

## City of London Corporation Committee Report

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|----------------------------------------------------------------------------------------------------------------|-------------------------------------------|
| <b>Committee(s):</b><br>Audit and Risk Management Committee – For decision<br>Finance Committee – For decision | <b>Dated:</b><br>04/11/2024<br>12/11/2024 |
| <b>Subject:</b><br>2023-24 City's Estate Financial Statements                                                  | <b>Public</b><br><br>For Decision         |
| <b>Which outcomes in the City Corporation's Corporate Plan does this proposal aim to impact directly?</b>      | N/a                                       |
| <b>Does this proposal require extra revenue and/or capital spending?</b>                                       | No                                        |
| <b>If so, how much?</b>                                                                                        | n/a                                       |
| <b>What is the source of Funding?</b>                                                                          | n/a                                       |
| <b>Has this Funding Source been agreed with the Chamberlain's Department?</b>                                  | n/a                                       |
| <b>Report of:</b> The Chamberlain                                                                              |                                           |
| <b>Report author:</b> Iain Jenkins, Chief Accountant                                                           |                                           |

### Summary

The Annual Report and Consolidated Financial Statements for City's Estate, for the year ending 31 March 2024 are attached at Appendix 1 for approval.

In addition, the 9 Annual Reports and Financial Statements of the Open Spaces and Sundry Trust charities which are consolidated within the City's Estate accounts (listed at paragraph 1 below) are attached at Appendix 2 for approval.

### Recommendation(s)

The **Audit and Risk Management** Committee is requested to:

- **Consider** the contents of the City's Estate Initial Audit Findings Report 2023-24 issued by Crowe LLP as set out in Appendix 3; and
- **Recommend** approval of the 2023-24 City's Estate Financial statements, and the financial statements of each of the 9 consolidated charities, for the year ending 31 March 2024 to Finance Committee.

The **Finance Committee** is requested to:

- **Consider** the contents of the Draft City's Estate Initial Audit Findings Report 2023-24 issued by Crowe LLP as set out in Appendix 3; and

- **Consider** the resolution from the Audit and Risk Management Committee and **approve** the 2023-24 City's Estate Financial statements, and the financial statements of each of the 9 consolidated charities, for the year ending 31 March 2024, to be signed by the Chairman and Deputy Chairman of the Finance Committee on behalf of the Court of Common Council;
- **Authorise the Chamberlain**, in consultation with the Chairman and Deputy Chairman of the Finance Committee, to approve and material changes to the statement of accounts and annual reports and financial statements required before the signing of the audit opinion by Crowe UK LLP – which is expected by the end of November 2024 for City's Cash consolidated financial statements, and for the consolidated charities.

## Main Report

### Background

1. The Annual Reports and Financial Statements for each of the consolidated charities for the same period are attached at Appendix 2 for approval. The 9 charity financial statements are listed below with their charity numbers, and are made up of the Open Spaces and other consolidated sundry trusts:
  - i. Ashtead Common (registered charity no. 1051510)
  - ii. Highgate Wood and Queen's Park Kilburn (registered charity no. 232986)
  - iii. West Ham Park (registered charity no. 206948)
  - iv. Hampstead Heath Charity (registered charity no. 803392), incorporating the linked charity the Hampstead Heath Trust Fund (registered charity no. 803392- 1)
  - v. Sir Thomas Gresham Charity (registered charity no. 221982)
  - vi. Keats House (registered charity no. 1053381)
  - vii. Burnham Beeches and Stoke Common (registered charity no. 232987)
  - viii. Epping Forest (registered charity no. 232990)
  - ix. West Wickham Common and Spring Park Wood (registered charity no. 232988) & Coulsdon and Other Commons (registered charity no. 232989)
2. It should be noted that the accounts shown at Appendix 1 (City's Estate), Appendix 2b (Highgate Wood and Queen's Park), Appendix 2c (West Ham Park), Appendix 2d (Hampstead Heath), Appendix 2g (Burnham Beeches) and Appendix 2h (Epping Forest) are the draft accounts submitted to the auditors, and do not include any of the audit adjustments set out in this report. The other appendices show the final accounts.
3. The accounts for West Wickham and Coulsdon Commons have not been attached as agreement is awaited from the Charity Committee to confirm that these two charities can be linked. This has no material impact on the City's Estate accounts. These are two small separately registered charities that have been accounted for together for a number of years. To date no issues with non-compliance have been raised by the Charity Commission and we have applied to

them for approval to prepare linked accounts to resolve the non-compliance. Until it is known whether we can prepare one linked account or need to prepare two separate accounts we cannot present the accounts or complete the audit(s).

4. Members will be aware that in order to comply with the covenants in the private placement Note Purchase Agreement, the audited City's Estate consolidated financial statements along with an opinion that states that such financial statements give a true and fair view of the financial position of City's Estate, must be submitted to the private placement lenders as soon as they become available but in any event within 270 days after the end of each financial year (i.e. by 26 December).
5. The 9 sets of charity financial statements must be submitted to the Charity Commission within 10 months of their financial year end, i.e. by 31 January 2024. The financial statements for Barking Power and Thames Power, which are consolidated within the City Estate accounts, must be submitted to Companies House within 9 months of their financial year end, i.e. by 31 December 2024.
6. The overall movement on the City Fund balance sheet is a decrease in net assets of -£54.3m. This movement is comprised of the following items:
  - Decrease in Investment Properties of -£41.9m
  - Decrease in Short Term non-property Investments of -£58.7m
  - Decrease in Cash and Cash Equivalents of -£13.2m
  - Increase in Provisions of +£26.5m
  - Movement in Deferred Income of -£16.0m
  - Movement in Defined benefit pension scheme liability of +£42.6m
  - Other movements of +£6.4m

### Current Position and Audit Findings Report

7. The external auditors of the City's Estate, Crowe UK LLP, have provided a draft initial audit findings report reflecting progress and outstanding items as at the time of writing. This is presented at Appendix 3. An update will be provided at the Audit and Risk Management Committee on further progress made, highlighting any further issues identified outside those included in the audit finding report. Representatives from Crowe UK LLP will attend the Audit and Risk Management Committee to present their report and to clarify any points or issues.
8. To date, the following audit adjustments have been identified on the City's Estate accounts. These are not reflected in the draft accounts shown at Appendix 1 but will be incorporated into the accounts prior to sign-off.

| Adjustment description                                                                                        | Increase / (decrease) in net income £k | Increase / (decrease) in assets £k | Increase / (decrease) in liabilities £k | Increase / (decrease) in funds £k |
|---------------------------------------------------------------------------------------------------------------|----------------------------------------|------------------------------------|-----------------------------------------|-----------------------------------|
| <b>City's Estate adjustments</b>                                                                              |                                        |                                    |                                         |                                   |
| Prior year audit adjustment to reclassify credit balances within rental debtors<br>Dr Creditors<br>Cr Debtors |                                        | (1,483)                            | (1,483)                                 |                                   |

|                                                                                                                                    |                    |          |       |     |
|------------------------------------------------------------------------------------------------------------------------------------|--------------------|----------|-------|-----|
| Overpayment sitting within debtors as a negative balance<br>Dr Debtors<br>Cr Creditors                                             |                    | 2,880    | 2,880 |     |
| Reclassification of negative balances within trade creditors<br>Dr Debtors<br>Cr Creditors                                         |                    | 660      | 660   |     |
| School fee in advance, classified as negative debtors<br>Dr Debtors<br>Cr Creditors                                                |                    | 720      | 720   |     |
| Correction of historic deposit and fees in advance balances<br>Dr Creditors<br>Cr Income                                           | 640                |          | (640) | 640 |
| Elimination of recharge amounts for Markets income<br>Dr Markets Income<br>Cr Markets Income<br>Cr Management & Admin expenditure  | (796)<br>747<br>49 |          |       |     |
| <b>Barking Power adjustments</b>                                                                                                   |                    |          |       |     |
| Invoice paid in March which relates to Apr 24- June 24 licences<br>Dr Debtors<br>Cr Cash                                           |                    | 6<br>(6) |       |     |
| <b>Thames Power adjustments</b>                                                                                                    |                    |          |       |     |
| Audit amount overstated in expenditure listing<br>Dr Creditor<br>Cr Expenditure                                                    | 12                 |          | (12)  | 12  |
| <b>Epping Forrest adjustments</b>                                                                                                  |                    |          |       |     |
| Correction of amount in Cashiers suspense account within City's Estate which relates to Epping Forrest<br>Dr Creditor<br>Cr Income | 274                |          | (274) | 274 |

9. The Audit Findings Report also includes Crowe's audit recommendations. It should be noted these include recommendations which have been rolled over from the previous year's audit. As the 2022-23 audit was only concluded in March 2024 there has not been sufficient time to clear these recommendations prior to producing the 2023-24 accounts. As these recommendations have been rolled over from the previous year they will be presented as red recommendations in the auditor's report.

10. It should be noted that issues identified in the 22-23 audit relating to the consolidation process have not occurred this year which has enabled the audit to progress along expected timeframes with final sign off expected at the end of November.

## **Corporate & Strategic Implications**

Strategic implications – There are no specific links to the Corporate Plan. However, the accounts assist the City Corporation in maintaining a clear and transparent dialogue regarding its activities with residents and other stakeholders

Financial implications - None

Resource implications - None

Legal implications - None

Risk implications – None

Equalities implications – None

Climate implications - None

Security implications - None

## **Approval of the financial statements**

11. It is recommended that the Finance Committee approve the City's Estate Financial Statements for the 2023-24 financial year, along with the financial statements of the 9 consolidated charities, taking account of any observations from the Audit and Risk Management Committee on 4 November 2024. Additionally, the Committee should authorise the Chamberlain, in consultation with the Chairman and Deputy Chairman of the Finance Committee, to approve any significant changes to the accounts and annual reports before the audit opinion, anticipated by the end of November 2024, is signed by Crowe UK LLP for both the City's Estate consolidated financial statements and the consolidated charities.

## **Appendices**

- Appendix 1 – City's Estate Annual Report and Financial Statements 2023-24
- Appendix 2a – Ashted Common 2023-24
- Appendix 2b – Highgate Wood and Queen's Park Kilburn 2023-24
- Appendix 2c – West Ham Park 2023-24
- Appendix 2d – Hampstead Heath Charity incorporating Hampstead Heath Trust Fund 2023-24
- Appendix 2e – Sir Thomas Gresham Charity 2023-24
- Appendix 2f – Keats House 2023-24
- Appendix 2g – Burnham Beeches and Stoke Common 2023-24
- Appendix 2h – Epping Forest 2023-24
- Appendix 3 – City's Estate Audit Findings Report 2023-24

**Iain Jenkins**

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