it is prudent to set aside part of the Charity's unrestricted funds for the purpose of maintaining the freehold properties and distribution to its constituent charities. As such, these are included in the accounts as designated funds as follows:

	Balance 1 April 2022 £	Net income/ (expenditure) £	Revaluation £	Balance 31 March 2023 £
General fund	1,389,612	604,933	(289,614)	1,704,931
Estate Repairs Reserve	100,000	(209,394)	209,394	100,000
Future Developments Fund	300,000	-	-	300,000
	1,789,612	395,254	(79,935)	2,104,931

Unrestricted funds – prior year 2021/22

	Balance 1 April 2021 £	Net income/ (expenditure) £	Revaluation £	Balance 31 March 2022 £
General fund	768,827	719,783	(98,998)	1,389,612
Estate Repairs Reserve	100,000	(205,158)	205,158	100,000
Future Developments Fund	300,000	-	-	300,000
	838,430	514,625	106,160	1,789,612

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2023 (continued)

Designated funds

The Estate Repairs Reserve is dedicated for repairs of the properties. £100,000 is maintained in reserve to meet the immediate requirements of the Estate during the new financial year.

The Future Developments Fund is dedicated to meet extraordinary and planned future repairs on properties. The balance of net current assets (after transfer to the Estate Repairs Reserve of £100,000) is held in reserve at the year end. The Trustees maintained this reserve at £300,000 at the year-end to allow for planned repairs in 2023/24.

The Directors of the Trustee agreed to consider these funds and take stock of their requirements in future years.

16 Analysis of net assets between funds – current year 2022/23

	Endowment Funds	General Funds	Designated Funds	Total Funds
	£	£	£	£
Investments	24,132,434	1,867,566	-	26,000,000
Current assets	-	57,265	400,000	457,265
Current liabilities	(93,891)	(219,900)	-	(313,791)
Long term liabilities	(2,777,530)	-	-	(2,777,530)
Total	21,261,013	1,704,931	400,000	23,365,944

Analysis of net assets between funds – prior year 2021/22

	Endowment Funds	General Funds	Designated Funds	Total Funds
	£	£	£	£
Investments	25,173,050	1,356,950	-	26,530,000
Current assets	-	236,599	400,000	636,599
Current liabilities	(90,774)	(203,937)	-	(294,711)
Long term liabilities	(2,860,583)	-	-	(2,860,583)
Total	22,221,693	1,389,612	400,000	24,011,305

HACKNEY JOINT ESTATE CHARITY
NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2023 (continued)

17 Connected charities

During the year ended 31 March 2023 Hackney Joint Estates Charity made distributions to the connected charities of £300,000. Addresses, purposes and charitable data of the connected parochial charities are as follows:

The Hackney Parochial Charities £150,000 (Grants Awarded by the Charity - £347,540)
Charity No.: 219876
Address: 6 Trull Farm Buildings
 Tetbury
 Gloucestershire
 GL8 8SQ

Area of benefit: Former ecclesiastical parish of St John Hackney
Purpose: Relief of poverty
Distribution received: one half

South Hackney Parochial Charity £75,000 (Grants Awarded by the Charity - £192,543)
Charity No.: 212336
Address: 6 Trull Farm Buildings
 Tetbury
 Gloucestershire
 GL8 8SQ

Area of benefit: Ecclesiastical parish of South Hackney
Purposes: Almshouses, education, relief of need
Distribution received: one quarter

West Hackney Parochial Charities £75,000 (Grants Awarded by the Charity - £151,616)
Charity No.: 208941
Address: 6 Trull Farm Buildings
 Tetbury
 Gloucestershire
 GL8 8SQ

Area of benefit: Ecclesiastical parish of West Hackney
Purposes: Education and youth advancement, relief of need, local benefit
Distribution received: one quarter

HACKNEY JOINT ESTATE CHARITY

The following pages are for MANAGEMENT PURPOSES ONLY; the information does not form part of the Financial Statements on which the Independent Auditor has reported.

	31 March 2023 £	31 March 2022 £
Net income from properties		
Rent and service charges receivable	1,575,597	1,485,768
Deduct direct expenditure		
General rates	60,668	39,363
Repairs	209,679	205,158
Vyner Court – lighting and caretaking	6,271	4,393
Kenton Road – lighting and caretaking	1,088	1,238
Terrace Road – lighting and caretaking	16	14
Valentine Road – lighting and caretaking	843	898
Well Street – phone, lighting and Caretaking	83,781	59,356
Commission on collection of rents	98,261	97,339
Insurance premiums	48,098	33,580
Estate agent's fees	885	4,727
Bad debts and provision for rent in arrears	<u>23,319</u>	<u>(40,317)</u>
	532,908	405,749
	<u>1,042,689</u>	<u>1,080,019</u>
Miscellaneous revenue		
Other income	-	-
Deposit and bank interest	<u>824</u>	<u>-</u>
Gross surplus	<u>1,043,513</u>	<u>1,080,019</u>
Indirect expenditure		
Remuneration of the Clerk – The Trust Partnership	23,072	37,455
Trust administration – The Trust Partnership	12,049	9,436
Legal and professional charges	125,308	85,169
Bookkeeping and accountancy	12,014	12,349
Audit and accountancy	7,068	7,324
Miscellaneous	4,698	4,263
Mortgage interest	150,049	95,113
Mortgage legal and arrangement fee	<u>14,000</u>	<u>14,285</u>
	<u>348,259</u>	<u>265,394</u>
Net income for the year	<u>695,254</u>	<u>814,625</u>
Distributions		
The Hackney Parochial Charities	150,000	150,000
South Hackney Parochial Charities	75,000	75,000
West Hackney Parochial Charities	<u>75,000</u>	<u>75,000</u>
	<u>300,000</u>	<u>300,000</u>
Net surplus for the year	<u>395,254</u>	<u>514,625</u>