

City's Estate Group

Draft Report to the Audit and Risk Committee

Year ended 31 March 2024

Presented to the Audit and Risk Committee on 4 November 2024

Strictly Private and Confidential

The Audit and Risk Committee
The City of London
PO Box 270
Guildhall
London
EC2P 2EJ
30 October 2024

Dear Members of the Audit and Risk Committee

I have pleasure in submitting our draft audit findings report for the year ended 31 March 2024. The primary purpose of this report is to communicate to the Audit and Risk Committee Members (in the context of the Group), Directors (in the context of the Power Stations) and Trustees (in the context of the Natural Environment entities) the significant findings arising from our audit that we believe are relevant to those charged with governance.

I look forward to discussing our report with you, as well as any further matters you may wish to raise with us, and I shall be attending the Audit and Risk Committee meeting.

I would like to take this opportunity to express our appreciation for the assistance provided to us by the finance team and the other staff at the charity during this year's audit.

Yours sincerely

Tina Allison
Partner

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1. Executive summary

Our report to you

We are pleased to present our Draft Audit Findings Report to the members of the Audit and Risk Committee and we welcome the opportunity to discuss our findings with you at your meeting on 4 November 2024.

The primary purpose of this report is to communicate to the Audit and Risk Committee the significant findings arising from our audit that we believe are relevant to those charged with governance.

In accordance with International Standards on Auditing (UK) the matters in this report include

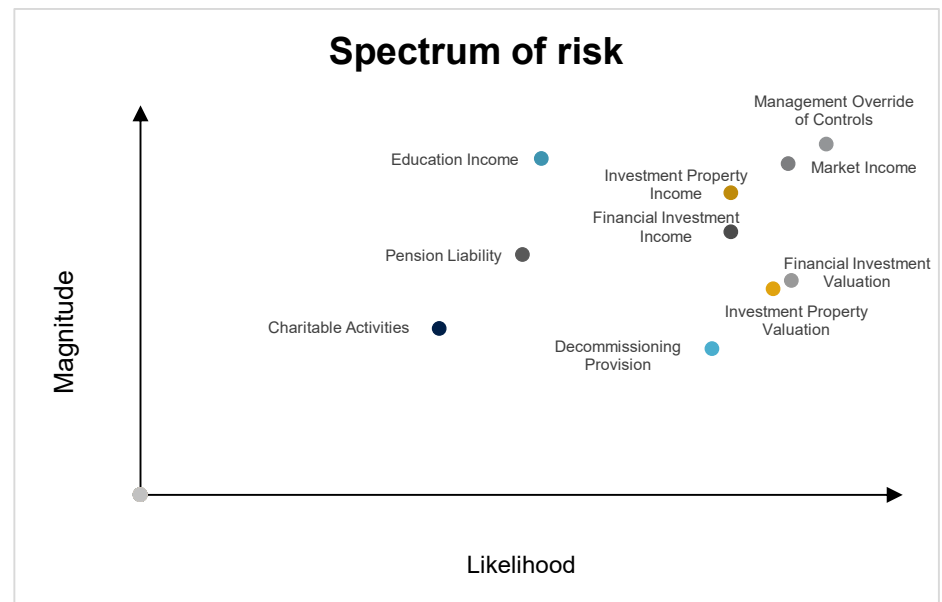
- the results of our work on areas of significant audit risk
- our views about significant qualitative aspects of the group’s accounting practices, including accounting policies, accounting estimates and financial statement disclosures
- significant difficulties, if any, encountered during the audit
- any significant matters arising during the audit and written representations we are requesting
- unadjusted misstatement identified during the audit
- circumstances that affect the form and content of our auditor’s report, if any
- any other significant matters arising during the audit that, in our professional judgment, are relevant to the oversight of the financial reporting process

We have included comments in relation to the above where relevant in the subsequent sections of this report.

We also report to you any significant deficiencies in internal control identified during our audit which, in our professional judgment, are of sufficient importance to merit your attention.

Conclusions in relation to the areas of significant audit risk

As explained in our Audit Planning Report, in line with ISA 315 (Revised), we have considered the inherent risks, including the likelihood and magnitude of a potential misstatement, as shown in the chart below.



Our risk assessment process is tailored to each individual entity, and as such, the risks outlined below do not apply to all entities covered within this report. As such, we have included in the list below an indication as to which entities each risk applies to.

As per the planning report, Tina Allison is the group audit partner and is the signing partner for the audit opinions for the Group and the Power Stations. Vincent Marke (who is also a partner in Crowe UK’s Non-Profit and Social Purpose audit team) is the audit partner for the Natural Environment and sundry trust entities.

In line with our audit plan we focussed our work on the significant audit risks identified.

The results of our audit work in these areas is set out below:

Significant risk	Control deficiency identified	Adjustment(s) identified	Other reported matters
Revenue Recognition – Investment Property income (A)	O/S	O/S	O/S
Revenue Recognition – Financial investments income (A)	x	x	x
Revenue Recognition – Education income (A)	x	x	x
Revenue Recognition – Market income (A)	x	✓	x
Revenue Recognition – Charitable Activities income (B,D)	O/S	O/S	O/S
Revenue Recognition – Voluntary income	O/S	O/S	O/S
Financial Investment valuation (A,B,D)	x	✓	x
Estimates & Judgements – Investment Property valuation (A)	x	O/S	O/S
Estimates and Judgements – Pension Liability (A)	x	x	x
Estimates and Judgements – Decommissioning Provision (A)	x	x	x
Related Parties	x	O/S	O/S
Consolidation (A,B,C,D)	✓	x	x

Management override of controls	O/S	O/S	O/S
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Key:

- A. City's Estate
- B. Natural Environment charities (previously known as open spaces)
- C. Power station companies
- D. Other charities within the Corporation subject to audit

Other audit findings

[Section 3](#) sets out various comments on other important matters which we have identified from our audit.

Fraud and irregularities

[Section 4](#) sets out the Trustees and our responsibilities in respect of fraud and irregularities.

Audit materiality

The audit materiality for the financial statements set as part of our audit planning took account of the level of activity / funds held by City's Estate and was set at 2% of investments (overall) and 1.5% income (specific), as appropriate for the financial statements area concerned. We have used our overall materiality just for our testing on investments and goodwill. Specific materiality has been applied to all other areas of testing.

We have reviewed this level of materiality based on the draft financial statements for the year ended 31 March 2024 and are satisfied that it continues to be appropriate being:

2% of Investments (overall) - £57,286k

1.5% of Income (specific materiality) - £3,137k

We set separate audit materiality levels for each of the group's subsidiary entities. Details of these separate materiality levels are set out in [Appendix 4](#).

Unadjusted misstatements

We report to you any unadjusted individual errors other than where we consider the amounts to be trivial, and for this purpose we have determined trivial to be 5% of our audit materiality.

We have listed in [Appendix 1](#) the misstatements we have identified which management have agreed will be adjusted in the final accounts.

Subject to the final amendments, where we are awaiting updated draft financial statements to check the amendments in [Appendix 1](#) through, at the time of writing there are no further remaining unadjusted items identified from our audit in excess of the above trivial limit. This may change depending on the conclusion of outstanding audit work as noted below.

Audit completion and our Audit Reports

We have substantially completed our audits in accordance with our Audit Planning Report which was sent to you and the senior management team on 28 June 2024, subject to the matters below:

Significant risk areas:

- Completion of journals sample review
- Completion of investment property income testing
- Completion of education income follow up queries
- Completion of related party disclosure testing and receipt of outstanding RP declarations
- Receipt of outstanding audit support and completion of audit testing on Natural Environment entities.

Other areas:

- Completion of going concern review upon receipt of management assessment.
- Completion of debtors & creditor sample follow up queries
- Completion of expenditure sample testing (including repairs & maintenance, grants and major project expenditure
- Completion of final payroll follow up queries on sample and bandings note.
- Completion of expenditure sample follow up queries on Barking Power and Thames Power Services.

- Finalisation of central work
- Finalisation of IT controls review

External:

- Receipt of external bank confirmations (1 Bank - 2 accounts)
- Receipt of outstanding financial investment confirmation (IFM)
- Receipt of Cluttons investment property sample review reports

Standard points reviewed up to point of signing:

- Completion of the going concern and post-Balance Sheet events reviews.
- Review of the final financial statements.
- Receipt of the signed letter of representation ([Appendix 5](#)).

We will report to you in a final report in respect of any modifications to the findings or opinions contained in this report that arise from progressing these outstanding matters.

On the satisfactory completion of these matters, we anticipate issuing an unmodified audit opinion on the truth and fairness of the 2024 financial statements.

Responsibilities and ethical standards

We have prepared this report taking account of the responsibilities of the Trustees, Directors and ourselves set out in [Appendix 6](#) of this report.

The matters included in this report have been discussed with the charity's management during our audit and at our closing meeting on 25 October 2024. Sonia Virdee, Daniel Peattie and Iain Jenkins have seen a draft of this report and we have incorporated their comments and/or proposed actions where relevant.

2. Significant audit risks

As reported in our Audit Planning Report, ISA 315 (Revised) was applicable this year, and required us to consider a spectrum of inherent risk, considering both the likelihood and magnitude of a possible misstatement, with risks close to the upper end of the spectrum of inherent risk considered to be 'significant risks'.

Risk is considered in the context of how, and the degree to which, inherent and control risk factors affect the likelihood and magnitude of a misstatement occurring. Such factors may be qualitative or quantitative, and include complexity, subjectivity, change, uncertainty or susceptibility to misstatement due to management bias or other fraud risk factors.

In addition, the auditing standards also set out a number of areas considered to always be a significant risk. Our audit response in respect of risks not identified as significant is set out in [Section 3](#).

We have commented below on the results of our work in these areas as well as on any additional significant risks, judgements or other matters in relation to the financial statements of City's Estate identified during our audit.

2.1 Revenue Recognition – Investment Property income (A)

Key related judgements

Investment property income is one of the largest revenue streams for City's Estate, totalling £75.3m in 2024 (2023: £60.8m).

Investment property income is comprising mostly of routinely invoiced income, there have been rent-free periods offered in the year and rent holidays requiring more complex accounting. In addition, the quarterly invoicing pattern usually followed leads to the need to partially defer invoiced income at yearend.

This revenue stream also includes revenue released from deferred lease premiums attached to long term leases where City's Estate is the lessor.

Given the relative size of this revenue stream and complexities arising over cut-off and lease accounting, we consider there to be a significant risk over this revenue stream.

Crowe response

Our work on investment property income included the following:

- Reviewing the income recognition policy to ensure it is aligned with FRS 102 and is being appropriately applied and disclosed.
- Document and review the systems and controls in place over investment property income.

- This is a key area of control to ensure that you are recognising all income that is due and closely manage and monitor the debtor ledger.
- We carried our analytical procedures and substantive testing on all income streams including reconciliations to the relevant systems and other records.
- Reviewed a sample of transactions and bank receipts either side of the year end date to ensure these have been recognised in the appropriate period.
- Obtained a breakdown of investment property income for the year and reconcile to the trial balance.
- Verified a sample of property receipts to supporting tenancy agreements and invoices.
- Reviewed the year-end deferred income balances, testing a sample to support and re-calculating the split of any invoices as appropriate.
- Reviewing the long-term lease premium accounting treatments to ensure they have been accounted for in accordance with the relevant accounting standards, and that they are being released correctly.

Our conclusions and other comments

As noted in [Section 1](#), at the time of writing this report we are finalising the follow up queries on investment property income.

No issues have been identified to date, though, final quality review checks are required once remaining deliverables have been received and processed.

2.2 Revenue Recognition – Financial investment income (A)

Key related judgements

Investment income in City’s Estate and the City of London Charities Pool is derived from the various investment holdings including listed investments, private equity, multi-asset and infrastructure fund holdings and bank deposits. City’s Estate co- invests with the City of London Pension Fund and City Bridge Fund into a number of private equity holdings, with a portion of the value and investment income then apportioned to each entity from this central pool.

The Charities Pool entity acts as a pooled investment vehicle for the smaller charities within the City of London, responsible for managing their collective portfolios and dividing any income received in proportion to the units the other charities hold in the entity.

In addition, Hampstead Heath Trust holds a standalone portfolio along with Sir William Coxen Trust Fund which both also generate income through interest and dividends.

The primary risk for this revenue stream is over the accuracy of the central split of

- (i) private equity allocated to City’s Estate, and
- (ii) income for the entities invested in the Charities Pool,

As well as the completeness of the investment income reported for the year in each entity, where it might be necessary to accrue for income not yet received.

Crowe response

Our work on financial investment income included the following:

- Agreeing the income reported in the investment managers’ reports and bank interest to the nominal ledger and third party sources and reviewing cut off to check that the income has been appropriately recognised.
- Reviewing the relevant AAF01/06 controls reports for the investment managers and custodians to gain assurance that income is being reported accurately to the Corporation and Charity.

- Reviewing the allocation of private equity investment income to City’s Estate, ensuring it is in line with the proportion of the investment holdings allocated to each entity.
- Reviewing the split of investment income to the charities holding units in the Charities Pool, to ensure it has been calculated correctly and income for the full year has been allocated.

Our conclusions and other comments

Our testing of financial investment income did not highlight any material issues in relation to the recognition of this income stream, however, is subject to clearance of an engagement quality control review point in this area.

2.3 Revenue Recognition – Education income (A)

Key related judgements

Income through tuition and other related fees is one of the primary revenue streams in City’s Estate, amounting to £103.6m in 2024 (2023: £96.7m). This income stream is generated from the four schools and one higher education body that the entity operates; City of London School, City of London Junior School, City of London School for Girls, City of London Freeman’s School and Guildhall School of Music and Drama.

The recognition of school fees is considered highly predictable due certainty surrounding pupil numbers and termly fees which allow us to create a meaningful expectation of income from sources outside finance. As such this area is not considered a significant risk.

However, for wider educational income (including extras, trips, registrations etc) we consider the primary risks to lie over the completeness, existence and cut-off of this income to be a significant risk.

Crowe response

Our work on education income included the following:

- Gaining an understanding of the systems and controls in place around education income, including controls over pupil management and invoicing at each school.
- Completing a proof-in-total over education fee income at each school using pupil data and fixed tuition fees lists for each school.

- Completing testing on the underlying inputs into this proof in total, including any discounts offered in the year.
- Reviewed a sample of tuition and other education fee income, agreeing it to support and receipt to the bank.
- Performed cut-off testing around the year end to ensure income has been recognised in the correct years and income has been deferred appropriately.

Our conclusions and other comments

As noted in [Section 1](#), at the time of writing this report we are finalising the follow up queries on education income.

No issues were identified in relation to education income, however, is subject to clearance of an engagement quality control review point in this area.

2.4 Revenue Recognition – Market income (A)

Key related judgements

Market income consists of rental and similar income from the markets that City's Estate operates, being Billingsgate and Smithfield. Whilst comprising primarily of routinely invoiced income, the Covid-19 pandemic led to the introduction of rent-free periods and rent holidays requiring more complex accounting. In addition, the quarterly invoicing pattern usually followed leads to the need to partially defer invoiced income at year-end.

This revenue stream also includes revenue from related non-rental sources such as service charge and car parking income.

Given the relative size of this revenue stream and complexities surrounding rent-free periods and rent holidays we consider there to be a significant risk over this revenue stream, primarily over cut-off and completeness.

Crowe response

Our work on market income included the following:

- Reviewed a sample of transactions and bank receipts either side of the year end date to ensure these have been recognised in the appropriate period;
- Obtained a breakdown of market income for the year and reconcile to the trial balance;

- Verified a sample of market income receipts to supporting agreements and invoices; and
- Reviewed the year-end deferred income balances, testing a sample to support and re-calculating the split of any invoices as appropriate.

Our conclusions and other comments

During our reconciliation of market income back to the accounts, we identified £796k of recharges which were incorrectly excluded from elimination journals as part of the consolidated accounts workings. We have included this as an error in [Appendix 1](#).

No further issues were identified in relation to market income, however, is subject to clearance of an engagement quality control review point in this area.

2.5 Revenue Recognition – Charitable Activities Income (B,D)

Key related judgements

In addition to the funding received from City's Estate, the various charities within the City's Estate group generate revenue through a variety of activities. This includes revenue generated from sources such as car parking, café sales, use of sports grounds and admission fees.

Due to the varying nature of these revenue streams each requiring different recognition criteria to be considered, we consider there to be a significant risk for this revenue stream.

Crowe response

Our work on charitable activity income included the following:

- Obtaining an understanding of systems and controls over all material revenue streams within this category;
- Reviewing the revenue recognition policy for each material revenue stream to ensure it is compliant with the applicable accounting standards;
- Testing a sample of charitable activity income substantively, agreeing it to supporting documentation and receipt to bank; and
- Performing cut-off testing by reviewing transactions around yearend.

- Confirming the recognition City's Estate grants to Open Spaces entities.

Our conclusions and other comments

Work in this area is primarily focused on our audits of the Natural Environment entities. A substantial volume of audit deliverables are yet to be received and we are working with your team to progress work in this area as a priority. We have agreed a revised timetable with management of delivery of remaining items.

At the time of writing this report, we are still finalising our work in this area.

Following the completion of this we will provide an update to the conclusions of this work and communicate any controls findings we have identified.

2.6 Revenue Recognition – Voluntary income

Key related judgements

Included within the Natural Environment entities and the City of London Girls Bursary Fund is voluntary income. Due to the varying nature of these revenue streams, each requiring different recognition criteria, we consider there to be a significant risk over this revenue stream, primarily over cut-off and completeness.

Crowe response

Our work on voluntary income included the following:

- Obtain an understanding of systems and controls over all material revenue streams within this category.
- Review the revenue recognition policy for each material revenue stream to ensure it is compliant with the applicable accounting standards.
- Test a sample of voluntary income substantively from nominal and agreeing it to supporting documentation and receipt to bank.
- Test a sample of voluntary income from source documentation to nominal and receipt into the bank.
- Perform cut-off testing by reviewing transactions around year end.

Our conclusions and other comments

Work in this area is primarily focused on our audits of the Natural Environment entities. A substantial volume of audit deliverables are yet to be received and we are working with your team to progress work in this area as a priority. We have agreed a revised timetable with management of delivery of remaining items.

At the time of writing this report, we are still finalising our work in this area.

Following the completion of this we will provide an update to the conclusions of this work and communicate any controls findings we have identified.

2.7 Financial Investment Valuation (A,B,D)

Key related judgements

The financial investments portfolio within City's Estate was £988.5m as at 31 March 2024 (2023: £1,037.9m). The key risks in this area are considered to be the existence and valuation of assets.

As the investments are held and managed by third party service providers it is important that:

- the Entity has sufficient controls in place to mitigate the risks associated with outsourcing services; and
- the controls in operation by the third-party service provider over the ownership and management of the Entity's assets are sufficient; and their associated income streams are sufficiently robust.

Our focus will be on your own internal procedures to manage and control the investments as well as the controls being operated by both the investment managers and the custodian, including consideration of the relevant internal controls reports. We will obtain valuations directly from the investment managers.

We will review the reconciliations between the reports from the investment managers and the custodian's report and the records independently maintained to confirm ownership and to identify potential anomalies or significant movements in the year (particularly in relation to purchases and disposals).

Crowe response

Our work on financial investment valuation included the following:

- Selecting a sample of individual funds within the portfolio and obtaining direct confirmation from the investment manager to confirm the valuation used by management within the financial statements;
- For each fund identified in our sample we reconciled the valuation to records to confirm ownership and existence;
- For listed investments we agreed a sample of prices quoted by individual investment managers to publicly available market information to ensure valuations are reasonable;
- For unlisted investments including unquoted hedge funds and private equity we obtained the latest available audited financial statements from each fund manager and confirm that an unmodified audit opinion has been issued and the valuation of assets had been prepared on a basis consistent with your accounting policy and FRS102;
- Agreement of a sample of investment movements reported during the year to supporting investment manager records to ensure these are accurately reported;
- Performed a check of the accuracy and completeness of investment disclosures within the financial statements to ensure these are appropriately stated and consistent with the requirements of FRS102 and the Charities SORP.

Our conclusions and other comments

As part of our testing, we have obtained direct confirmation from the respective investment managers for both listed and unlisted investments. We are currently awaiting the final investment manager report. We are liaising with this party to obtain this.

For our testing on listed investments, we have corroborated the values of the investments held by City's Estate to third party sources. We have not found any issues as part of this work.

On unlisted investments, we have undertaken additional work on these investments to assess whether there are any indicators of a required impairment, including assessments of the fund performance and reviews of post year-end information.

Where they have been prepared and have been available, we have also reviewed the internal controls reports, for the investment managers and custodians.

Impairment of investment in Barking Power Station

City Estate carries its investment in Barking Power Station at £90m which represents its net asset value at the date of acquisition.

The current net asset value of the Power Station is approximately £60m which suggests a substantial impairment in this investment.

Though the balance is eliminated on consolidation and has no impact in net assets, we recommend that you update your internal records to ensure the investment is recorded at an appropriate value.

Unlisted investment commitments

The draft financial statements state that there are no outstanding commitments on unlisted/private equity assets at year end. Our testing identified approximately £3m our outstanding commitments still due to fund managers in the years ahead. FRS102 requires commitments of this nature to be disclosed in the financial statements and though not material we have recommended that this disclosure is updated.

2.8 Estimates & Judgements – Investment property Valuation (A)

Key related judgements

Investment properties held by City's Estate totalled £1,876m as at 31 March 2024 (2023: £1,918m). As in previous years, these properties are valued independently by two firms registered as valuers with the Royal Institution of Chartered Surveyors ("RICS") as at 31 March each year.

Investment properties are carried in the financial statements at fair value. FRS102 requires revaluation to be made with sufficient regularity to ensure that the carrying value does not differ materially from that which would be determined using fair value at the reporting date.

Crowe response

Our work on investment property valuation included the following:

- We reviewed the investment property valuation report with consideration to judgements and estimates used by the valuer with

reference to market data. We have also tested the inputs provided to the valuer by the entity and the ownership status via land registry.

- We also considered management's assessment of indicators which might identify a reduction of fair value within the portfolio and review wider information to consider if there are other indicators which may impact valuation of properties at year end. We understand there is scope for properties within the portfolio to be affected by the ongoing nationwide issues with reinforced autoclaved aerated concrete (RAAC) which may be an indicator of impairment. We have obtained an update on this issue and consider findings in our overall conclusions on valuation.
- We obtained additional assurance over property valuations from an independent external property expert (Cluttons) who reviewed a sample of properties to confirm if the valuation provided by surveyors is reasonable.
- We also reviewed the valuation adjustment and ensure any gains/losses on revaluation have been appropriately recognised in the Statement of Comprehensive Income.

Our conclusions and other comments

As with the prior year, we have engaged Cluttons as an auditor's expert to complete a review of the City's Estate valuation report prepared by JLL, consisting of a high-level review of the full report and a more detailed review of five selected properties. This has also included challenging the methodology and inputs used by JLL to determine their reasonableness.

The valuations prepared by JLL have been noted as being relatively aggressive; whilst the properties reviewed all fall into the expectations set by Cluttons, two of the five properties reviewed sit at the upper boundary. We have concluded with the aid of this review that the approach adopted by JLL is reasonable however, with satisfactory explanations obtained where a property's value has not moved in line with wider market trends.

Cluttons have also completed a review of the valuation report for the former Barking power station site, prepared by Gerald Eve. Again we note that the valuation of £114.4m is at the top end of the range expected (£100m - £114.4m) however we are satisfied that the approach by GE is reasonable and the value falls within expectations.

Whilst we note that the site's development is still in its early stages and the approval process for the new market is ongoing, we would not expect any issues or delays with this to fundamentally change the value of the property as it is valued on the basis of being developed for City's Estate proposed use.

At the time of writing, the review process for this area is currently ongoing. We will report any additional findings to you should these be identified as we finalise our testing.

2.9 Estimates and Judgements – Pension Liability (A)

Key related judgements

The assumptions surrounding the FRS102 pension liability calculations performed by the actuaries can make a significant difference to the result disclosed in the financial statements.

The City Corporation operates a funded defined benefit pension scheme, The City of London Pension Fund, for its staff employed on activities relating predominantly to the three principal funds for which it is responsible (City Fund, City's Estate and Bridge House Estates).

At present, City's Estate includes the pension scheme liability in the accounts as reported under IAS19, with a conversion not made to FRS102 on the grounds of the difference not being material. There is a risk that this difference may in fact be material or otherwise significant.

Estimates and judgements that are not considered to be significant risks are set out in Section 3.

Crowe response

Our work on pension scheme liability included the following:

- Benchmarking the assumptions used by the actuary in calculating the FRS102 pension liability.
- Assessing the difference in calculating the liability between IAS19 and FRS102 to determine whether it is material or otherwise significant.
- Verifying scheme assets to third party documentation; and
- Verifying (on a sample basis) the input data provided to the actuary to HR and payroll records.

- Verify the apportionment methodology of the pension liability across the 3 City of London funds.

Our conclusions and other comments

In comparing the assumptions from the actuarial report from Barnett Waddingham to those used by other actuaries for other clients, it was noted that all the assumptions were within the range of the other clients.

The assumptions used by the City Estate actuaries when compared to our benchmark data is set out in the below table.

Actuarial Assumptions	City Estate	Crowe clients			In range?
		Average	Min	Max	
Discount (%)	4.90	4.88	4.95	4.75	✓
RPI (%)	3.20	3.19	3.30	3.10	✓
CPI (%)	2.90	2.73	2.93	2.30	✓
Salary growth (%)	3.90	3.60	4.20	2.60	✓
Retiring today - Males	20.80	21.12	22.20	20.40	✓
Retiring in 20 years time - Males	22.00	22.35	23.60	20.70	✓
Retiring today - Females	23.30	23.68	24.50	23.00	✓
Retiring in 20 years time - Females	24.70	24.89	26.20	22.50	✓

The assumptions surrounding the pension liability calculations can have a significant impact on the financial statements and it is therefore important that the members consider the appropriateness of the assumptions used and the sensitivity to these assumptions.

City Estate discloses the defined benefit scheme in accordance with IAS 19 in line with City Fund requirements rather than FRS102 and states that the difference is immaterial. We have compared the disclosure under FRS102 to the disclosure reported under IAS19 and confirmed that these are not materially different and the differences are below our reporting threshold.

No issues arose from our work in this area complete to date however, the work is subject to clearance of an engagement quality control review point of this area.

2.10 Estimates and Judgements – Decommissioning Provision (A)

Key related judgements

Included within the accounts of Barking Power Limited is a provision for the decommissioning of the site in preparation for future development. This provision has a number of key assumptions regarding expected costs and the time period over which they will be incurred.

Given the size of the provision and its reliance on judgemental inputs, we consider there to be a significant risk over the valuation of the provision.

Crowe response

Our work on the decommissioning provision included the following:

- Obtained and reviewed management’s estimation of the provision;
- Gain an understanding of the key inputs to the provision calculation, agreeing them to supporting documentation as appropriate; and
- Review costs incurred post year-end to ensure that they are in line with management’s forecast to corroborate the accuracy of the provision made.
- Challenge management assumptions / basis of estimation for reasonableness.

Our conclusions and other comments

During FY23/24 the majority of the capital works were complete and this is reflected by the reduction in the decommissioning provision of £22.9m in the year leaving a remaining balance at year end of £3.6m.

From our discussions with management we understand that there are underspends after the year end and that the subsequent costs after year end are lower than anticipated. In 2024/25 there have been additional capital costs of £1.2m, deeds of release compensation costs of £685k yet to be incurred, and retentions totalling £530k on the water tunnels and gas pipe works therefore the costs to completion from 31/03/2024 are expected to be approximately £2.5m.

This suggests an over-provision of costs at year end, though management note there is some uncertainty over the magnitude of final costs and would prefer to retain the provision.

We have requested further evidence to support this assertion and this is noted as an outstanding point in Section 1.

2.11 Related Parties

Key related judgements

In line with the ISAs which directs our audit work (ISA (UK) 550) we are obliged to ensure that any related parties are identified and that any transactions involving these parties and the group are appropriately authorised and correctly disclosed in the financial statements.

We consider completeness of related party disclosures to be a significant area of risk as transactions of this nature are always material by nature, coupled with the large volume of potential individuals which may be captured by the disclosure requirements. We understand that management have updated the process in the period to ensure the timely collection of information required to populate this disclosure.

Crowe response

We have reviewed City's Estate procedures for identifying potential related parties, ensuring all transactions are complete, including any annual declaration of interests completed by the Board and Senior Management team.

Our conclusions and other comments

As noted in Section 1 of this report, at the time of writing there are 8 outstanding declarations of interest. We do note however that the number of outstanding declarations at this point has fallen considerably compared to prior years due to increased efforts to ensure their return.

Our work in this area remains ongoing whilst declarations continue to be received.

2.12 Consolidation

Key related judgements

In 2023 we highlighted a significant deficiency surrounding the preparation of the consolidated group accounts which management were not initially able to balance. Significant resource was incurred by the City team and Crowe to resolve this matter and we concluded with several recommendations to management to prevent re-occurrence in 2024.

We understand that management have introduced additional resource within the Finance team during the year, alongside additional checks and balances to ensure that the consolidation properly balances prior to audit.

We understand that schedules used to prepare the consolidation have been updated based on the challenges encountered in the prior year audit. However, given the high level of adjustments and challenges encountered in the prior year audit, this was identified as a significant risk.

Crowe response

Our work on consolidation included the following:

- Agreeing the inputs for the consolidated entities to the individual audited financial statements.
- Reviewing all manual adjustments made to the balance sheet and SOCI as part of consolidation.
- Review intercompany balances and transactions identified in the course of audit testing to agree appropriately eliminated.
- Review adjustments in the prior year to build expectation and identify any potentially omitted adjustments.
- Documenting our understanding of the consolidation process to agree this is in line with expectations.

Our conclusions and other comments

In 2023 management spent significant time resolving an imbalance in the consolidation model which underpins the numbers included in the group financial statements. We identified several necessary adjustments to ensure that the final model was appropriately prepared.

We are pleased to report that no such issues arose in 2024 and the additional checks introduced by management to review the accuracy of the consolidation model have been successful subject to some minor adjustments and recommendations noted below:

Intercompany matrix

As part of our testing on the consolidation process it was noted that an intercompany matrix is not prepared or maintained which would summarise the intercompany balances and transactions to be eliminated on

consolidation. We have raised a systems and controls recommendation in respect of this in [Appendix 2](#).

Consolidation adjustment

Other than the adjustment noted in [Appendix 1](#) with regards to Market income (See Section 2.4 above), and the point noted above regarding the preparation of an intercompany matrix no further issues were noted from our testing on consolidation however, the work is subject to clearance of any engagement quality control review point in this area.

2.13 Management override of controls

Auditing standards require us to consider as a significant audit risk areas of potential or actual management override of controls. In completing our audit we have therefore considered the following matters.

Significant accounting estimates and judgements

ISA (UK) 540 (Revised) Auditing Accounting Estimates and Related Disclosures requires additional audit focus over management's estimates, including undertaking separate risk assessments for both inherent and control risks. In respect of the former, consideration is given to the estimation uncertainty, the subjectivity and the complexity of the estimate. We are also required to consider whether the disclosures made in the financial statements are reasonable.

Management have made several necessary significant accounting estimates and judgements which impact the financial statements. We identified the following for specific audit review:

- Financial Investment Valuation [significant risk] (*Section 2.7*)
- Investment Property Valuation (including considerations of a potential contingent liability due to RAAC) [significant risk] (*Section 2.8*)
- Pension Liability [significant risk] (*Section 2.9*)
- Decommissioning Provision [significant risk] (*Section 2.10*)
- Assessment of impairment of assets. (*Section 3.2*)
- Assessment of impairment of goodwill (City's Estate) (*Section 3.2*)
- Assessment of the remaining useful life of assets. (*Section 3.2*)

- The classification of accounts between short term investments and cash and cash equivalents. (*Section 3.2*)
- The split of recharged expenditure between the various entities of the City of London Corporation. (*Section 3.2*)

Estimates and judgements that are not considered to be significant risks are set out in [Section 3](#).

It is important that you are satisfied that the assumptions used by management are appropriate and we will ask you to provide a written representation to us to confirm this.

Controls around journal entries and the financial reporting process

We reviewed and carried out sample testing on the charity's controls around the processing of journal adjustments (how journals are initiated, authorised and processed) and the preparation of the annual financial statements. We also considered the risk of potential manipulation by journal entry to mask fraud.

We note that only Chamberlain (finance) staff, whether they work in the corporate team or one of the units, are able to post journals and whilst journals under £100k are not subject to management review or spot checks, they should be accompanied by relevant supporting documentation. All journals over £100k are reviewed in the form of managers' reviewing regular reports detailing these journals and approving them on the Oracle system.

Whilst this threshold management deem satisfactory for City's Estate due to the level of materiality, this threshold for reviewing journals for the Natural Environment entities is not sufficient due to their lower level of materiality. We have included an update on the prior year recommendation in [Appendix 2](#) to lower the threshold of journal review for the Natural Environment entities and include independent spot checks for journals under the £100k threshold for City's Estate as a two-tiered approach to journal reviews.

Our work in this area remains ongoing whilst support for the final sample of 2 journals is to be received and finalisation of follow up questions.

Significant transactions outside the normal course of business

We are required to consider the impact on the financial statements if there are any significant transactions occurring outside of the normal course of the business.

No such transactions were notified to us by management, nor did any such transactions come to our attention during the course of our work.

3. Other audit findings

In addition to matters relating to the significant audit risks as reported in Section 2, we have also noted the following matters from our audit work which we should bring to your attention.

3.1 Going concern

We explained in our Audit Planning Report that in preparing the financial statements to comply with Financial Reporting Standard 102 the members and management are required to assess the charity's ability to continue as a going concern. In assessing whether the going concern assumption is appropriate, the Members and management are required to consider all available information about the future of the Corporation in the period of at least, but not limited to, twelve months from the date when the financial statements are approved and authorised for issue.

The Member' going concern assessment is a key area of emphasis and importance for our audit and, in accordance with the requirements of ISAs (UK), our audit report includes a specific reference to going concern.

Where the Members identify possible events or scenarios, other than those with a remote probability of occurring, that could lead to failure, then these should be disclosed in the financial statements.

The Members may consider and take account of realistic mitigating responses open to them, considering the likely success of any response.

We have discussed this with the management and explained that our work on going concern includes the following:

- reviewing the period used by Members to assess the ability of City's Estate Group, Power Stations and Natural Environment entities to continue as a going concern,
- examining budgets and forecasts prepared by management covering the period of the going concern assessment to ensure that these appropriately support the Board's conclusion,
- reviewing the accuracy of past budgets and forecasts by comparing the budget for the current year against actual results for the year, and

- reviewing any other information or documentation which the Members have used in their going concern assessment.

Our conclusions and other comments

As at 31 March 2024 City's Estate Group is reporting total reserves of £2,773m (2023: £2,827m). City's Estate Group 's operating result for the year is a deficit of £94m (2023: £335m deficit).

The cash balance at year end is £16m (2023: £29m) and financial investments amounted to £989m (2023: £1.038m) and investment properties of £1,876m (2023: £1,918m).

The accounts state that City's Estate is a going concern on the basis that it annually receives considerable income from its property and non-property investments which is considered in the context of a rolling medium-term financial forecast.

For Barking Power Ltd it is noted that the accounts continue to be prepared on non-going concern basis. It has been agreed with management that a letter of support from City Estate is required to confirm that it intends to provide funding for the power station to finance its remaining commitments and will not recall intercompany loans / balances prior to the decommissioning being complete.

Other than the Barking Power letter of support, our work on going concern has not noted anything that would bring the going concern assumption into question however as noted in [Section 1](#) we will continue reviewing going concern up to the date of signing.

We will be seeking representations that Members have considered the forecasts and are satisfied that the going concern basis is appropriate.

3.2 Estimates and judgements

As noted in [Section 2](#), management have made a number of necessary significant accounting estimates and judgements which impact the financial statements.

We identified the following non-significant estimates and judgements for specific audit review:

- Assessment of impairment of assets.
- Assessment of impairment of goodwill (City's Estate)
- Assessment of the remaining useful life of assets.
- The classification of accounts between short term investments and cash and cash equivalents.
- The split of recharged expenditure between the various entities of the City of London Corporation.

It is important that you are satisfied that the assumptions used by management are appropriate and we will ask you to provide a written representation to us to confirm this.

Assessment of impairment of assets

We have not identified any issues on the impairment of assets as part of our testing on this area and have nothing to note on this.

Assessment of impairment of goodwill (City's Estate)

Total Goodwill is £19.5m in 2024 and is not considered material to the financial statements, therefore the risk of material overstatement of this balance is considered remote for the purpose of our audit.

Assessment of the remaining useful life of assets

We have discussed tangible assets below in Section 3.8.

The classification of accounts between short term investments and cash and cash equivalents

We have not identified any issues to the above as part of our testing on this area and have nothing to note on this, however this is subject to clearance of an engagement quality control review point in this area.

The split of recharged expenditure between the various entities of the City of London Corporation

We have not identified any issues to the above as part of our testing on this area and have nothing to note on this, however this is subject to clearance of an engagement quality control review point in this area.

3.3 Income

International Standards on Auditing (ISA (UK) 240) presumes there is always a significant risk of material misstatement due to fraud in revenue recognition, unless this is rebutted.

Whilst we deem the income streams detailed in [Section 2](#) to be significant, we do not consider other income streams to be significant due to their expected immaterial nature.

Across all income streams the key risks remain the same:

- Completeness (has all income due been appropriately recognised in the period?).
- Cut off (has income been recognised in the appropriate period?).
- Fund allocation (have donor restrictions on the use of the income been appropriately captured in the financial statements?).
- Accuracy (where income is owed at year end, is it likely to be received or should it be provided against?).

We have substantively tested the completeness and cut off of the non-significant income streams.

Suspense accounts

As part of our testing on creditors, it was identified that there is a suspense account (Cashiers suspense account) which is used to record unallocated receipts to the shared bank accounts. For one of our samples it was identified that a receipt to this account should have been recorded as income in Epping Forrest. The adjustment for this income is noted in [Appendix 1](#) and we have raised a system and control recommendation in [Appendix 2](#) that the cashiers suspense account is reviewed regularly and that it is cleared out at year end to ensure that all receipts have been correctly allocated / recognised.

We have not identified any issues to the above as part of our testing on this area and have nothing to note on this.

3.4 Payroll

Payroll is one of the largest single expenditure items for City's Estate totalling £110.2m in 2024 (2023: £101.1m). Other entities under the scope of this report also incur significant payroll costs, which are recharged from the central payroll function within the Corporation of London.

As payroll is processed centrally and allocated to the various organisations within the Corporation we have taken a holistic approach to the testing.

Crowe response

As part of our audit, we reviewed the controls in place over monthly processing including the reconciliation of the payroll to the nominal ledger.

We also performed analytical procedures that considered gross pay, deductions, and staff numbers year on year to ensure that all trends and relationships appeared reasonable and that the totals agreed with the ledger.

Additionally, we verified a sample of staff between the payroll and other HR records and agree their costs to supporting documentation on a sample basis.

Our conclusions and other comments

As noted in [Section 1](#), at the time of writing this report we are finalising the follow up queries on payroll sample and disclosure note.

No issues were identified in relation to payroll testing to date, however, this is subject to clearance of an engagement quality control review point in this area.

3.5 Grant expenditure

A number of grants are made through the Central Grants Programme across a wide range of charitable causes in London. The programme has four funding themes;

- Stronger Communities
- Enjoying Green Spaces and Natural Environments
- Inspiring London through Culture
- Education and employment support

In addition to this, as part of the Corporation of London's response to the Covid-19 pandemic, City's Estate is funding a £50m business support scheme. This consist of multiple grants of c.£100k aimed to support businesses within the City of London. Total Grants expenditure in the year is £28.2m.

Crowe response

As part of our testing, we agreed a sample of grants to supporting documentation and payment and reviewed the agreements to ensure they have been appropriately recognised. We also performed cut-off testing around year-end in order to ensure that grants have been recognised within the correct financial period.

Our conclusions and other comments

As noted in [Section 1](#), at the time of writing this report we are finalising the follow up queries on grant expenditure.

3.6 Barking Power Limited

Barking Power Limited's primary objective is to decommission the power station on its site, as such no income has been generated in the year.

Expenditure

Expenditure in the year is made up of £15k (2023: £7.0m) of cost of sales and £0.4m (2023: £0.3m) of administrative expenses.

Our audit work on cost of sales agreed the expenditure recognised to the movement in the cost book of the decommissioning provision ([Section 2](#)).

As noted in [Section 1](#), at the time of writing this report we are finalising the follow up queries on administrative expenditure sample.

Bank reconciliations

As part of our review of bank reconciliations it was identified that the bank reconciliation was reconciling the nominal ledger to the cash book movements however the cash book did not agree to the year end bank statements. Management have now updated the accounts for this adjustment, but we have raised a systems and controls recommendation in [Appendix 2](#) that the bank reconciliations are performed comparing the nominal ledger to the bank statements to ensure the bank balances are accurately reflected.

Cut-Off review

As part of our testing on year end cut off, we identified a transaction which was paid pre-year end that had not been accounted for. An adjustment for this transaction has been noted in [Appendix 1](#). No further issues were noted from our cut-off testing in this area.

Deferred Taxation

As a result of the revaluation a deferred tax liability has arisen, as at the 31 March 2024 this amounts to £19.8m (2023: £23.0m).

As part of our audit work, we reviewed the calculation and agreed taxation rates used to relevant guidance.

Intercompany Balances

At year end, BPL owe £29m (2023: £7m) to associated undertakings. BPL are not income generating and do not have sufficient cash to meet these liabilities, they will therefore need to drawdown on their loan facility with the City of London to meet these as they fall due.

As part of our audit work, we have agreed the balance due to TPSL to their accounts, and the amounts owed to City of London to supporting calculations.

We have no further issues to report in our work completed.

3.7 Thames Power Limited

Thames Power Services Limited provide management services to BPL in connection with their operations.

Income

Income for the year ended 31 March 2024 is £225k (2023: £297k), this is primarily made up of fees due from BPL in relation to management charges for the services paid for by the City of London, plus an additional 5% charge added by TPSL.

As part of our audit work, we have agreed the income to the charges raised by City of London and recalculated the 5% uplift as per TPSL's service agreement.

Additionally, we reviewed the income accounts for the periods March 2024 and April 2024 to consider the risk of cut off, we noted there had been no activity in this time.

Expenditure

Cost of sales in the year amounted to £214k (2023: £185k), this is for charges by City of London for staff costs, utilities, legal support and consumables.

As part of our audit work, we agreed these costs to the annual invoice issued by City of London.

As noted in [Section 1](#), at the time of writing this report we are finalising the follow up queries on the expenditure sample.

Audit Fee Accrual

As part of our testing, we noted that the audit fee accrued for in the financial statements was different to the audit fee included in the Audit Planning Report issued for both BPL and TPSL. Although this was trivial for BPL, it was above our reporting threshold for TPSL (£11.7k) and has been included in [Appendix 1](#) below as an unadjusted error.

As above, we are currently reviewing the recognition of the audit fees for both BPL and TPSL and will provide an update on this at the Committee.

Intercompany Balances

As at 31 March 2024, TPSL have a debtor balance of £1,094k (2023: £869k) due from BPL and a creditor balance of £966k (2022: £752k) due to City of London. At the time of the audit, these balances remain outstanding.

TPSL do not have sufficient cash funds to settle the liability due to City of London, and will be unable to do this until BPL settle their debt. This has been discussed further above.

We have no further issues to report in our work completed.

3.8 Tangible assets

City's Estate Group hold £338.5m (2023: £329.7m) of Tangible Assets, of this £245.2m (2023: £250.1m) relates to Freehold and £39.6m (2023: £36.5m) to Plant & Machinery.

Crowe response

As part of our audit work we included the following tests:

- Reconciled the fixed asset register to the trial balance and accounts.
- Recalculated the depreciation for all material classes of assets to ensure the correct amount had been included in the Statement of Comprehensive Income.

- Tested a sample of additions, disposals and assets under construction to ensure they had been added/removed from the fixed asset register.

Our conclusions and other comments

We have no issues to report in our work completed. However, this is subject to the clearance of any Engagement Quality Control review point in this area.

3.9 Report and Financial Statements

As noted in the Responsibilities of the City of London Corporation statement, the Corporation are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice.

We would expect management to prepare monthly management accounts which include comparisons to budgets and year to date progress. As part of the audit process we noted that City's Estates Group, Power Stations and Natural environment entities do not prepare management accounts. We have provided an update on the prior year systems and controls recommendation in [Appendix 2](#).

We have reviewed the annual report and financial statements and provided comments to management who are in the process of addressing these and updating the Annual Report and financial statements as appropriate.

4. Fraud and irregularities and our audit reporting

Audit reporting on detecting irregularities, including fraud

In line with ISA (UK) 700 our audit report includes an additional comment to explain to what extent the audit was considered capable of detecting irregularities, including fraud.

Irregularities are acts of omission or commission which are contrary to the prevailing laws or regulations. Fraud includes both fraudulent financial reporting and misstatements resulting from misappropriation of assets.

Our responsibility is to obtain reasonable assurance that the financial statements taken as a whole are free from material misstatement, whether caused by fraud or error. The additional reporting requirements this year placed increased emphasis on our understanding of the risks to City's Estate Group, Power Stations and Natural Environment entities from fraud and irregularities. Our audit included discussions with management and those charged with governance to obtain their assessment of the risk that fraud may cause a significant account balance to be materially misstated as well as other procedures to obtain sufficient appropriate audit evidence.

City's Estate Group, Natural Environment entities and Power Stations have systems in place for the review and authorisation of expenditure and journals by management, including dual authorisation and segregation of duties between those posting transactions and those approving payments up to £100k.

We obtained an understanding of the legal and regulatory frameworks within which the group operates, focusing on those laws and regulations that have a direct effect on the determination of material amounts and disclosures in the financial statements. The laws and regulations we considered in this context for the Group were FRS 102, Companies Act and Charities SORP. We assessed the required compliance with these laws and regulations as part of our audit procedures on the related financial statement items.

In addition, we considered provisions of other laws and regulations that do not have a direct effect on the financial statements but compliance with which might be fundamental to the group's ability to operate or to avoid a material penalty. We also considered the opportunities and incentives that may exist within the group for fraud. The laws and regulations we considered in this context for the UK operations were General Data Protection Regulation and health and safety legislation.

We identified the greatest risk of material impact on the financial statements from irregularities, including fraud, to be within the timing of recognition of income, financial and property investment valuations, Consolidation and the override of controls by management. Our audit procedures to respond to these risks included enquiries of management, internal audit, and the Audit and Risk Committee about their own identification and assessment of the risks of irregularities, sample testing on the posting of journals, reviewing accounting estimates for biases, reviewing correspondence with Regulators, and reading minutes of meetings of those charged with governance.

In accordance with International Auditing Standards, we planned our audit so that we have a reasonable expectation of detecting material misstatements in the financial statements or accounting records including any material misstatements resulting from fraud, error or non-compliance with law or regulations.

However, owing to the inherent limitations of an audit, there is an unavoidable risk that some material misstatements of the financial statements may not be detected even though the audit is properly planned and performed in accordance with the ISAs (UK). No internal control structure, no matter how effective, can eliminate the possibility that errors or irregularities may occur and remain undetected. In addition, because we use selective testing in our audit, we cannot guarantee that errors or irregularities, if present, will be detected. Accordingly, our audit should not be relied upon to disclose all such misstatements or frauds, errors or instances of non-compliance as may exist.

We have also included in [Appendix 8](#) some fraud risks that Trustees and management should be aware of.

Members responsibilities

The primary responsibility for safeguarding the charity's assets and for the prevention and detection of both irregularities and fraud rests with the members and management of the organisation. It is important that management, with oversight of those charged with governance, place a strong emphasis on fraud prevention and fraud deterrence. This involves a commitment to creating a culture of honest and ethical behaviours which can be reinforced by an active oversight by those charged with governance.

As in past years, the following statements will be included in the letter of representation which we require from the Members when the financial statements are approved.

- The Members acknowledge their responsibility for the design and implementation of internal control to prevent and detect fraud and errors.
- The Members have assessed that there is no significant risk that the financial statements are materially misstated as a result of fraud.
- The Members are not aware of any fraud or suspected fraud affecting the charity involving management, those charged with governance or

employees who have a significant role in internal control or who could have a material effect on the financial statements.

- The Members are not aware of any allegations by employees, former employees, regulators or others of fraud, or suspected fraud, affecting the charity's financial statements.

We draw your attention to bullet point 2 above which presupposes that an assessment has been made. We have not been made aware of any actual or potential frauds which could affect the 2024 financial statements, or in the period since the previous year end.

Appendix 1 - Reporting audit adjustments

Adjusted misstatements

International Standards on Auditing (UK) require that we report to you all misstatements which we identified as a result of the audit process but which were not adjusted by management, unless those matters are clearly trivial in size or nature.

The following misstatements were identified during our audit work. Management have agreed that these will all be adjusted in the final accounts. Subject to the final amendments, where we are awaiting updated draft financial statements to check the amendments below through, at the time of writing there are no further remaining unadjusted items identified from our audit in excess of the above trivial limit. This may change depending on the conclusion of outstanding audit work as noted in Section 1 of this report.

We have summarised below the overall impact of these items identified to date on the financial statements.

Adjustment description	Increase / (decrease) in net income £k	Increase / (decrease) in assets £k	Increase / (decrease) in liabilities £k	Increase / (decrease) in funds £k
1. City's Estate Dr Creditors Cr Debtors <i>Prior year audit adjustment to reclassify credit balances within rental debtors which should have been reversed.</i>		(1,483)	(1,483)	
2. City's Estate Dr Debtors Cr Creditors <i>Being the overpayment of Vanquish Properties, sitting on within debtors as negative balance</i>		2,880	2,880	
3. City's Estate Dr Debtors Cr Creditors <i>Being reclassification of negative balances within trade creditors.</i>		660	660	
4. City's Estate Dr Debtors		720		

Cr Creditors <i>Being Freemans school fees in advance still classified as negative debtors</i>			720	
5. City's Estate Dr Creditors Cr Income <i>Being the correction of historic deposit and fees in advance balances at CLS (boys). Relates to brought forward unexplained amounts</i>	640		(640)	640
6. City's Estate Dr Market Income Cr Market Expenditure Cr Management & Admin expenditure <i>In the SOCI workings for markets income there are recharges amounts which have not been eliminated.</i>	(796) 747 49			
7. Barking Power Dr Debtors Cr Cash <i>Crown Estate invoice 30922908 which was paid 28/03/2024 however relates to Apr-24 – Jun-24 licences.</i>		5.6 (5.6)		
8. Thames Power Services Limited Dr Creditor Cr Expenditure <i>Audit amount overstated in expenditure listing.</i>	11.7		(11.7)	11.7
9. Epping Forrest Dr Creditors Cr Income <i>Amount received into Cashiers suspense account within City's Estate which relates to Epping Forrest.</i>	274		(274)	274
Total impact	926	2,777	1,851	926

Appendix 2 - Systems and controls

We have set out below certain potential improvements to the charity's processes and controls which we noted during our audit work and which we believe merit being reported to you.

Our evaluation of the systems of control at City Estate was carried out for the purposes of our audit and accordingly it is not intended to be a comprehensive review of your business processes. It would not necessarily reveal all weaknesses in accounting practice or internal controls which a special investigation might highlight, nor irregularities or errors not material in relation to the financial statements.

In order to provide you with a clearer picture of the significance of issues raised, we have graded the issues raised by significance/priority before any corrective actions are taken: We have also included below a brief update on the matters we raised last year.

High	These findings are significant and require urgent action.	(0 comments in this category)
Medium	These findings are of a less urgent nature, but still require reasonably prompt action.	(3 comments in this category)
Low	These findings merit attention within an agreed timescale.	(0 comments in this category)

Audit finding and recommendation	Priority	Management response
<p>1. Cashier's suspense account</p> <p>As part of our testing on creditors, we reviewed the cashier's suspense account balance. Our understanding is that this account relates to unallocated receipts which are then subsequently reviewed and allocated. There is therefore a risk that balances in this account at year end either do not relate to City's Estate, or are not accounted for correctly.</p> <p>We recommend that the cashier's suspense account is reviewed regularly and that as part of the year end accounts preparation this account is reviewed and cleared out to ensure that all receipts are allocated to the correct entities and income that the entities are entitled to is appropriately recognised.</p>	Medium	<p>Management acknowledges the importance of clearing suspense accounts. These are reviewed on a monthly basis.</p> <p>A standardised reconciliation template has been developed and this will be further rolled out during 2024-25, including the introduction of a P10 balance sheet review to strengthen our control process.</p>

Audit finding and recommendation	Priority	Management response
<p>2. Intercompany matrix</p> <p>As part of our consolidation testing we agreed that intercompany balances were removed however it was noted that for market income the recharges between committee and within funds were not eliminated (See Adjustment 6 in Appendix 1). There is therefore a risk that intercompany balances and inter fund recharges are not identified and eliminated as part of consolidation.</p> <p>We therefore recommend that an intercompany matrix is prepared and maintained to identify and capture these transactions and balances and ensure they are eliminated on consolidation.</p>	Medium	<p>Management acknowledges the improvements made to the City's Estate accounts following the overhaul of the consolidation process in 2023/24.</p> <p>In line with best practice management will continue to review the process and implement improvements where weaknesses or risks are identified.</p>
<p>3. Power stations bank reconciliations</p> <p>As part of our testing on the Barking Power and Thames Power Services cash at bank it was noted that the amount used in the bank reconciliation did not agree to the year end bank statement as the account was reconciled to a cashbook. There is therefore a risk that cash at bank is not correctly reconciled and materially misstated.</p> <p>We therefore recommend that the bank reconciliations are completed to reconcile the bank balance per the bank statement to the nominal ledger.</p>	Medium	<p>Management notes this issue applied only to Thames Power Services Limited (TPSL). A full bank reconciliation was completed for the other legal entity, Barking Power Limited (BPL). Due to internal staffing changes and HSBC access controls, the finance team did not have access to the March 2024 TPSL bank statement at the time the Draft Accounts were prepared. Given the size of the bank balance, the risk of material misstatement is minimal.</p> <p>Nonetheless, management acknowledges the importance of bank reconciliations as a financial control and will ensure that the TPSL bank account is appropriately reconciled in FY24-25.</p>

We have set out below the systems and control issues on which we reported after our audit last year together with an update on how the points raised have been addressed including information on the progress made at the time of the audit of the 2024 financial statements.

Status		Priority
Recommendation fully implemented or no longer relevant		These findings merit attention within an agreed timescale.
Recommendation partially implemented		These findings are of a less urgent nature, but still require reasonably prompt action.
These findings merit attention within an agreed timescale.		These findings are significant and require urgent action.

Observations and recommendations in 2023	Priority	Status	Update 2024
<p>1. General Management oversight of the numbers (2023)</p> <p>The accumulation of the issues outlined in section 13.2 of this report, the significance of the audit journals identified throughout the audit, lack of routine checks of the numbers and lack of monthly management accounts gives rise to concern over managements monitoring and ownership of the numbers in the financial statements as a whole.</p> <p>We would recommend that CC management is completing regular routine checks of the management accounts (this should be on a monthly basis as a minimum). This will help highlight any monthly movements which are clearly not aligned with management expectation and therefore isolate material errors to the month they occurred and aid prompt investigation.</p> <p>We recommend that a separate review is completed by management of the schools' financial information (see further information in point 2 below).</p> <p>Furthermore, we would recommend that there are accounting policy / procedure documents put in place for the team to follow which are management led and reviewed. In the instance of unexpected significant changes to key team members this will mean the new team members will have a clear understanding of what is required.</p>		Partially implemented	<p>Management update:</p> <p>Management acknowledges the issues around the lack of procedure notes, training and routine checks and these have been highlighted under the FSD target operating model, transformation programme and to members of Finance Committee, Audit and Risk Management Committee and Corporate Services Committee.</p> <p>All officers involved in accounts production will complete analytical review to compare entries to expectations. Mandatory training sessions for accountants are scheduled in key areas such as, income recognition, postings to reserves, capital accounting, charity accounting etc. The timetable for accounts production includes management oversight and challenge. For known risk areas, such as the schools, oversight from corporate accounting will ensure accuracy and completeness of balances.</p> <p>Quarterly management forecasting is undertaken, this is to allow the team to focus on moving forward with the transformation that is required, and inclusion of quarterly capital forecasting. Moving to monthly management forecasts at this stage will prevent the team from progressing with the changes that are required, this includes streamlining. However, management will do monthly forecasting for the schools and other risk areas.</p> <p>Crowe update:</p> <p>As detailed in Appendix 1, we have again noted a number of adjustments, however there has been a significant improvement in the general management and oversight of the numbers. Recommendation partially implemented.</p>

2. Oversight at Schools level (2023)

As referenced in section 3.12 of this report, we note that there appears to be a lack of CC management oversight, review & compliance checks around the financial information being to the CC team by the schools. Given the significance of the schools numbers, and the issues found in FY23 in section 3.12 this is an area of concern.

We recommend that the CC team are completing regular routine checks of the schools' financial information, transactions, and balances (at least monthly) which is then reviewed and signed off by CC management.

The way the schools' carry out their postings needs to be revisited, transactions should be posted from the outset with the correct double entry, rather than posting one sidedly with the use of reserves codes.

In addition to this, we recommend that CC management carry out a detailed review of adequacy the control environment at the schools (to include onsite visits) and following this, clearly communicate findings and improvements required. Policy and procedure guidance in relation to controls and regulatory compliance should also be in place for the schools and monitored routinely by CC management to identify any control failings.

Furthermore, we have included a school sector update in [Appendix 7](#) to this report, this further emphasises the need for improved oversight – particularly around forecasting and the possible charging of VAT on school fees in future.

Partially
implemented

Management update:

Management commissioned an internal audit review into financial control environment, which identified significant weaknesses in processes. We are actively addressing these weaknesses in collaboration with the schools. Additional skilled resources have been recruited on a temporary basis to support the school finance team in implementing the necessary changes. A further review by Internal Audit is planned for early 2025.

Management continue to meet regularly with the Schools finance team in order to ensure that issues experienced previously are not repeated. Lessons learnt from the 2022/23 consolidation informed the 2023/24 consolidation and the issues experienced in 2022/23 were not repeated. The Schools' postings have been reviewed to ensure that transactions are posted with the correct double entry from 2024/25 and the Schools no longer have access to post journals to reserve codes.

Please note that as the schools are part of the City of London Corporation, different arrangements apply for VAT and pension options from the rest of the independent school sector. Both areas have been thoroughly researched and investigated, with findings and proposed ways forward reported to Executive Leadership Board and member forums.

Crowe update:

As detailed in Point 1 above, we have again noted a number of adjustments, however there has been a significant improvement in the general management and oversight of the numbers. Recommendation partially implemented.

3. Capital oversight and management (2023)

As referenced in section prior year 3.12 and as recorded in Appendix 1 to this report, there were some significant journals identified during the audit, including a £84m duplication of the cost of Investment property additions in the year. Given the significance of the errors not being picked up by management, this is a clear indication that the control environment around Capital needs tightening.

We would recommend that the fixed asset and Investment property register is routinely reviewed (at least monthly), and there is segregation of duty between the preparer and the reviewer.

Furthermore, as part of the overall routine financial management review process suggested in point 1 above, management should be reviewing the fixed asset numbers and considering if they appear reasonable in line with their knowledge of additions, disposals and expected revaluations & impairments in the period. This will ensure an error of this significance in scale will be picked up.

Fully implemented

Management update:

A new Capital team has been put in place including resources with specialist capital accounting knowledge and experience. Current processes and procedures were reviewed, quarterly capital monitoring is in place and fixed asset register has been reviewed for completeness and accuracy. Reconciliations of key areas such as capital receipts took place in year to reduce the work required at year end. Finance colleagues supporting project managers are being trained in the new processes and procedures. The consistency of staff will also support in ensuring figures and adjustments look reasonable and appropriate throughout year end. Further work is being progressed under the capital transformation programme to streamline processes and procedures

Crowe update:

From our testing on tangible fixed assets and investment properties to date we have agreed that the adjustments posted were appropriate and in line with expectations. Recommendation fully implemented

4. Consolidation methodology / working (2023)

As referenced in prior year section 3.12, the current methodology for preparing the City’s Estate consolidation (i.e separate preparation of the Statement of Financial Position & I&E and use of reserves codes) means there is lack of clear double entry audit trail. Additionally, the posting of manual adjustments and hard coding numbers in to Excel cells means the methodology is prone to error.

We would recommend the following:

- In the accounting system, for all components including the schools – transactions should be posted from the outset with the correct double entry, rather than posting one sidedly with the use of reserves codes and then reconciliations performed between the movement on the SoFP and the Profit in the I&E. This was the root cause of the imbalance issue & revisiting this process will significantly reduce the need for manual entry at the consolidation level.
- The consolidation workings should then be prepared as a complete trial balances (covering all of all entries) rather than separate SoFP and I&E workings. This will immediately flag any imbalance issues on the import of all TBs from the accounting system and force any eliminations to be posted using the correct double entry from the outset.
- Furthermore, in the consolidation TB, there should be no manual postings other than elimination journals and no manual input into the TB numbers within Excel. All non-eliminating entries should be posted within the accounting system to the TB of the entity to which they relate.
- In the Consolidated TB, this should be prepared in an extended trial balance format with each eliminating journal adjusted in a separate column & cross referenced to a description of what the elimination relates to.

Further recommendations going forward:

- Given the size of the entity, we would expect management to explore the use of an appropriate consolidation software instead of the use of Excel.

Partially implemented

Management update:

Management acknowledges the concerns raised by the external auditors regarding the consolidation methodology and workings. In response to the recommendation provided, we have considered the following actions:

Posting Transactions with Correct Double Entry: We recognise that while all transactions in our financial system are recorded using double-entry accounting, manual adjustments are sometimes necessary due to the system setup and the nature of certain transactions. For instance, in the case of transfers from reserves, the entries are typically made by debiting reserves to reduce their balance and crediting income to recognise the transfer.

In the context of crediting income for transfers from reserves, a manual adjustment is required to ensure accurate reflection of financial activities. While the transfer of funds from reserves represents an internal movement of resources, it does not inherently constitute revenue generated from the core operational activities of the entity. Therefore, a manual adjustment to remove this income allows for proper recognition of the transfer within the income statement.

Preparation of Consolidation Workings from Complete Trial Balances:

Whilst our current system allows for the preparation of the Statement of Financial Position (SoFP) from a single trial balance report, a separate report is required to produce the Statement of Comprehensive Income.

While our current process ensures accurate and efficient generation of both financial statements, we have incorporated checks and balances into the revised consolidation working papers to enhance the accuracy and reliability of the consolidation process. These measures include rigorous review procedures and

validation checks to identify and rectify any discrepancies or errors in the consolidation process.

Looking ahead, we recognise the potential for further improvements and efficiencies, particularly in the context of the upcoming ERP implementation, with better consolidation functionality.

Elimination of Manual Postings in Consolidation Trial Balance (TB) & Preparation of Consolidated TB in Extended Trial Balance Format:

Management acknowledges the recommendation regarding the limitation of manual postings in the consolidation Trial Balance (TB). We recognise that manual inputs and adjustments in Excel can introduce risks of errors and inconsistencies in the consolidation process.

Moving forward, we are committed to adhering to best practices by limiting manual postings to only elimination journals within the consolidation TB. This approach will enhance the accuracy and reliability of our consolidated financial statements by minimising the potential for human error.

Additionally, we agree that the Consolidated TB should be prepared in an extended trial balance format, with each eliminating journal adjusted in a separate column. This format will provide greater transparency and clarity regarding the nature and purpose of each elimination, facilitating a more comprehensive understanding of the consolidation process.

This approach aligns with the methodology we employed to record audit adjustments in prior years therefore, we are confident in its effectiveness and its ability to ensure accuracy and completeness in our financial reporting.

Exploration of Consolidation Software:

In terms of wider software that could be used, the Corporation is about to embark on an ERP programme

			<p>and the chart of accounts will be a key aspect of that work to support consolidation. The potential for other systems will therefore be considered as part of that work.</p> <p>Crowe update:</p> <p>From our testing on consolidation, the only error identified was in relation to the non-elimination of recharges in Market income / expenditure.</p> <p>While there have therefore been improvements in the consolidation process we continue to recommend management to explore the use of an appropriate consolidation software instead of the use of excel. Recommendation therefore partially implemented.</p>
<p>5. GSMD – Tuition Fees (2023)</p> <p>Management have been unable to provide a breakdown from a source external to finance of the school debtor tuition fees amounting to £2,169k at GSMD in order to complete our detailed and recoverability testing. Of this balance we have a breakdown of £500k for the non-tuition fee element which we have tested.</p> <p>We recommend management review their schedules to ensure they are aware of the year end position for tuition fee debtors at the year end.</p>		<p>Fully implemented</p>	<p>Management update:</p> <p>At the time of issuing this report, a reconciliation has been prepared between the General Ledger and the underlying SITS system to account for the FY23-24 movement in the main GSMD debtor balance. Due to staffing changes at GSMD in the year, critical operational activities took precedence over year-end reconciliations. Management acknowledges the importance of improving this reconciliation process in FY24-25 and will ensure sufficient resource is in place to perform this work.</p> <p>Crowe update:</p> <p>No issues noted from our testing on tuition fees. Recommendation fully implemented.</p>

6. Journals review (2023)

We note that only Chamberlain (finance) staff, whether they work in the corporate team or one of the units, are able to post journals and whilst journals under £100k are not subject to management review or spot checks, they should be accompanied by relevant supporting documentation. All journals over £100k are reviewed in the form of managers' reviewing regular reports detailing these journals and approving them on the Oracle system.

Whilst this threshold is deemed satisfactory for City's Estate due to the level of materiality, this threshold for reviewing journals for some the Natural Environment entities is not sufficient due to their lower level of materiality.

Our recommendation is to lower the threshold of journal review for the Natural Environment entities and include independent spot checks for journals under the £100k threshold for City's Estate as a two-tiered approach to journal reviews.

No progress

Management update:

We appreciate the auditors' recommendation regarding the threshold for journal reviews. We have carefully considered this suggestion, after a careful consideration, we believe that lowering the threshold across the board would be excessively time-consuming, given the scale of our operations.

We want to assure the auditors that despite the threshold, robust controls are in place. All journals, regardless of the amount, are posted only by Chamberlain (finance) staff and the CBF & Charities Finance Team. Furthermore, for journals exceeding £100k, detailed supporting documentation is mandatory, and these journals are rigorously reviewed and approved by managers using the Oracle system.

Work is underway to create a centralised log of all journals which will incorporate the approval workflow. This will demonstrate that journals that are >100k will require review and approval when posting on the ledger. Additionally, evidence and other relevant documents can be attached to the log to ensure that all journals have supporting documents. Training on how to use the log and approval will be rolled out to all finance teams.

Crowe update:

No change from process noted in prior year.

7. Capitalisation policy (2023)

When reviewing the capitalisation policy, we noted that it is £50k for all entities with the City of London and whilst this was deemed sufficient for assets in City’s Estate due to their size, we deem this threshold to be too high for some of the Natural Environment entities due to their smaller level of materiality.

We recommend that the capitalisation policy for the Natural Environment entities is reviewed.

No progress

Management update:

We appreciate the auditors' diligence in reviewing our capitalisation policy. The current threshold of £50k has been applied uniformly across all entities within the City of London.

However, we value the auditors' perspective and acknowledge the unique nature of some of our Sundry Trusts and Natural Environment entities. We are currently undergoing a charity review of our Sundry Trusts and Natural Environment and will therefore consider this recommendation as part of this review.

We will ensure that our capitalisation policy is periodically revisited and adjusted if necessary to align with best practices and the unique needs of our diverse entities.

Crowe update:

As noted in the Natural Environment entity accounts, the capitalisation threshold has remained at £50,000 for the year to 31 March 2024.

<p>8. Management accounts (2023)</p> <p>We would expect management to prepare monthly management accounts which include comparisons to budgets and year to date progress. As part of the audit process we noted that City’s Estate Group, Power Stations and Natural Environment entities do not prepare management accounts.</p> <p>We recommend that management accounts be prepared and reviewed each month.</p>		<p>No progress</p>	<p>Management update:</p> <p>Support was gained from Chief Officers and Finance Committee to move to quarterly management reporting to help prioritise resources and tackle other pressures the department continues to face.</p> <p>For the charities, an ongoing review of management information provided is underway, including consideration of the format and content of any reporting that is already undertaken.</p> <p>In addition, the Financial Services Division is undergoing a transformation journey, plus procuring a new ERP system which provides an opportunity to address challenges faced this year.</p> <p>Crowe update:</p> <p>As noted in prior year, management accounts are not prepared on a regular basis.</p>
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9. Double counting of income (2023)

During our reconciliation of education income back to the accounts, we identified £4.6m of education income which was incorrectly double counted in income and reserves. We have included this as an adjusted error in [Appendix 1](#) above. We have also noted this as a control point as management failed to notice this error and have included a

We recommend that the financial statements are reviewed before being sent to us.

Fully implemented

Management update:

In light of this finding, we recognise the importance of enhancing our internal controls to prevent similar errors in the future. As part of our ongoing commitment to improving our processes, we will review and strengthen our year-end procedures comprehensively. This will include a meticulous examination of the reconciliation of education income to the accounts.

Specifically, we will address your recommendation by instituting a robust review process before the financial statements are sent to you for audit. This additional layer of scrutiny will help identify and rectify any potential discrepancies or errors prior to the audit stage.

Crowe update:

From our testing on consolidation we have agreed that there was no double counting noted in the consolidation workings for the year ended 31 March 2024. Recommendation fully implemented

<p>10. Year-end procedures (2022)</p> <p>As part of our audit testing we have noted a number of adjustments (see Appendix 1) which relate to year end adjustments such as unallocated cash balances at year end and rental debtor credit notes which had not been considered by management in the preparation of the financial statements. We also note a large number of manual adjustments occur in the preparation of the financial statements. We would expect management to have a robust year end process in place to ensure the financial statements presented for audit have considered and reviewed any year end adjustments performed or required.</p> <p><i>Crowe recommendation</i></p> <p>We therefore recommend City's Estate review year end procedures and ensure that each account is appropriately reviewed and considered in the preparation of the financial statements.</p> <p><u>Management update 2023</u></p> <p>Due to key personnel transitioning into new roles within the organisation, including some who have recently left, we were faced with challenges in reviewing our year-end procedures this year. However, recognising the importance of this process, additional resources were bought in starting from scratch, we are also seizing the opportunity to enhance our procedures comprehensively in the coming year. We plan to meticulously review all existing processes, meticulously documenting them to ensure they are easily transferable to new staff members. Our goal is to create standardised operating procedures (SOPs) and develop training materials, such as videos and manuals, to facilitate the seamless onboarding of new officers.</p> <p>Additionally, we are actively engaging with our auditors to ensure that the quality of our working papers meets the highest standards and aligns with their expectations.</p>	Partially implemented	<p>Management update:</p> <p>Recognising the importance of this process we are seizing the opportunity to enhance our procedures comprehensively in the coming year. We plan to meticulously review all existing processes, meticulously documenting them to ensure they are easily transferable to new staff members. Our goal is to create standardised operating procedures (SOPs) and develop training materials, such as videos and manuals, to facilitate the seamless onboarding of new officers.</p> <p>Additionally, we are actively engaging with our auditors to ensure that the quality of our working papers meets the highest standards and aligns with their expectations.</p> <p>Crowe update:</p> <p>As detailed in Appendix 1, we have again noted a number of adjustments, including a recharge elimination which had not been identified as part of the consolidation process. There has been significant improvements compared to prior year therefore recommendation partially implemented.</p>
<p>11. Related party declarations (2022)</p> <p>As part of normal processes at the City of London Corporation all members are expected to complete a declaration of interests each year. We noted from our audit work that 26 members did not complete a declaration this</p>	Partially implemented	<p>Management update:</p> <p>2023/24 has seen significant improvement in processing the declarations this year. Related Parties' emails to Members and Chief Officers were sent out a lot earlier than usual, with several reminders following the original email. As part of the follow ups, hard copies of</p>

year. This is a control breakdown and limits the Corporation's ability to produce accurate information for the related parties' disclosures.

Crowe recommendation

We recommend the importance of these declarations is stressed to Members and procedures put in place to ensure they are all completed and submitted on a timely basis.

Crowe update 2023

Whilst the Corporation as a whole have worked to improve the return rate, we note that this remains an ongoing issue, with declarations outstanding as at the time of writing. It is expected this number will reduce, however any declarations not received increases the risk a related party transaction being missed.

Management update 2023

Despite our best efforts to address the recommendations raised in the past, we have encountered a recurring challenge. The issue stems from the numerous changes in Members, which have led to lapses in ensuring that related party declarations are completed upon departure.

To tackle this challenge head-on, we are actively working with Town Clerks to reinforce our controls and ensure that related party declarations are diligently completed in all cases. We are committed to learning from these experiences and strengthening our processes to prevent similar occurrences in the future.

declarations were handed out to Members at the Policy Resources Committee and Court of Common Council meetings by the Chamberlain and Financial Services Director. This has contributed to a year-on-year increase in the rate of returns.

In terms of the processing of declarations, checks were carried out on Companies House website for all Members and Chief Officers and rigorous peer reviews and checks were undertaken on the working papers.

It is acknowledged that not all declarations were returned with 8 declarations outstanding as at the time of issuing this report (95% response rate in 2023-24). However, Companies House checks have been undertaken on all Members and Chief officers.

Crowe update:

For the year ended 31 March 2024, there has been further improvements in the completion of conflict of interest declarations. At the time of writing this report, there are 8 declarations outstanding which is an improvement on prior year. Recommendation partially implemented.

Appendix 3 - Entities

Entities	Type	Main objectives	Audit/Independent Examination (IE)
Consolidated Entities			
Ashtead Common	Charity	The objective of the charity is the preservation in perpetuity of the common at Ashtead as an open space for the recreation and enjoyment of the public.	IE
Burnham Beeches	Charity	The objectives of the charity are the preservation and maintenance of Burnham Beeches and Stoke common, as Open Spaces for the recreation and enjoyment of the public and to maintain their natural aspect.	Audit
Epping Forest	Charity	The objective of the charity is the preservation of Epping Forest in perpetuity, as an open space for the recreation and enjoyment of the public. The open space consists of the lands known as Epping Forest including Wanstead Park and Highams Park in Essex. Various buffer lands have been acquired by the City Corporation around the edges of Epping Forest.	Audit
Hampstead Heath /Hampstead Heath Trust	Charity	The objective of the charity is the preservation and maintenance of Hampstead Heath in perpetuity, as an open space for the recreation and enjoyment of the public.	Audit
Highgate Wood and Queen's Park Kilburn	Charity	The objective of the charity is the maintenance and preservation in perpetuity of the open spaces known as Highgate Wood and Queen's Park Kilburn, as public parks or open spaces for use by the public for exercise and recreation.	Audit
West Ham Park	Charity	The objectives of the charity are to hold West Ham Park on trust forever "as open public grounds and gardens for the resort and recreation for adults and as playground for children and youth". The City of London Corporation agreed to maintain and preserve the Park for this purpose at its own cost.	Audit
West Wickham and Spring Park Wood, Coulsdon and Other Commons	Charity	The objectives of the charities are the preservation and maintenance of West Wickham Common and Spring Park Wood Coulsdon, as Open Spaces for the recreation and enjoyment of the public.	Audit
Sir Thomas Gresham	Charity	The objectives of the charity are the provision of eight Almshouses known as the Gresham Almshouses; the annual payment of an allowance to the almsfolk; and the annual payment to the four Gresham college lecturers as detailed below.	IE
Barking Power Limited	Company	Decommissioning of the power station is the principal business of the Company and, because it receives minimal external revenue, this is financed by a loan from the City of London Corporation	Audit

Thames Power Services Limited	Company	To provide management services to Barking Power Limited in connection with operation and decommissioning of Barking Power Station.	Audit
Keats House	Charity	The objective of the charity is to preserve and maintain and restore for the education and benefit of the public the land with the buildings known as Keats House as a museum and live memorial to John Keats and as a literary meeting place and centre.	IE
City Re Limited	Company	A wholly-owned subsidiary of the City Corporation whose principal activity is to provide re-insurance protection and is included as part of management and administration activities in City's Estate	Audit

Appendix 4 - Materiality

Materiality and identified misstatements

As we explained in our Audit Planning Report, we do not seek to certify that the financial statements are 100% correct; rather we use the concept of “materiality” to plan our sample sizes and also to decide whether any errors or misstatements discovered during the audit (by you or us) require adjustment. The assessment of materiality is a matter of professional judgement but overall a matter is material if its omission or misstatement would reasonably influence the economic decisions of a user of the financial statements.

Our overall audit materiality for the financial statements as a whole took account of the level of activity of / funds held by each entity and was set at 2% of investments, 1.5% of income or 2% of Expenditure as appropriate for each entity.

We reassessed materiality based on the draft financial statements, and the following is a summary of the overall materiality levels we applied to the separate entities within the group.

Entity	Materiality calculation	Planning Materiality £'000	Final Materiality £'000	Reporting threshold £'000
City's Estate	2% of investments (Overall materiality)	59,110	57,286	2,864
	1.5% of income (Specific materiality – used for all areas of testing except investments, investment property, Goodwill & Pensions)	2,785	3,137	157
Consolidated Audited Entities				
Burnham Beeches	2% of expenditure	30	30	1.5
Epping Forrest	2% of expenditure	152	167	8.35
Hampstead Heath / Hampstead Heath Trust	2% of expenditure	191	205	10

Highgate Wood and Queen's Park Kilburn	2% of expenditure	30	30	1.5
West Ham Park	2% of expenditure	29	30	1.5
West Wickham and Spring Park Wood, Coulsdon and Other Commons	2% of expenditure	28	20	1
Barking Power Limited	2% of fixed assets	2,500	2,288	114
	2% of expenditure	147	5	0.25
Thames Power Services Limited	2% of expenditure	4	4.3	0.2

Appendix 5 - Draft Representation Letter

This letter must be typed on your official letterhead. It should be considered by the [Board] at the same time as the as both the Consolidated and Parent Entity's Annual Report and Financial Statements; and the Minutes should record the [Board's] approval of the letter.

The letter should be dated at the date of the approval of the financial statements.

Crowe U.K. LLP
55 Ludgate Hill
London
EC4M 7JW

Dear Crowe,

We provide this letter in connection with your audit of the financial statements of City's Estate Group for the year ended 31 March 2024 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view of the financial position of the group as at 31 March 2024 and of the results of the group's and the charity's operations for the year then ended in accordance with UK Generally Accepted Accounting Practice ("UK GAAP").

We confirm that the following representations are made in respect of the group on the basis of sufficient enquiries of management and staff with relevant knowledge and experience and, where appropriate, of inspection of supporting documentation and that, to the best of our knowledge and belief, we can properly make each of these representations to you. If completion of the audit is delayed we authorise Caroline Al-Beyerty to provide an update to all representations sought.

1. We have fulfilled our responsibility for the fair presentation of the financial statements in accordance with UK GAAP.
2. We acknowledge as members, our responsibility for making accurate representations to you.
3. We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud and errors, and we believe we have appropriately fulfilled those responsibilities.
4. We have provided you with all accounting records and relevant information, and granted you unrestricted access to persons within the entity, for the purposes of your audit.

5. All the transactions undertaken by the group have been properly reflected and recorded in the accounting records or other information provided to you.
6. The methods, the data, and the significant assumptions used by us in making accounting estimates and their related disclosures are appropriate to achieve recognition, measurement or disclosure that is reasonable in the context of the applicable financial reporting standards.
7. We confirm that we consider the key assumptions used in the preparation of the valuations of the investment properties to be appropriate and that we have not withheld any information that may affect the valuation of these properties.
8. We have considered the adjustments in Appendix 1, proposed by you. In our judgement, these adjustments are appropriate given the information available to us. We further confirm that we have now made these adjustments to the financial statements.
9. We do not wish to adjust the financial statements for the actual errors set out in Appendix 1 as we believe that the errors are immaterial, both individually and in aggregate, to the financial statements as a whole.
10. We are not aware of any actual or possible litigation or claims against the company whose effects should be considered when preparing the financial statements.
11. All grants, donations and other incoming resources, the receipt of which is subject to specific terms and conditions, have been notified to you. There have been no breaches of terms or conditions in the application of such incoming resources.

12. We are not aware of any breaches of our charitable trusts and have advised you of the existence of all endowments and funds maintained by us.
13. There have been no events since the balance sheet date which require disclosure, or which would materially affect the amounts in the financial statements. Should any material events occur which may necessitate revision of the figures in the financial statements, or inclusion in a note thereto, we will advise you accordingly. We specifically authorise Caroline Al-Beyerty, Chamberlain and Chief Financial Officer, to provide an update for you to cover the time period between the signing of this letter and the date of your audit report.
14. We have assessed that there is no significant risk that the financial statements are materially misstated as a result of fraud.
15. We are not aware of any fraud or suspected fraud affecting the group involving those charged with governance, management or other employees who have a significant role in internal control or who could have a material effect on the financial statements.
16. We are not aware of any allegations by employees, former employees, regulators or others of fraud, or suspected fraud, which would have an impact on the financial statements.
17. We are not aware of any frauds that have not been included in the fraud log/ register provided to you.
18. We are not aware of any known or suspected instances of non-compliance with those laws and regulations which provide a legal framework within which the group conducts its business.
19. We confirm that complete information has been provided to you regarding the identification of related parties and that we are not aware of any significant transactions with related parties other than matters that we consider have been appropriately and adequately disclosed.
20. We confirm we have appropriately accounted for and disclosed related party relationships and transactions in accordance with applicable accounting standards and with the recommendations of the applicable FRS 102, Companies Act and Charity SORP'.
21. We have no plans or intentions that might materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.
22. The group and parent have satisfactory title to all assets and there are no liens or encumbrances on the parent's assets, except for those that are disclosed in the financial statements.
23. There are no liabilities or contingent liabilities or guarantees that we have given to third parties other than those disclosed in the financial statements.
24. In the event that we publish the members' report, independent auditor's report and financial statements electronically, we acknowledge our responsibility for ensuring that controls over the maintenance and integrity of the entity's web site are adequate for this purpose.
25. We confirm that, having considered our expectations and intentions for the next twelve months and the availability of working capital, the group and parent are a going concern. We are unaware of any events, conditions, or related business risks beyond the period of assessment that may cast significant doubt on their ability to continue as a going concern.

Yours faithfully

.....

Signed on behalf of the [board]

Date

Note: Ensure appendix 1 of this report is attached as an appendix to this letter at the date of signing.

Appendix 6 - Responsibilities and ethical standards

Audit purpose and approach

Our audit work has been undertaken for the purposes of forming our audit opinions on the financial statements of the City's Estate Group, Power stations and Natural Environment entities prepared by management with the oversight of the Members and has been carried out in accordance with International Standards on Auditing (UK) ('ISAs').

Our work combined substantive procedures (involving the direct verification of transactions and balances on a test basis and including obtaining confirmations from third parties where we considered this to be necessary) with a review of certain of your financial systems and controls where we considered that these were relevant to our audit.

Financial statements

The Members of City's Estate Group, Power stations and Natural Environment are responsible for the preparation of the consolidated financial statements on a going concern basis (unless this basis is inappropriate). The Members are also responsible for ensuring that the financial statements give a true and fair view, that the process your management go through to arrive at the necessary estimates or judgements is appropriate, and that any disclosure on going concern is clear, balanced and proportionate.

Legal and regulatory disclosure requirements

In undertaking our audit work we considered compliance with the following legal and regulatory disclosure requirements, where relevant.

- Companies Act 2006
- Charities Act 2011
- Financial Reporting Standard 102 (FRS 102)
- The Charities SORP (FRS 102)

Directors' responsibilities (Power Station entities only)

Under the provisions of the Companies Act, the Directors' Report is required to include a statement confirming for each director who was a director at the time of the approval of the financial statements that:

- they have each taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information; and
- so far as they are aware there is no relevant audit information of which the company's auditor is unaware.

Ethical Standard

We are required by the Ethical Standard for auditors issued by the Financial Reporting Council ('FRC') to inform you of all significant facts and matters that may bear upon the integrity, objectivity and independence of our firm.

Crowe U.K. LLP has procedures in place to ensure that its partners and professional staff comply with both the relevant Ethical Standard for auditors and the Code of Ethics adopted by The Institute of Chartered Accountants in England and Wales.

As explained in our audit planning report, in our professional judgement there are no relationships between Crowe U.K. LLP and City's Estate Group, Power stations and Natural Environment entities or other matters that would compromise the integrity, objectivity and independence of our firm or of the audit partner and audit staff. We are not aware of any further developments which should be brought to your attention.

Independence

International Standards on Auditing (UK) require that we keep you informed of our assessment of our independence.

We confirm that we have carried non-audit services as detailed below. We have not identified any other issues with regards to integrity, objectivity and independence and, accordingly, we remain independent for audit purposes.

In communicating with those charged with governance of the group we consider those charged with governance of the subsidiary entities to be informed about matters relevant to them.

The matters in this report are as understood by us as at the date of this report. We will advise you of any changes in our understanding, if any, during our meeting prior to the financial statements being approved.

Non-audit services

We have considered the non-audit services we have provided in the period and have concluded that there are no facts or matters that bear upon the integrity, objectivity and independence of our firm or of the audit partner and audit staff related to the provision of such services which we should bring to your attention. Our fees for non-audit services in the year have been as follows.

GSMD Grant Audit	£6,000
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Use of this report

This report has been provided to the Audit and Risk Committee to consider and ratify on behalf of the Those Charged with Governance, in line with your governance structure. We accept no duty, responsibility or liability to any other parties, since this report has not been prepared, and is not intended, for any other purpose. It should not be made available to any other parties without our prior written consent.

Appendix 7 - School Sector update

Independent schools continue to form an intrinsic part of the education system in the UK, providing education and wider opportunities for pupils and their connected communities.

The sector has shown remarkable resilience through what remains a challenging period. Schools continue to show they are adaptable and resourceful in the face of a challenging environment characterised by rising costs and political uncertainty. Schools are meeting these challenges head on as they prepare for the introduction of VAT on school fees, loss of Business rates relief and an uncertain economic environment.

Pupil numbers

Political change and challenging economic conditions have started to show an impact on pupil recruitment and retention in 2024. The Independent Schools Council reported a 2.7% decrease in new pupil recruitment as parents reflect on long-term affordability. This has led to the total proportion of children educated in independent schools falling from 7% to 6% in 2024.

Whilst the overall trend shows a decline across the year, there is wide regional variation in this fall with the South West, East Midlands, Scotland and Wales seeing between 0.9% and 2.1% declines in 2024. This was offset by rising pupil numbers in the North East, London, West Midlands and South Central regions which showed between 0.1% and 0.6% growth in the period. Pupil growth in the South East remained flat with 0% growth in pupil numbers reported.

2024 has also seen an 8% increase in the number of independent school children receiving SEND support which equates to 1 in 5 of all pupils.

Fee increases, affordability and knowing your market

Governing bodies have the unenviable task of setting an appropriate fee increase at the same as many families having already had to make significant sacrifices due to wider economic pressure on disposable incomes throughout the cost-of-living crisis.

It is imperative that schools make sure they are covering costs through an appropriate fee. Missed fee increases cannot be caught up through subsequent rises, and resulting deficits on operating activities are not sustainable in the long-term for most schools.

Operational costs across the sector, and indeed the cost of living for parents, remain high. Whilst current inflation has now moved closer to the Bank of England target rate, costs remain high and real incomes for parents have yet to catch up.

Whilst there is an element of expectation from parents that fees in the year ahead will be higher to accommodate the introduction of VAT, Governors and senior management continue to face a difficult balancing act. They must consider how much of the increased costs can be passed on, particularly as many schools are already operating within a tight budget. Nevertheless, schools are ensuring that fees are being set at a level to sufficiently address the current challenges and to continue investing in the future.

March/April 2023 was around the time when many schools settled on fee increases for the following year. During this period CPI inflation was at 8.7% and interest rates, at 4.25%, were continuing to rise. At this time there was also uncertainty around the final increase expected for those in the Teachers' Pension Scheme. This had a direct impact on costs for schools. In response, schools continued to work hard to control fee increases. The Independent Schools Council reported that the annual average fee increase in 2024, was 8% which is similar to underlying wage inflation reported by the Government for the same period (7.8%), suggesting a small increase in real terms. This compares to a 5.6% increase in fees during 2023 and 3% increase in 2022.

These increases reflect the harsh realities at many schools who continue to offer a full curriculum and extra-curricular activities in a challenging macro environment.

Looking ahead, much larger increases are likely as schools look to pass on VAT and other costs which they cannot absorb within their operating models.

Affordability remains central to any decision on fee increases and schools have continued to extend the level of assistance offered to pupils, to minimise the financial burden for those who require additional financial support.

Total fee assistance provided by independent schools increased by 10.2% in 2024 (2023: 5.9%). This includes increasing the value of the average means-tested bursary by 9.3% (2023: 8.9%) across the period.

Settling on a sustainable assistance programme continues to be a critical success factor for many independent schools, as they consider the financial cost of maintaining expensive concessions against the risk of pricing parents out of the market without an effective bursary and scholarships programme.

Many schools are also increasing the level of activities which deliver other forms of public benefit which adds additional cost to operations, so Governors are continuing to revisit concessions policies to ensure they remain sustainable.

In response to increased costs both now and on the horizon, parents are increasingly re-considering entry points for independent education, many waiting until year 7 and taking a cheaper option of tutoring their children for entrance exams through state junior education. This is creating several pressures on both prep schools and other entry points within schools.

Knowing your local market is therefore critical to getting the strategic planning right for your school. Some essential questions for the Board and senior leadership team to consider:

- Where is the local competition?
- What is everyone else charging?,

What are others offering in terms of education and extras? Whilst these circumstances are challenging schools are taking the opportunity to examine catchment areas, local demographics and even bus routes to ensure offers to pupils continue to appeal within a changing marketplace.

Public benefit

Delivering wider public benefit continues to be an important mechanism for independent schools to build community engagement and share knowledge, facilities, and other assets with the state sector.

The Independent Schools Council saw a 5.2% increase in the number of reported partnerships with the state sector in 2024, covering a diverse range of activities from sharing facilities to seconding staff.

It is important that examples of public benefit are articulated effectively in the financial statements. Consideration is needed around the messaging and how this is presented. Where a school is particularly active in its public benefit provision, the use of a Chairman's Statement or infographics at the start of the Trustees Report may help to highlight key achievements. In times where a school is involved in longer term collaborations and provisions, they may also wish to look at impact reporting to evidence the longer-term outcomes that their involvement has helped to achieve.

Political risks and taxation

The recent change in Government has crystalised political risks surrounding the introduction of VAT from January 2025 and removal of Business rates relief from April 2025.

No one can predict with certainty how this will play out and until consultations are over and final legislation is in place, it is impossible to understand the full impact on individual schools.

Schools are now working through the financial implications of these changes and are evaluating the risks to business and parents which might follow.

Ensuring good fiscal discipline around budgets and costs centres or developing new income streams will help cushion the residual pain.

VAT

Following the election of the Labour Party, the Government has begun the process of removing the VAT exemption from independent schools.

With no draft legislation the picture remains unclear, however there are a number of actions that schools can take to plan ahead.

Below we share some considerations that we have been discussing with schools over the past year. These actions and considerations will help independent schools to prepare should the changes be introduced in 2025.

Will independent schools need to register for VAT?

Many independent schools are not currently registered for VAT. The limit for VAT registration is £90,000 of taxable supplies over a rolling 12-month period, therefore it is highly likely schools will need to register for VAT shortly after the changes in legislation become effective.

The application process is online and should be straight forward, but we already experience delays in processing with HMRC and sometimes questions asked are not entirely clear. HMRC do apply penalties for taxpayers that notify them belatedly, so the key message is to ensure you are prepared and the application is sent promptly.

How / when do I account for VAT on income received?

For taxable supplies VAT generally falls due on the earlier of:

1. the issue of a VAT invoice; or
2. payment for the service.

Consequently, if a VAT invoice is raised and payment is not made promptly, the school may have to pay HMRC the VAT before it is received from the parents. This could potentially cause a cashflow issue, so it is important that schools manage this risk carefully.

(Please note that currently invoicing does not create a tax-point as the supplies are VAT exempt).

How do I recover VAT on costs?

Currently, even VAT-registered schools face heavy restrictions on the amounts of VAT that can be recovered on costs because supplies of education are exempt. Therefore, it is likely many VAT-registered schools often do not record VAT on purchases. In a world with VAT on school fees,

these systems must be changed to ensure VAT is identified on costs that bear the tax, so this can be offset against the VAT due on the VAT return. It is equally important that invoices are retained to support the recovery of VAT on those costs.

Can I recover VAT on costs retrospectively?

The only opportunity for schools to retrospectively recover VAT is on 'capital items' that fall under the 'Capital Goods Scheme'. For schools, these are usually VAT-bearing building projects that cost in excess of £300,000 (inclusive of VAT).

VAT can be recovered for such items that have been used in the past 10 years. However, please note that for each year of use under current rules, one-tenth of the VAT claim is lost. For more information on how the Capital Goods Scheme works, you can watch our webinar [here](#). We would recommend that schools begin identifying any Capital Goods Scheme assets and retain invoices to support their claims.

The rules for newly VAT-registered businesses usually allow for recovery of VAT on goods 'on hand' going back four years, with services being recoverable six months prior to the effective date of VAT registration. However, in most instances, this will not be the case for schools, as the goods and services will have already been used to make exempt supplies.

How do I submit a VAT return?

VAT returns are usually submitted to HMRC on a quarterly basis, with returns falling due one month and seven days after the end of a particular quarter (e.g. the March VAT return would be due by submission by 7 May). Under 'Making Tax Digital' (MTD), VAT returns must be submitted electronically using MTD compliant software to share the figures with HMRC. Independent schools need to ensure that systems are updated where necessary to accommodate this extra compliance task.

It is important to note that whilst your current system may be able to submit a VAT return under MTD, it might not be able to make the adjustments required (e.g. partial exemption and non-business restrictions). Therefore, other solutions may need to be looked into; there are many excel based offerings

that offer a low cost and functional solution. Our latest thinking on VAT and schools can be viewed through the link below:

[VAT on school fees update | Crowe UK](#)

Appendix 8 - Fraud risks

As part of our audit procedures we make enquiries of management to obtain their assessment of the risk that fraud may cause a significant account balance to contain a material misstatement. However, we emphasise that the responsibility to make and consider your own assessment rests with yourselves and that the Members of the Audit and Risk Committee and management should ensure that these matters are considered and reviewed on a regular basis.

Usually fraud in the charity sector is not carried out by falsifying the financial statements. Falsifying statutory financial statements usually provides little financial benefit, as compared to say a plc where showing a higher profit could lead to artificial share prices or unearned bonuses. However, falsifying financial statements can be used to permit a fraud or to avoid detection. As a generality, charities represented by its management and its trustees do not actively try to falsify financial statements as there are not the same incentives to do so. In the charity world fraud is usually carried out through misappropriation or theft.

The trustees should be aware that the Charity Commission provides guidance (updated in January 2023) on how to protect your charity from fraud including information about fraud, how to spot it and what you can do to protect against it.

The Charity Commission's first guiding principle recognises that fraud will always happen. It is therefore important that, as part of setting their overall risk appetite, the Members consider fraud within their tolerance for the risks associated with the management of the organisation's (and group's) funds. The development and continued assurance of a robust counter fraud control framework should then contribute to the organisation matching the risk appetite and tolerance agreed by the Members.

A copy of our guidance and a framework on conducting fraud risk assessments can be obtained from our website here:
<https://www.crowe.com/uk/insights/fraud-risk-assessment-non-profit>.

A fraud risk assessment is an objective review of the fraud risks facing an organisation to ensure they are fully identified and understood. This includes ensuring:

- fit for purpose counter fraud controls are in place to prevent and deter fraud and minimise opportunity, and

- action plans are in place to deliver an effective and proportionate response when suspected fraud occurs including the recovery of losses and lessons learnt.

Good practice suggests that to be most effective the risk assessment should be undertaken at a number of levels within the organisation:

- Organisational – to assess the key policy, awareness raising and behavioural (including leadership commitment) requirements that need to be in place to build organisational resilience to counter fraud.
- Operational – a detailed analysis of the fraud risk and counter fraud control framework at the operational level – by function (activity) or individual business unit (including programmes and projects).

Any fraud risk assessment should not be seen as a standalone exercise but rather an ongoing process that is refreshed on a regular basis. Carrying out the fraud risk assessment may reveal instances of actual or suspected fraud. Should this happen next steps will be determined on circumstances, the existing control framework (including any response plan(s)), and in consultation with the key members of the organisation's management team.

Considering risks of fraud

There is evidence that during times of economic instability there is an increased risk of fraud. This may be because resource constraints can reduce internal controls and oversight and also because individuals facing hardship may be more likely to consider fraudulent practices.

The following provides further information on the three kinds of fraud that charities such as City's Estate Group and Natural Environment entities should consider.

a) *Frauds of extraction*

This is where funds or assets in possession of the charity are misappropriated. Such frauds can involve own staff, intermediaries or partner organisations since they require assets that are already in the possession of the entity being extracted fraudulently. This could be by false invoices, overcharging or making unauthorised grant payments.

Essentially such frauds are carried out due to weaknesses in physical controls over assets and system weaknesses in the purchases, creditors and payments cycle. The cycle can be evaluated by considering questions such as who authorises incurring a liability and making a payment. On what evidence? Who records liabilities and payments? Who pays them and who checks them?

The latest [Fraud Advisory Panel research](#) indicates that 43% of charities reported a fraud or attempted fraud in 2023, an increase from 36% in the previous year. The report highlights the following as the main types of fraud carried as being the misappropriation of cash or other assets, staff expenses fraud and authorised push payment fraud (more commonly known as mandate fraud).

In terms of the main perpetrators of frauds reported, the most common were staff members, volunteers and trustees (50%), followed by individuals with no connection to the charity concerned (23%).

The close monitoring of management accounts, ledger entries and strict budgetary controls are generally seen as an effective way of detecting and deterring frauds in this area.

Insufficient due diligence around requests to amend supplier or payroll details has led to payments to unauthorised individuals so sufficient checks in these areas is of increasing importance. All employees should exercise real scepticism and not make any payments which are not properly supported and / or outside the normal payment mechanisms.

It is also important to consider other policies and procedures, such as conflict of interest and whistleblowing policies, and carrying out fraud awareness training.

b) Backhanders and inducements

There is also an inherent risk that individuals who are able to authorise expenditure or influence the selection of suppliers can receive inducements to select one supplier over the other. This risk can be mitigated by robust supplier selection and tendering procedures.

There is also the risk that once a donation of money or aid has been authorised and released in the UK, this could be diverted, probably into the underground economy, as a result of inducements paid in the destination country. Charities should be aware of the requirements and extent of the UK Bribery Act 2010, as this extends their liability to actions beyond the shores of the UK and to cover the actions of their intermediaries and agents. Organisations are required to put in place proportionate measures to prevent backhanders and inducements from being paid, either by their workers, agents or intermediaries or to their workers, agents or intermediaries.

c) Frauds of diversion

This is where income or other assets due to City's Estate Group and Natural Environment entities are diverted before they are entered into the accounting records or control data. Essentially, it is easy to check what is there but very difficult to establish that it is all there. Therefore, ensuring the completeness of income provided to a charity becomes difficult.

It is important to consider the different income streams and when and how they are received. So income received directly into the charity's bank account will be a lower risk than income being received by home based fundraisers.

Appendix 9 - External developments

We have summarised below some of the developments and changes in the charity sector over the recent period which we believe may be of interest and relevant to you. Please note that this information is provided as a summary only and that you should seek further advice if you believe that you have any specific related issues or intend to take or not take action based on any of the comments below.

We believe it is important to keep our clients up to date on the issues that affect them and, as a part of our ongoing communication, we regularly hold webinars and therefore encourage you to visit our website (<https://www.crowe.com/uk/industries/webinars#nonprofit>) or register to our mailing list (nonprofits@crowe.co.uk) to stay updated on these. Any webinars which you have missed remain available on demand on our website.

Governance

The Charities Act 2022: Implementation

The Charities Act 2022 (the Act) received Royal Assent on 24 February 2022 and brings into force a number of key changes to the Charities Act 2011, aimed at simplifying a number of processes.

The Charity Commission are currently working through implementing the various changes brought about by the legislation, and have set out an indicative timetable here: <https://www.gov.uk/guidance/charities-act-2022-implementation-plan>

Other provisions of the Act in force from 31 October 2022

- Section 5: Orders under section 73 of the Charities Act 2011
- Section 8: Power of the court and the Commission to make schemes
- Section 32: Trustee of charitable trust: status as trust corporation
- Section 36: Costs incurred in relation to Tribunal proceedings etc
- Part of Section 37: Public notice as regards Commission orders etc.
- Part of Section 40 and Schedule 2: Minor and consequential amendments

Provisions of the Act that came into force on 14 June 2023

- Sections 9-14 and 35a: Permanent endowment
- Sections 17, 19-22: Charity land

- Sections 25-28: Charity names
- Section 38 and 39: Connected persons
- Part of Section 40 and Schedule 2: Minor and consequential amendments

Provisions of the Act expected to come into force on 7 March 2024

- Section 1-3: Charity constitutions
- Sections 18* and 23: Charity land
- Section 24 and Schedule 1: Amendments of the Universities and College Estates Act 1925**
- Section 29: Powers relating to appointments of trustees
- Section 31: Remuneration etc of charity trustees etc
- Sections 33, 34 and 35(b): Charity mergers
- Section 37: For remaining purposes
- Section 40 and Schedule 2: For remaining purposes

* Section 18(1) (in part), (2)(a), (2)(c) and (3)(a) will come into force on 7 March 2024. Due to the provisions being linked to section 24 and Schedule 1, section 18(1) (for remaining purposes), (2)(b) and (3)(b) will come into force on 19 May 2025.

** Section 24 and Schedule 1 will come into force on 19 May 2025.

Provisions of the Act expected to come into force later in 2024

- Sections 15 and 16: Ex gratia payments

The key provisions of the Act that have been implemented to date are set out below, and further information can be found here:

<https://www.gov.uk/guidance/charities-act-2022-guidance-for-charities>

Making changes to governing documents

The Act introduces a new statutory power to allow trusts and unincorporated associations to make changes to their governing documents.

Charities will still however need to get the Commission's authority to make certain 'regulated alterations' in the same way as companies and Charitable Incorporated Organisations (CIO).

Other related changes include:

- how unincorporated charities must pass trustee and (where they have members) member resolutions when using the new power
- that the Commission will apply the same legal test when deciding whether to give authority to charitable companies, CIOs, and unincorporated charities changing their charitable purposes
- a power for the Commission to give public notice to, or to direct charities to give notice to, regulated alterations they make

The Commission have updated CC36 to reflect these changes, which can be found here: <https://www.gov.uk/government/publications/changing-your-charity-governing-document-cc36>

Selling, leasing or otherwise disposing of charity land

The following provisions are now in force:

- provisions relating to disposals by liquidators, provisional liquidators, receivers, mortgagees or administrators
- provisions relating to the taking out of mortgages by liquidators, provisional liquidators, receivers, mortgagees or administrators
- changes about what must be included in statements and certificates for both disposals and mortgages

The Commission have updated CC28 to reflect these changes, which can be found here: <https://www.gov.uk/government/publications/sales-leases-transfers-or-mortgages-what-trustees-need-to-know-about-disposing-of-charity-land-cc28>

Charity mergers

For certain mergers, new rules are now in force that will allow most gifts to charities that merge to take effect as gifts to the charity they have merged with.

Updated guidance on charity mergers can be found here:

<https://www.gov.uk/government/publications/making-mergers-work-helping-you-succeed/how-to-merge-charities>

Failed appeals

The Act introduces new rules granting the power for trustees to apply *cy-près*, allowing charities more flexibility in response to a charity appeal that has failed, allowing *donations* to be applied for another charitable purposes rather than having to be returned to donors under certain conditions:

- i) The donation is a single gift of £120 or less; and the Trustees reasonably believe that during the financial year the total amount received from the donor for the specific charitable purpose is £120 or less (unless the donor states in writing that the gift must be returned if the charitable purposes fail); or
- ii) The donor, after all agreed actions have been taken, cannot be identified or found; or
- iii) The donor cannot be identified (for example cash collections)

The Charity Commission published guidance in relation to failed appeals on 31 October 2022, which can be found here:

<https://www.gov.uk/government/publications/charity-fundraising-appeals-for-specific-purposes>

The Charity Commission has also updated its guidance [CC20 'Charity fundraising: a guide to trustee duties'](#) to reflect these changes.

The Fundraising Regulator has also published guidance, further details of which are provided below.

Payments to Trustees for providing goods to the charity

The Charities Act 2011 provided a statutory power for charities, in certain circumstances, to pay trustees for providing a service to a charity beyond usual trustee duties.

The Act extends this power to allow, in certain circumstances for payments to trustees for providing goods to the charity.

Updated guidance can be found here:

<https://www.gov.uk/guidance/payments-to-charity-trustees-what-the-rules-are>

The Charity Commission has also updated its guidance [CC29 'Conflicts of interest: a guide for charity trustees'](#) and [CC11 'Trustee expenses and payments'](#) to reflect these changes.

Power to amend Royal Charters

Royal Charter charities are able to use a new statutory power to change sections in their Royal Charter which they cannot currently change, if that change is approved by the Privy Council.

Updated guidance can be found here: <https://www.gov.uk/guidance/royal-charter-charities>

Selling, leasing or otherwise disposing of charity land

Charities must comply with certain legal requirements before they dispose of charity land. Disposal can include selling, transferring or leasing charity land. The Act simplifies some of these legal requirements. The changes include:

- widening the category of designated advisers who can provide charities with advice on certain disposals
- confirming that a trustee, officer or employee can provide advice on a disposal if they meet the relevant requirements
- giving trustees discretion to decide how to advertise a proposed disposal of charity land
- removing the requirement for charities to get Commission authority to grant a residential lease to a charity employee for a short periodic or fixed term tenancy

Updated guidance can be found here:

<https://www.gov.uk/government/publications/sales-leases-transfers-or-mortgages-what-trustees-need-to-know-about-disposing-of-charity-land-cc28>.

Using permanent endowment

The Act introduces new statutory powers to enable:

- charities to spend, in certain circumstances, from a 'smaller value' permanent endowment fund of £25,000 or less without Commission authority
- certain charities to borrow up to 25% of the value of their permanent endowment fund without Commission authority

Charities that cannot use the statutory powers will require Charity Commission authority.

In addition, a new statutory power enables charities that have opted into a total return approach to investment to use permanent endowment to make social investments with a negative or uncertain financial return, provided any losses are offset by other gains.

Updated guidance can be found here:

<https://www.gov.uk/guidance/permanent-endowment-rules-for-charities>

<https://www.gov.uk/government/publications/total-return-investment-for-permanently-endowed-charities>

Investing Charity Money

CC14 has been updated, it is now called Investing Charity Money, and takes account of the High Court Judgement on the Butler Sloss case.

CC14 states that all charities should have a written investment policy if their governing document requires they have one or if the charity is a trust, and where it gives an investment manager powers to make decisions on its behalf. It includes:

- Examples of various issues which may be relevant for trustees to consider when making investment decisions, such as the potential for an investment to conflict with the purposes of the charity, or the reputational impact of an investment decision.
- Steps trustees 'must' take to be compliant with the law and those trustees 'should' do as best practice but not legally required.
- Explanations on acting in the best interests of a charity, ensuring that above all else any decision furthers its purposes.
- Guidance on social investment and no longer uses terminology that could get in the way of trustees' understanding, such as 'ethical investment', 'mixed motive investment' and 'programme related investment'. It should be noted that whilst the guidance has simplified the terminology, this distinction is still important from a financial reporting perspective, as the Charity SORP requires different accounting treatment for mixed motive and programme related investments.

It also provides example approaches to financial returns including avoiding those investments which can reduce support for a charity and harm its reputation, and is more specific on ESG factors:

- aiming only for the best financial return you can achieve, within the level of risk that you have decided is acceptable for your charity
- alongside the financial return you are aiming for, avoiding investments that conflict with your charity's purposes.
- alongside the financial return you are aiming for, avoiding investments that could reduce support for your charity or harm its reputation, particularly amongst its supporters or beneficiaries.

- alongside the financial return you are aiming for, avoiding or making investments in companies because of their practice on environmental, social and governance (ESG) factors
- alongside the financial return you are aiming for, using your shareholder vote, or other opportunities that come with your investment, to influence practice at companies that your charity is invested in.

The revised guidance can be found here: [Investing charity money: guidance for trustees \(CC14\) - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/guidance/investing-charity-money-guidance-for-trustees-cc14)

The Future Charity Chair

Crowe are pleased to have been involved in a research project looking at the essential attributes that charity Chairs of the future will need to embrace. This research explored the topic through roundtable discussions and in-depth interviews, with the final thought leadership report published in June 2024.

The research aimed to:

- Contribute ideas that will help to shape the future development and recruitment of charity Chairs.
- Enhance the future sustainability of the charity sector by highlighting longer term considerations for Board discussion.
- Provide fresh thinking to positively influence regulation and best practice guidance for the sector.
- Emphasise the value of good charity governance and the need for it to continually evolve to remain relevant.

The research highlighted a number of key findings, including challenges from a lack of diversity within charities (including trustees, staff and volunteers), and the need to recruit individuals who represent the charity's beneficiaries.

Recommendations raised within the report include developing a leadership development programme for current Chairs, succession planning and a need to promote the role as one of ambition and aspiration.

The full report can be found here: [The future charity chair | Bayes Business School \(city.ac.uk\)](https://www.city.ac.uk/research/publications/2024/the-future-charity-chair/)

Public trust in charities 2023

The Charity Commission has published the latest annual report into public trust in charities, the report shows that although public trust has risen the increase is small though the situation appears more stable than previous years.

There is still a divide in the perception of charities when it comes to size, with smaller charities faring better than larger organisations. The research includes interviews with members of the public from various demographics and reveals that half of the population are aware of the Charity Commission.

The full report can be found here [Public trust in charities 2023 - GOV.UK \(www.gov.uk\)](https://www.gov.uk/public-trust-in-charities-2023)

Defined Benefit Funding Code of Practice

The Department for Work and Pensions published its revised DB Funding and Investment Strategy Regulations in January 2024 and will apply to actuarial valuations of defined benefit pension schemes from 22 September 2024. The Regulations are closely tied to the Pensions Regulator's new DB Funding Code of Practice.

The Pensions Regulator (TPR) is analysing responses to its second consultation on the new Defined Benefit (DB) funding code of practice. The new Code includes a requirement for a 'funding and investment strategy' (FIS) where trustees will be required to articulate their approach and decisions on funding and investments. Trustees must prepare a written statement of strategy which records the FIS and supplementary details, is signed on the trustees' behalf by their chairperson, and submitted to TPR with each triennial valuation.

Under the proposals, TPR sets out a "twin-track" model where trustees will be able to choose either a prescriptive "Fast Track" option or a more flexible "Bespoke" approach to completing and submitting an actuarial valuation for TPRs assessment. The proposed requirements for the fast track route include a number of areas such as suitable long-term objectives for schemes to achieve low dependency by the time a scheme is significantly mature (measured as 12-year duration) and discount rates of gilts plus 0.5% p.a. The fast track does not explicitly take account of covenant strength. TPR plans to consult separately on proposed changes to covenant guidance.

The revised Code is expected to be published in the Summer.

<https://www.thepensionsregulator.gov.uk/en/document-library/consultations/draft-defined-benefit-funding-code-of-practice-and-regulatory-approach-consultation>

Charity Commission: Charity Use of Social Media

On 18 September 2023 the Charity Commission published guidance for charities on their use of social media, following a consultation carried out earlier in 2023.

A knowledge gap was identified through the Charity Commission's casework where trustees were not always aware of the risks that may arise from the use of social media, meaning that some do not have sufficient oversight of their charity's activity, leaving them and their charity vulnerable.

The aim of the guidance is to help trustees improve their understanding in this area, and to encourage charities to adopt a policy on social media as a way to set their charity's approach. The guidance does not introduce new trustee duties but seeks to make clear how existing duties are relevant to a charity's use of social media.

The guidance sets out that social media use can raise issues and risks for charities, relating to problematic content:

- posted or shared by the charity on its own social media channels
- posted by the public or third parties on a charity's social media channel
- posted on a personal social media account that can be reasonably associated with the charity

The new guidance is clear that charities using social media should have a social media policy in place, explaining how it will help deliver the charity's purpose, include guidelines for expected conduct and should ensure the policy is followed.

The guidance contains a checklist to help trustees and senior employees have informed conversations on what the right policy for them looks like.

<https://www.gov.uk/government/publications/charities-and-social-media/charities-and-social-media>

Charity Commission: Charities and Artificial Intelligence

On 2 April 2024 the Charity Commission published a blog explaining that charities may need to consider having an internal artificial intelligence (AI) policy, and that Trustees should be aware of the risks and opportunities arising from AI whether they are currently using AI or planning to do so.

The Commission is not anticipating issuing specific guidance but encourages trustees to apply existing guidance to new technologies as they emerge.

The key consideration is that AI should be used responsibly in a way that furthers the charity's purposes. Before utilising AI, consider the advantages and risks – and how these will be managed – in the context of the trustee's duties and charity's objectives.

That could involve looking at what gaps can be filled, or insights generated by an AI tool, what skills are needed to use these tools to the charity's advantage and if people within the charity's trustees, staff or volunteers have those skills. This could also consider how staff or volunteers may already be using AI.

As the use of AI develops and more applications become available, the Commission recommends charities consider whether having an internal AI policy would be beneficial so it is clear how and when it can be used in governance, by employees in their work, or in delivering services to beneficiaries.

However, Trustees remain responsible for decision making and it is vital processes are not delegated to AI alone as there are risks inherent to the way AI is built, operates, and continues to learn. Trustees and others in charities must ensure that human oversight is in place to prevent material errors, and a human touch is key to the way many charities operate and interact with their beneficiaries.

Trustees should consider external risks and reputational damage arising from the misuse and recircularization of AI, such as fake news or deep fakes.

Whilst this evolving technology may seem daunting to many, there are more opportunities for charities to engage with the technology now it is more widely available.

The full blog can be obtained here:

<https://charitycommission.blog.gov.uk/2024/04/02/charities-and-artificial-intelligence/>

Compliance

Holiday Entitlement – where are we now?

In March 2023 the government opened a consultation exercise to review the legislation governing holiday entitlement and holiday pay, which had over time become complex, and in some cases, difficult for employers to follow.

The consultation exercise ended on 7 July 2023, and the government's response was published on 8 November 2023. The response indicates that the following actions will be taken:

- *Introduce an accrual method for calculating holiday*
Entitlement will be calculated as 12.07% of hours worked in a pay period for irregular hours and part year workers. All other workers will accrue leave at 1/12th of their entitlement on the first day of each month during their first year of employment.
- *Sanction rolled-up holiday pay (RHP)*
Legislation will be introduced to allow RHP for irregular hours workers and part-year workers only.
- *Introduce a definition of irregular hour workers & part-year workers*
Legislation will be updated to define what is meant by irregular hours workers and part-year workers.

The Government has laid out revisions in respect of the above as part of The Employment Rights (Amendment, Revocation and Transitional Provision) Regulations 2023, effective from 1 January 2024.

Irregular hours and part-year workers

To the relief of many employers the revised Working Time Regulations ('WTR') will include provisions aimed squarely at addressing the flaws laid bare in the Harper Trust v Brazel case in which it was held part year workers on permanent contracts were entitled to a full year's holiday entitlement, regardless of the number of weeks worked.

For holiday years from 1 April 2024 individuals who work irregular hours or part-year (such as term time or casual workers) will accrue holiday on the last day

of each pay period at a rate of 12.07% of the number of hours worked during the pay period. This will ensure that their entitlement will remain in proportion to the hours that have been worked and differs from other employees who receive their full entitlement at the start of a holiday year. It is open to employers to allow the employee to take more holiday than they have accrued – in such cases its essential that employment contracts reserve the right for the employer to deduct over usage from final salaries.

For the same group of workers the revised WTR sees a welcome return of rolled-up holiday pay. Rolled-up holiday pay is where the accrual in a pay period is paid to the employee with their basic salary rather than when they actually take their holiday. The practice was outlawed because in the opinion of the European Court of Justice it discouraged workers from taking time off. However, for many casual work arrangements rolled up holiday pay is the only logical approach and many employers have continued to apply it.

From 1 April 2024 rolled up holiday pay will be permitted on condition that:

- the individual is a part-year or irregular hours worker
- the holiday pay is calculated using 12.07% of all pay for work done
- the holiday pay (12.07%) is paid at the same time as the pay for work done
- the holiday pay is separately itemised on the payslip.

It's worth noting that the 12.07% formula does not account for the different holiday pots that we covered at the start of this article and therefore in some cases it could result in higher rates of holiday pay.

It is also the case that an employer has a legal duty to ensure that an individual takes their 5.6 weeks of holiday per year and this duty applies even when they are paid using rolled-up holiday pay and not when they actually take their holiday – which could make it difficult to monitor.

Record Keeping

Following a 2019 decision by the European Court of Justice employers have been required to record the daily hours worked by their employees.

Under the revised WTR employers will be required to keep records that evidence compliance with the 48-hour week, opt-out agreements, length of night work and health assessments for night workers, and therefore an

employer is not required to record daily hours if they can evidence compliance by other means.

Key Takeways

The revisions to the WTR should be welcome news for most employers, although in some areas they lack detail – such as a lack of definition around normal earnings for the calculation of holiday pay.

Employers of irregular and part year workers will be eager to adapt their processes to accommodate 'accrue as you go' and rolled up holiday pay.

For some employers it will be the much-needed spur to start and correctly calculate holiday pay and for others a need to evaluate the true status of their self-employed contractors.

However, for almost all employers there will be a need to look at policies and procedures to ensure that they align with the new rules on holiday carry over and ensure that 'use it or lose it' prompts are timetabled before the end of the holiday year.

The full article can be obtained here:

<https://www.crowe.com/uk/insights/holiday-entitlements>

Duty on employers to prevent sexual harassment at work

The Worker Protection (Amendment of Equality Act 2010) Act 2023 received Royal Assent on 26 October 2023, and came into force on 27 October 2023, and introduces a new duty on employers to take reasonable steps to prevent sexual harassment of their employees in the course of their employment. 'In the course of their employment' covers activities outside of the workplace, for example work social events.

This new duty to prevent sexual harassment will be enforceable by an employment tribunal, where it has first upheld a claim for sexual harassment. A tribunal will have the discretion to award a 'compensation uplift' by increasing any compensation it awards for sexual harassment by up to 25% where there has been a breach of the employer's duty in sexual harassment cases.

The Equality and Human Rights Commission's guidance on sexual harassment and harassment at work contains steps employers should consider taking in order to prevent and deal with harassment at work. These steps include having an effective and well communicated anti-harassment

policy in place and maintaining a reporting register of complaints for all forms of harassment.

A copy of the guidance can be found here:

https://www.equalityhumanrights.com/sites/default/files/sexual_harassment_and_harassment_at_work.pdf

Charities and terrorism

The Charity Commission guidance on 'Charities and Terrorism', first published in December 2012, has been updated in November 2022.

The guidance forms Chapter 1 of the Charity Commissions compliance toolkit, which provides advice and information on key aspects of the UK's counter-terrorism legislation, highlights how particular provisions are likely to affect charities and their work, explains the various 'terrorism lists' that exist and advises trustees what to do if they discover their charity may be working with or connected to people or organisations on terrorism lists.

The updated toolkit signposts to new guidance from the Crown Prosecution Service on proscription offences and terrorist financing offences and cases involving humanitarian, development and peacebuilding work overseas.

The updated toolkit can be found here:

<https://www.gov.uk/government/publications/charities-and-terrorism>

Fundraising Regulator: Annual complaints report

In November 2023 the Fundraising Regulator has published its latest Annual Complaints Report which covers the period 1 April 2022 to 31 March 2023. The report analyses complaints received by the Fundraising Regulator and complaints reported to 58 of the UK's largest fundraising charities.

The number of complaints to the sample charities rose proportionally for most methods in line with increased fundraising activity – with 13 of the 23 fundraising methods having increased complaint numbers in 2021/22 compared to 2020/21. The overall number of complaints had increased since 2021/22 which is reflective of increases in fundraising activity since the pandemic.

Over the same period, complaints about fundraising methods including door to door fundraising (60), charity bags (57) and addressed mail (51) accounted for the majority of the 270 complaints within the Fundraising Regulator's scope. A common theme was that of misleading information, highlighting the

importance of clarity in fundraising materials.

You can see the full report [here](#).

Charities and campaigning

With the UK due to hold a general election by January 2025 at the latest, there presents an opportunity for charities to raise awareness and shape policy decisions.

The majority of charity campaigning does not fall under election law rules, however, care must be taken when campaigning that the charity does not stray into election campaigning and remains independent from party politics.

Various guidance is available from the Charity Commission to charities to assist in assessing the risks to the charity:

- [Campaigning and political activity guidance for charities \(CC9\)](#)
- [Charities, Elections and Referendums guidance](#)
- [Charities and political donations guidance](#)

The guidance emphasises the need for any campaigning to be carefully considered by the Trustees, particularly in respect to the risks, costs and benefits of any such activity.

Charities will be required to register with the Electoral Commission as non-party campaigners if they spend more than £10,000 on regulated campaign activities and may be required to provide financial returns after the election.

The Electoral Commission has produced guidance to support organisations which can be found [here](#).

The Charity Commission have urged charities to ensure that they have read and understood the Code of Practice for non-party campaigners which has also been produced and can be found [here](#).

Gender pay reporting

Any employer with 250 or more employees on a specific date each year (the 'snapshot date') must report their gender pay gap data. For most entities the snapshot date is the 5 April of each year.

You must report and publish your gender pay gap information within a year of your snapshot date. You must do this for every year that you have 250 or

more employees on your snapshot date.

Guidance on what and how to report can be found here:

<https://www.gov.uk/government/publications/gender-pay-gap-reporting-guidance-for-employers>

Failure to prevent fraud and other economic crimes

A new failure to prevent fraud offence has been introduced by the Economic Crime and Transparency Act 2023. It will apply to all large corporate entities, including charitable companies and CIOs.

An offence is committed where an employee or agent commits fraud. The penalty is an unlimited fine for the organisation, and no personal liability will be introduced for trustees or management failure to prevent fraud.

The legislation is far reaching, and where an organisation operates or is based overseas, if an employee commits fraud under UK law or affecting UK victims, the company can be prosecuted.

There is a defence to the failure to prevent economic crimes if the organisation can prove that it had reasonable prevention measures in place, or that it was not reasonable in all the circumstances to expect it to have had any procedures in place.

The offence will come into force when the government publishes statutory guidance on the reasonable procedures organisations should consider putting in place.

Full details of the legislation can be found [here](#).

The Economic Crime and Corporate Transparency Act 2023

In October 2023, the Economic Crime and Corporate Transparency Act (the Act) received Royal assent and began coming into effect in stages. Secondary legislation will be needed before some of the key changes can be implemented.

The Act aims to improve the accuracy and quality of data filed with the Registrar of Companies, helping to tackle economic crime and boost confidence in the UK economy.

From a company secretarial point of view, the most significant change introduced by the Act is the reform of Companies House.

Key changes

Registered office address to be 'appropriate'

All companies must now have an 'appropriate address' as their registered office. This means that documents sent to the registered office address will reach someone acting on behalf of the company and that delivery can be acknowledged. Companies are not allowed to use a PO Box address. In the event of non-compliance, Companies House will change the registered office address to a default address.

Registered email address

Both existing and new companies must provide Companies House with a registered email address for communication purposes. This information must be included when filing the next confirmation statement with a statement date of 5 March 2024 onwards or at the time of incorporation. A new company cannot be incorporated without this information, and existing companies will not be able to file a confirmation statement without it.

Statement of lawful purpose

After 4 March 2024, new companies must confirm that they are being incorporated for a lawful purpose. Existing companies will need to confirm annually in the confirmation statement that their intended future activities will be lawful.

Broadening of Registrar's powers

The Registrar will have enhanced powers to question information filed at Companies House and request additional information to ensure that documents are timely, accurate, and not misleading. Companies House will have greater authority to scrutinise, query, and reject information that is filed or is in the process of being filed.

Authorised Corporate Service Provider (ACSP)

Under new identity verification measures, most documents filed at Companies House must be delivered by an ACSP. This includes incorporations, officer appointments (directors, secretary, members of LLP, partner of LP) and PSC appointment. This means if you are filing these documents with Companies House then you will need professional corporate service providers to do this for you or you will have to follow the additional identity verification steps to be introduced by Companies House.

Changes to be introduced to Company Accounts

Companies House is currently working on mandating digital filing and full tagging of financial information in an iXBRL format. The number of times a company can shorten its Accounting Reference Period will be reduced. Small companies will be required to file a profit and loss account and a directors' report, while micro-entities will need to file a profit and loss account. The option to file abridged accounts will be removed, and companies claiming an audit exemption will need to provide an additional eligibility statement.

Restrictions on the use of corporate directors

All directors (or director equivalents) of the entity that have been appointed as a corporate director must be natural persons, and those natural person directors must have undergone an appropriate identity verification process. Historically, any corporate entity could be appointed as a corporate director of a UK company. However, moving forward, only UK-registered entities will be eligible for appointment as corporate directors, and all directors (or director equivalents) of such entities must be natural persons. Companies with existing corporate directors will be given 12 months to comply; within that time, they must either ensure their corporate director is compliant with the principles or resign them.

Considering the recent changes introduced by the Act, boards of directors will need to review their current processes for filing at Companies House, adopt new systems for verifying filings, monitor identity verification requirements, introduce new policies on director changes, and review the appropriateness of the company's registered office address.

New free digital service from National Cyber Security Centre

The National Cyber Security Centre have launched a new free digital service, MyNCSC, which aims to enhance charities' cyber security approach.

MyNCSC combines Active Cyber Deference (ACD) digital services, offering a unified experience tailored to each user's needs, including content, vulnerabilities, and alerts.

The MyNCSC platform is a free service for UK registered charities, enabling organisations to access various ACD services, such as:

- early warning
- mail check, assessing email security compliance

- web check, finding and fixing common security vulnerabilities in the charity's website

There are plans to gradually increase the number of ACD services integrated with MyNCSC.

MyNCSC offers a unified user interface for accessing multiple services promoting collaboration within organisations when managing digital assets and viewing findings.

For further information and guidance on how MyNCSC works, visit:

<https://www.ncsc.gov.uk/information/myncsc>

Virgin Media pension case

Until it was abolished in April 2016, defined benefit pension schemes could contract out of the State schemes. In return for lower employer and employee National Insurance contributions, a scheme was required to meet certain minimum requirements in relation to the benefits provided through the scheme. Before 6 April 1997 a contracted-out salary-related scheme was required to provide each member with a Guaranteed Minimum Pension. The 1995 Pensions Act ended that regime and with effect from 6 April 1997 contracted-out schemes had to satisfy the Reference Scheme Test, which had to be assessed and certified by the scheme actuary that the minimum level of benefits under the reference scheme test would continue to be satisfied after the amendment was made.

On 25 July 2024, the Court of Appeal upheld the High Court's decision in relation to Virgin Media v NTL Pension Trustees II Limited that the statutory actuarial confirmation was required, and without this, alterations are void. This decision could potentially have a significant impact for other schemes where changes have been made without actuarial confirmation.

The question appealed was whether a confirmation was required for changes to future service benefits or just past service benefits. The Court of Appeal upheld the High Court's decision that confirmation was required for amendments to future accruals, before legislation changes in 2013. Legislation does allow the Government to make retrospective regulations to validate amendments that are void due to the absence of such written

confirmation. Therefore, depending upon the outcome of any subsequent appeal to the Supreme Court, the industry may call on the Government to take action.

On 29 July 2024 a joint statement was issued a working group formed by the Association of Consulting Actuaries, the Association of Pension Lawyers and the Society of Pension Professionals proposing that the Secretary of State for Work and Pensions make regulations to validate retrospectively any scheme rule amendment affecting reference scheme test benefits, that is held to be invalid solely because a written actuarial confirmation was not received before that amendment was made. If such regulations were to be made, this would provide a fallback position for DB schemes and their sponsoring employers if issues of invalidity of scheme rule amendments were to be raised based on the Virgin Media case. Other industry bodies have also begun lobbying government to make these changes.

In the meantime, scheme actuaries may need to consider whether they need to take account of matters raised through the Virgin Media case and take into account the impact on funding updates and triennial actuarial valuations. To date actuaries have not been explicitly referred to this matter in their actuarial valuations.

From a pension scheme accounting perspective, unless the possibility of settling the contingent liability is remote or it is not material disclosure should be made in the notes to the financial statements of the estimated financial effect and an indication of the uncertainties relating to the amount or timing. Trustees of pension schemes should assess whether disclosure is required in their accounts.

Employers will also need to consider the impact of the case on their accounts, and this will include retrospective and future liabilities and therefore will be a larger amount. If the amount is not included in actuarial valuations due to lack of information, there will need to be an assessment as to whether a disclosure is required.

Financial and other reporting

FRC Amendments to FRS 102

The Financial Reporting Council (FRC) issued amendments to financial reporting standards on 27 March 2024, the changes are mostly effective for accounting periods beginning or after 1 January 2026. This follows the consultation impact assessment during 2023.

The amendments include:

- a new model of revenue recognition in FRS 102 and FRS 105 based on the IFRS 15 five-step model for revenue recognition with appropriate simplifications
- a new model of lease accounting in FRS 102 based on IFRS 16 on-balance sheet model (again with appropriate simplifications)
- various other incremental improvements and clarifications

The FRC intends to publish new editions of the standards and updated staff factsheets with guidance during 2024.

The SORP committee are reflecting on these amendments and exploring how they will impact the remaining stages of the SORP development process with updates to follow.

The full amendment documents can be obtained here:

<https://www.frc.org.uk/news-and-events/news/2024/03/frc-revises-uk-and-ireland-accounting-standards/>

Dispelling common myths about charities

ICAEW, with input from Crowe, has published guidance exploring ten myths surrounding charities and their operations, with a view to encourage transparent communication in areas where these misconceptions are prevalent. The ten myths considered are:

- Charities spend too much on fundraising.
- They should not make a surplus or build up cash reserves.
- Too much is spent on highly paid executives.

- They should not undertake commercial activities.
- Charities should be run and staffed [for free] by volunteers.
- Too much is spent on overheads.
- Charities don't pay taxes, so need less money.
- Professional qualifications are needed to become a charity trustee.
- Charities are less vulnerable to fraud than other organisations.
- Charities should not engage in campaigning and political activity.

The guidance includes access to a webinar discussing some of the key myths with voices from the sector.

The Guidance can be found here: [Dispelling common myths about charities | ICAEW](#)

Charity Digital Skills report

The Charity Digital Skills annual report has been running since 2017 and tracks the sector during a time of significant change due to the impact of the pandemic. As we continue to navigate the cost of living crisis and the impact on the sector, this report aims to shed some light on how the digital capabilities of charities have evolved and highlighting key trends.

The report highlights that:

- Three quarters (78%) of charities say that digital is more of a priority for their organisations
- 1 in 5 charities say their IT provision is poor
- 8 out of 10 (79%) of charities see improving their website, digital presence or social media as the greatest priority for the next year
- Improving data security, privacy and GDPR compliance has become more of a priority since 2022.
- Almost half (46%) of charities say they do not have anyone with digital expertise on their board

The gaps seen in previous years persist, these include funding and leadership. With the rapid growth in AI development charities must ensure that digital skills remain a priority to avoid being left behind.

[Digital Skills Report for the Charity Sector - Introduction \(charitydigitalskills.co.uk\)](https://charitydigitalskills.co.uk)

NCSC publishes “Cyber Threat Report: UK Charity Sector”

The National Cyber Security Centre has published a report outlining the cyber threats currently facing charities of all sizes.

The 2023 DCMS Cyber Security Breaches Survey, which measures the policies and processes organisations have for cyber security, as well as the impact of breaches and attacks, highlighted 24% of UK charities had identified a cyber-attack in the last 12 months, a decrease from 30% in 2022. The drop is driven by smaller organisations – the results for medium and large businesses, and high-income charities, remain at similar levels to last year.

The report notes that the charity sector is particularly vulnerable as they can hold significant amounts of sensitive or valuable data, making them attractive targets, alongside a perception that charities have fewer resources to commit to cyber security.

The report provides details of the commonly perpetrated cyber-attacks, as well as a number of recommendations and links to guidance to assist charities strengthen their defences.

A copy of the report can be obtained here:

<https://www.gov.uk/government/statistics/cyber-security-breaches-survey-2023/cyber-security-breaches-survey-2023#summary>

Charity Commission: Guidance on accepting donations

In March 2024, the Charity Commission published new guidance to help charities when deciding whether to accept, refuse or return a donation.

The guidance explains when donations must be refused or returned and when these might likely need to be refused or returned. The guidance makes clear that trustees should start from a position of accepting donations, but from time to time a charity may face a difficult decision as whether to refuse or return a donation. The guidance sets out an approach for trustees to take on these occasions, advising they:

- consider the risks involved in refusing or returning the donation, and how likely and serious these are. These include negative financial impact, ability to deliver services and ability to attract donations in future
- consider the risks involved in accepting or keeping the donation, and how likely and serious these are. These include the likelihood of reduced support or reputational harm, particularly among supporters or beneficiaries
- determine how any decision aligns with their charity’s purposes
- determine what steps they can take to mitigate the risks. These include negotiating the terms of a conditional donation with the donor or developing a public explanation for a decision

It explains that if a charity is considering refusing or returning a donation, the charity must have the legal power to refuse or return a donation. In some situations, there are additional legal rules to consider e.g. disposal or land or properties of a special trust.

The charity should also consider whether it needs to make a SIR when it refuses or returns a donation.

Ultimately, as the guidance states: “Deciding whether to accept, refuse or return a donation is likely to involve a careful balancing exercise. There may be no right or wrong answer, but your decision must be rational and reasonable, and supported by clear evidence.”

The full guidance can be obtained here:

<https://www.gov.uk/guidance/accepting-refusing-and-returning-donations-to-your-charity>

Taxation

VAT and charity fundraisers: dual purpose?

UK VAT law allows one-off fundraising events to benefit from applying the VAT exemption to the income generated. It could also zero-rate programmes, children’s clothing, and the sale of donated goods.

The Tribunal decision involving the Yorkshire Agricultural Society (YAS) focused on the conditions imposed when applying the fundraising exemption. VAT law states that a charged event cannot qualify for VAT exemption unless its primary purpose is fundraising. HMRC had taken a rigid approach to

interpreting this rule, insisting that there can be no other motive behind the event to qualify for the exemption.

This approach has restricted the application of the fundraising exemption from organisations that they consider 'run such events anyway' (and so do not meet this fundraising primary purpose test).

The YAS decision was heavily influenced and referred frequently to the Loughborough decision, which HMRC won. However, in YAS the Tribunal did not read Loughborough as determining that fundraising must be the sole or overriding purpose of an event. This appears to have undermined HMRC's arguments significantly.

YAS run an annual show which has a dual educational and fundraising purpose. HMRC argued that the event income could not be VAT exempt as the primary intention was not fundraising. The Tribunal determined that there can be more than one primary purpose in this instance, without undermining the conditions of the exemption.

The Tribunal also agreed with the Upper Tier Tribunal case involving Loughborough Students' Union (and others) in another important point around the fundraising event rules. It agreed that the requirement to clearly hold out (advertise) an event as a fundraiser as an exemption condition, was ultra vires of EU VAT Law.

HMRC sought to argue that its assessment was all made within the relevant time limits but lost on these points also. HMRC are out of time if both of the following time limits are exceeded:

- the VAT period is more than two years old
- HMRC had the full facts for more than one year.

HMRC argued that they hadn't been given the full facts until the most recent adviser's letter,

but from the evidence, it was clear this merely re-confirmed the full facts already provided.

Whilst this case does not set a legal precedent as a First-Tier decision, it does rely very heavily on the Upper Tribunal decision in Loughborough, which set a legal precedent. It appears to have pushed back the boundaries of HMRCs restrictive approach to charity events qualifying for the fundraising VAT

exemption. HMRC must abide by time limits when assessing taxpayers. **New rates for creative industry tax reliefs**

New permanent rates announced in the Spring Budget 2024 will apply from 1 April 2025 for Theatre Tax Relief, Orchestra Tax Relief and Museums and Galleries Exhibition Tax Relief.

The new rates will be 40% for non-touring productions and 45% for touring productions and all orchestra productions. Previously, the rates were due to taper back to their original levels of 25% and 20% by 2026.

Additionally, Museums and Galleries Tax Relief – which was previously due to expire in 2026 – will have its sunset clause removed so that it is now a permanent relief.

Administrative changes to creative industry tax reliefs

All claims for Theatre Tax Relief, Orchestra Tax Relief and Museums and Galleries Exhibition Tax Relief made on or after 1 April 2024 must be accompanied by an online information form. The form must be submitted before or on the same day as the submission of the company tax return in which the claim is made. The form is available here:

<https://www.gov.uk/guidance/support-yourclaim-for-creative-industry-tax-reliefs>

A number of other administrative changes have been made to the creative industry reliefs which include a requirement to disclose connected party transactions with a potential restriction on connected party costs where these have not taken place on an arm's length basis.

Further details of the administrative changes are available in this policy paper:

<https://www.gov.uk/government/publications/creative-industry-tax-reliefs-administrativechanges/administrative-changes-to-thecreative-industry-tax-reliefs>

Gift Aid of waived loans and refunds

In February 2024, HMRC published new detailed guidance explaining when they will consider donations made by waiver of a right to a refund or loan repayment to be eligible for Gift Aid. The new guidance replaces previous detailed guidance, which had been largely withdrawn in early 2023.

The new guidance explains HMRC's evidence requirements which depend on the type of arrangement. For a waiver of a refund, a record of correspondence will generally be sufficient. For a loan waiver, HMRC will expect to see a legally enforceable document in place.

Importantly, the new guidance states that where a loan waiver is made by a company to a charity, HMRC take the view that for corporation tax purposes, this transaction is governed by the loan relationship rules rather than the rules for charitable donations. Under the loan relationship rules, debt releases made between connected companies are not usually deductible for tax purposes. Charity subsidiaries that donate their taxable profits annually to their parent charities should take note of this in particular.

HMRC's updated guidance is available here:

<https://www.gov.uk/government/publications/charities-detailed-guidance-notes/chapter-3-gift-aid#chapter-345-claiming-gift-aid-on-waived-refunds-and-loan-repayments>

VAT: Changes to penalty regime

For VAT accounting periods starting on or after 1 January 2023 there are new penalties for VAT returns that are submitted late and VAT which is paid late, in addition the way interest is charged has also changed. The changes are aimed at simplifying and separating penalties and interest.

The system has changed to a penalty points system, where for each return submitted late, a penalty point is issued. The penalty point threshold is determined by the accounting period, with a higher threshold for more frequent submissions. When the threshold is reached, a penalty of £200 will be issued, with a further £200 penalty for each further late submission.

Penalty points will have a lifetime of two years, after which they will expire. The period is calculated from the month after the month in which the failure occurred, e.g. submission due January 2024, so the penalty point will expire in February 2026.

Once a taxpayer reaches the threshold, all points accrued will be reset to zero when the following conditions are met:

- a period of compliance
- the taxpayer has submitted all submissions in the previous two years (even if late).

The new late payment penalty will apply in instances where the return is submitted on time but the payment is not. This penalty considers the length of the delay in making payment and the penalty increases over time.

As part of the new penalty regime, HMRC has also updated its Late Payment Interest (LPI) rules to bring these in line with other tax regimes.

Full details of the updated regime can be found here:
<https://www.gov.uk/guidance/penalty-points-and-penalties-if-you-submit-your-vat-return-late>

Employment Tax: what's keeping us hot this summer?

In the recent Budget and fiscal events, the net impact on changes to employment taxes have been relatively low-key.

However, we are seeing three key areas which employers are seeking our assistance with:

- compliance and de-risking
- cost reduction
- driving efficiencies.

Compliance and de-risking

Recently, we have seen HMRC increase their programme of performing checks of employer records. This is unsurprising as a [Public Accounts Committee](#) report informs that HMRC recovers £18 in income tax/ National Insurance Contributions (NICs) for every £1 spent on compliance activities. This contrasts with the reported £4 return for every £1 spent on the task force recovering Coronavirus Job Retention Scheme (CJRS) claim error or fraud.

The total [tax gap](#) (being the difference between the tax HMRC expects to collect and that actually paid) in 2020/21 was £32 billion, and Income Tax/NICs made up £12.7 billion (39%) of the gap. Therefore, it's not surprising HMRC target employers for potential income tax and NICs irregularities.

To mitigate the risk of undergoing an invasive HMRC check, employers can initiate a self-review and voluntarily disclose any income tax/ NIC irregularities to HMRC. Voluntary disclosure may be beneficial as it can be viewed as good behaviour by HMRC. Additionally, this can also help protect the employer's reputation as a "good citizen", and support ESG considerations.

Cost reduction

The cost-of-living crisis remains a concern for all, including the social purpose and non profit sector.

An effective salary sacrifice arrangement can help both employees and employers, and potentially ease some of the economic pressures. This is a way to provide attractive, ethical, and environmentally responsible benefits to employees at a time when the need to attract and retain key talent is a high priority for employers.

Salary sacrifice is, in simple terms, an arrangement whereby an employee gives up some of their gross pay in return for a non-cash employer provided benefit. Typically, we see salary workplace pension contributions paid via salary sacrifice.

An effective salary sacrifice means that although the employee's gross pay is lower, their take-home pay increases through NIC savings and tax savings on some benefits. Employers will also save on NICs.

Driving efficiencies

During the pandemic, there was talk about what the 'new' normal would look like.

Employers should now take stock of their employment tax processes and procedures, to check that their current ways of working are effective and efficient. Some areas of focus should include:

- identify areas of robustness and conversely, where improvements could be made
- maximise available tax exemptions
- restructure and streamline current processes
- tighten controls to reduce errors or fraud
- underpin with sound governance.

VAT rates on new buildings, energy supplies and disabled building works

0%, 5%, or 20%? Navigating the VAT rate for the various activities that your organisation is involved in can be challenging.

Can I get zero-rating on a new charity building?

There is often a common misconception that a new building purchased or built by a charity should automatically be zero-rated.

A recent VAT Tribunal case (Paradise Wildlife Park) has reconfirmed the position that for the building to be zero-rated, the building must be used by the charity in one of the following ways:

- otherwise than in the course and further of business
- as a village hall or similarly in providing social or recreational facilities for the local community.

It is important that charities are aware of whether their activities are deemed to be business under the interpretation of VAT law. Only last year, HMRC issued new guidance on what they consider to be in the course and furtherance of business. The tests are easy to meet where the activities undertaken by the charity in the building, are done for free or totally funded by grants and donations.

However, as seen in the Paradise Wildlife Park decision, it is important to note that not charging VAT does not automatically mean that you are not in business.

There is a small 5% threshold for business use in a charitable building but in our experience, many charities acquire or construct a new building which will be used for business purposes exceeding this level and will therefore not qualify for zero-rating.

If the building does qualify for zero-rating, the charity is required to issue a certificate to the supplier of the property who is either selling the building to the charity or constructing it for the charity.

Can I get the reduced rate of 5% on gas and electricity?

A charity can only get the reduced rate of 5% on gas and electricity when it applies to a building that is used by a charity for a 'qualifying use'.

This means that the reduced rate of 5% is not automatically applied by virtue of charity status.

Although there are various de minimis limits and tests, for the most part the 5% qualifying use applies to gas and electricity used for:

- buildings used by a charity for a relevant charitable purpose (a non-business use)
- relevant Residential Properties
- domestic Properties.

If you have a building that does qualify for the reduced rate and the supplier has been incorrectly charging you VAT at 20%, you can get the VAT incorrectly charged to you amended to the correct 5% for the preceding four years.

Please note there may be buildings owned by a charity which have 'mixed use' of qualifying and non-qualifying areas. These buildings can have the charges apportioned with the 5% VAT levied on the qualifying areas, based upon any fair and reasonable method of calculation. The remaining part will be charged at the full standard rate of 20%.

If more than 60% qualifies at the reduced rate, the entire building can be invoiced at 5% although the charity has a responsibility to review this situation

on a regular basis to ensure the apportionments remain consistent and reflective of how the building is being used.

VAT reliefs on building works and disability

This is not an exhaustive list and takes only part of the VAT law, but all charities are entitled to zero rating on ANY of their buildings in relation to the following building works:

Services to facilitate a disabled persons entry to or movement within any building.

The supply to a charity for the service of providing, extending, or adapting a washroom or lavatory to use by disabled persons in a building, or any part of a building, used principally by a charity for charitable purposes.

If you have been incorrectly charged 20% VAT by your supplier for building works that should have been zero-rated, you can go back four years and have the VAT incorrectly charged to you refunded.

Charities are not always able to recover VAT in full on costs, therefore it is important to take advantage of VAT rates below the standard 20%. In all the above scenarios it should be noted that the charity is required to issue a certificate to the supplier in order to get the zero or reduced-rate of VAT.

HMRC guidance states that a certificate incorrectly issued could lead to a penalty of up to 100% of the VAT which has not been charged to them. Charities should check their status before claiming the reduced or zero-rates and issuing a certificate to their supplier. If you have been overcharged there is still an opportunity to reclaim the VAT from the supplier.

A non-business activity leading to a taxable supply

The First-tier Tribunal judgement of The Towards Zero Foundation (TZF) case, provided many charities with an opportunity to consider whether they have a claim to make for input tax.

The judgement confirmed that where a charity can prove that a non-business activity has a direct and immediate link to a subsequent taxable business supply, some if not all of the VAT incurred on the non-business activity becomes recoverable.

VAT incurred in relation to a non-business activity is normally fully non-deductible, however, VAT incurred in relation to a taxable supply is fully recoverable.

The VAT Tribunal heard that TZF tested car's safety features as a secret buyer, to highlight any issues that car companies need to change. The foundation's aim is to have no road deaths caused by a lack of safety features in cars.

TZF levied no charge for the secret buyer trial testing making this a non-business activity. Where cars failed the safety standards manufacturers were notified of the areas of concern, and re-testing was then ordered by manufacturers to show where improvements had been made. The manufacturers commissioned TZF to issue a retesting report, this was a business supply for which TZF charged the manufacturer a fee plus VAT.

HMRC argued that as the first part was non-business TZF could not have the input tax incurred on the initial testing back. The Court accepted that there was a business intention throughout the process, despite non-business activity at the outset.

Independent schools – draft legislation to apply VAT on fees

In July 2024, draft legislation and accompanying papers was released by the Treasury on the introduction of VAT on independent school fees. It is important to note that this is subject to consultation and consequently may change. The main points are listed below.

1. When will VAT will be introduced on private school fees?

The new law would be effective from 1 January 2025.

Schools that are not VAT registered would need to register for VAT on or before that date. Schools that are not VAT registered but have VAT registered trading subsidiaries, need to consider whether to register as a VAT Group or have separate VAT registrations.

2. How will the anti avoidance/anti forestalling legislation apply?

Any school fees paid in advance which were received on or after 29 July 2024, would not qualify for the education exemption.

3. Where would VAT be applied?

VAT would be applied to education, boarding and accommodation, as well as any extracurricular lessons such as music, drama or sports tuition. However, we have noted that the sport exemption in the VAT Act 1994 Group 10, may still apply to letting of sport facilities to individuals.

4. *What would not be subject to VAT?*

Supplies deemed to be 'closely related' to education such as the supply of transport, catering, books and stationery would continue to be exempt from VAT.

The documents do mention that 'value shifting' on these individual supplies would be challenged if they do not believe the supplies are made at a market value.

5. *Will nursery school fees up to reception be subject to VAT?*

The supply of nursery school education would remain exempt, however once fees are charged for children of compulsory school age (referred to as the reception class in the UK), VAT will be applied.

6. *What about before and after school childcare?*

This would remain exempt as a supply of welfare where the supply qualifies as childcare and does not form part of further education (see 3 above).

7. *What about fees paid in advance (FiA) where payment has been made before 29 July?*

There is a specific mention of FiA received before 29 July 2024 which states that HMRC would seek to challenge schemes, where payments do not relate 'to specific terms' fees that have already been set'.

We do not yet have HMRC's formal policy on this statement and there will be further updates in the coming weeks. In the meantime, schools should continue to inform parents who have paid FiA that VAT would need to be added if HMRC's challenge on this basis was successful.

8. *What about schools who have pupils with Special Education Needs (SEN)?*

The government would seek to ensure that pupils with the most acute SEN are not impacted by these changes. It appears that there would be two exceptions:

- (i) the pupil's condition is covered by an Education, Health and Care Plan; and
- (ii) the state system cannot accommodate pupils' needs.

9. *What will happen now?*

The consultation period will now be open until 15 September 2024, comments and questions can be submitted to the Treasury. We anticipate that there will be a number of representations made during this seven-week period by professional bodies, professional associations and schools alike.

However, schools must now prepare for VAT to be introduced from 1 January 2025. As well as registering for VAT by this date, schools should be preparing their software systems to account for VAT on income and expenditure and ensure that VAT returns can be filed in line with Making Tax Digital legislation.

The HMRC briefing is available here -

<https://www.gov.uk/government/publications/revenue-and-customs-brief-8-2024-removal-of-vat-exemption-for-private-school-fees-and-boarding-fees>.

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