

<b>Committee(s):</b> Hampstead Heath Consultative Committee Hampstead Heath, Highgate Wood and Queen's Park Committee	<b>Dated:</b> 22 April 2024 21 May 2024
<b>Subject:</b> Review of current designated, unrestricted, and restricted income funds held and proposed changes	<b>Public</b>
<b>Which outcomes in the City Corporation's Corporate Plan does this proposal aim to impact directly?</b>	1,2,3
<b>Report of:</b> Bob Roberts, Interim Executive Director, Environment.	<b>For Information</b>
<b>Report author:</b> Pauline Mouskis, Interim Head of Finance, Chamberlains	

## Summary

This report provides the complete list of the current designated, unrestricted, and restricted income funds held for Hampstead Heath with the recommended future usage and changes required for these funds, in order to meet charity accounting SORP rules.

Appendix 1 details a full list of current individual income funds held by Hampstead Heath and movement in the current financial year balance and recommended usage for each reserve. The report covers:

- A summary of the movement in funds in 2023-24 and the anticipated final balance at 31<sup>st</sup> March 2024
- Details and proposed uses of the restricted and designated income funds.
- Fuller notes where needed for specific funds held.

## Recommendation(s)

Members are asked to:

- Note the contents of the report as they relate to the funds of Hampstead Heath.

## Main Report

### Background

1. As part of the Natural Environment Charities Review scoping exercise a complete review of the charities' restricted and designated income funds has been progressed.
2. Under the Charity Statement of Recommended Practice for accounting and reporting ("SORP") rules, designated income funds remain unrestricted

income funds that should be applied within a reasonable time, say 1-2 years for the purposes set aside by the Trustee. This paper identifies where the funds were required to be spent over a longer period, then a clear plan and timeline would need to be in place as to when the funds will be spent. This will need to be a disclosure in the annual accounts per SORP 7.46, which requires disclosure of the likely timing of expenditure of designated income funds in the annual accounts. When designated income funds are no longer needed, they should be released back to the general unrestricted income fund.

3. All charities have designated income funds equivalent to the fixed and heritage asset values held in the balance sheet. This includes land and buildings, vehicles & plant and equipment and heritage assets. The designated fund balances are adjusted each year end to the holding book value of the assets on the balance sheet. These are not reviewed in this report.

### **Current Position – Hampstead Heath**

4. A detailed review of all funds held by Hampstead Heath and Hampstead Trust Fund has been carried out on the balances held as at 31<sup>st</sup> December 2023 and is shown in appendix 1.

#### **Restricted income funds**

- a. Campaign Donations are for work on Donations Bird and Mammal Shelters and Wildlife Sanctuary campaign.
- b. Parliament Hill Outdoor Gym balance to make any final works.

#### **Designated income funds**

The Capital Fund - as part of an Open Spaces wide Fleet Management project a disposal exercise of redundant fleet and equipment was undertaken. It was agreed to use the income raised to fund energy efficiency improvement works. The installation of photovoltaic energy panels at the Lido, Hampstead Heath was completed.

#### **Permanent Endowment - Hampstead Heath Trust Fund**

The permanent endowment fund is held in perpetuity as a capital fund to generate income for the activities of the charity. Before any potential gains on investments are considered, should net income be more than any year's contribution to the running costs of the Heath, then the surplus funds are retained as unrestricted funds to be used in future years. During 2022/23 the surplus was £168,358 (2021/22: £350,011). Should the actual income earned in any specific year, added to the surpluses from previous years, be less than the contribution based on the funds from the original endowment, then the lower sum is attributed. The Finance Committee may decide that an allocation is to be made from the permanent endowment reserves of the Trust Fund. This is within the terms of the Transfer Order for the original endowment.

## **Expendable Endowment - Hampstead Heath Trust Fund**

The expendable endowment fund is invested as a capital fund to generate income for the activities of the charity. Any income generated is used in accordance with the objectives of the trust. The purpose of this fund is to provide net income to be used to contribute towards the running costs of the Heath, transferred from the former T J Barratt bequest in December 2011.

### **Proposals**

Members are asked to note the contents of the report.

### **Legal implications**

Under Charity SORP rules designated income funds remain unrestricted income funds that should be applied within a reasonable time, say 1-2 years for the purposes set aside by the Trustee. If the funds were required to be spent over a longer period, then a clear plan and timeline would need to be in place as to when the funds will be spent, and this will need to be a disclosure in the annual accounts per SORP 7.46, which requires disclosure of the likely timing of expenditure of designated income funds in the annual accounts. When funds are not needed, they should be released back to the general fund as free reserves.

### **Conclusion**

This report shows the outcome of the details of the designated and restricted income funds of the Hampstead Heath and Hampstead Heath Trust fund charity. This review has looked at future use and operational staff will review the designated income funds to conduct relevant expenditure in line with the specified purposes over the next two years.

### **Appendix**

Appendix 1 Review of designated, unrestricted, and restricted reserve funds and proposed changes for Hampstead Heath

#### **Pauline Mouskis**

Interim Head of Finance

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Appendix 1						
Hampstead Heath		Opening Balance 2023/24	2023/24 Q1-Q3		Transfers 2023/24	Anticipated Balance 31/03/2024
			Income	Expenditure		
<b>Restricted Income Funds:</b>						
	Campaign Donations	18,096	5,573	(910)		22,759
	Parliament Hill Outdoor Gym	2,233				2,233
	Installation of Non-Turf Pitches	46,845		(46,845)		0
<b>Unrestricted Income Funds:</b>						
	General Funds	3,818	1,346			5,164
<b>Designated (Unrestricted Income Fund):</b>						
	Tangible Fixed Assets (Buildings, Infrastructure & Equipmen	19,463,442				19,463,442
	Capital Fund	3,331				3,331
<b>Total Hampstead Heath</b>		<b>19,537,765</b>	<b>6,918</b>	<b>(47,755)</b>	<b>0</b>	<b>19,496,928</b>
<b>a</b>	The restricted fund represents funds received from London Borough of Camden (Sports and Physical Activity Service) for the creation of a new outdoor gym at Parliament Hill.					
<b>b</b>	This is in addition to a grant received from the England and Wales Cricket Board for the supply and installation of non turf pitches at Parliament Hill and the Heath Extension.					
<b>c</b>	The Capital Fund - as part of an Open Spaces wide Fleet Management project a disposal exercise of redundant fleet and equipment was undertaken. It was agreed to use the income raised to fund energy efficiency improvement works. The installation of photovoltaic energy panels at the Lido, Hampstead Heath was completed.					
<b>Hampstead Heath Trust Fund</b>						
		Opening Balance 2023/24	2023/24 Q1-Q3		Transfers 2023/24	Anticipated Balance 31/03/2024
			Income	Expenditure		
<b>Permanent Endowment</b>		34,204,048				34,204,048
<b>Expendable Endowment</b>		769,264				769,264
<b>Unrestricted Income Funds:</b>						
	General Funds	730,810				730,810
<b>Total Hampstead Heath Trust Fund</b>		<b>35,704,122</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>35,704,122</b>
<b>d</b>	The permanent endowment fund is held in perpetuity as a capital fund to generate income for the activities of the charity. Before any potential gains on investments are considered, should net income be more than any year's contribution to the running costs of the Heath, then the surplus funds are retained as unrestricted funds to be used in future years. During 2022/23 the surplus was £168,358 (2021/22: £350,011). Should the actual income earned in any specific year, added to the surpluses from previous years, be less than the contribution based on the funds from the original endowment, then the lower sum is attributed. The Finance Committee may decide that an allocation is to be made from the permanent endowment reserves of the Trust Fund. This is within the terms of the Transfer Order for the original endowment.					
<b>e</b>	The expendable endowment fund is invested as a capital fund to generate income for the activities of the charity. Any income generated is used in accordance with the objectives of the trust. The purpose of this fund is to provide net income to be used to contribute towards the running costs of the Heath, transferred from the former T J Barratt bequest in December 2011.					