

City's Estate Group and Other Charities of the City of London

Audit Planning Report to the Audit and Risk Committee Year ending 31 March 2025

Presented to the Audit and Risk Committee on 12 May 2025

Strictly Private and Confidential

The Audit and Risk Committee
City of London
PO Box 270
Guildhall
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Dear Members of the Audit and Risk Committee

We have set out in this audit planning report various matters relating to our audits of the financial statements of City's Estate Group and Other Charities of City of London for the year ending 31 March 2025 following our initial discussions with Sonia Virdee, Daniel Peattie, Iain Jenkins and their team on 20 March 2025.

I have pleasure in submitting our audit planning report for the year ending 31 March 2025. The primary purpose of this report is to communicate to the Audit and Risk Committee and the Council Members relevant matters relating to our forthcoming audits.

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 with Rachel Laws (Senior Manager).

We look forward to working with you on the completion of the audit of the annual report and financial statements of City's Estate Group and Other Charities of the City of London.

Yours sincerely

Tina Allison
Partner

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1. Executive summary

Our report to you

We are pleased to present our Audit Planning Report to the Audit and Risk Committee and welcome the opportunity to discuss this with you at your meeting on 12 May 2025.

International Standards on Auditing (UK) require that we communicate formally with “those charged with the governance” of City’s Estate Group and Other Charities of the City of London regarding relevant matters relating to our forthcoming audits. The objectives of this are to:

- ensure that there is a mutual understanding of the scope of the audit and the respective responsibilities of ourselves as auditor and those charged with governance;
- share information to assist both ourselves as auditor and those charged with governance to fulfil their respective responsibilities; and
- provide to those charged with governance constructive observations arising from the audit process.

We have discussed the matters below in Section 2 to Section 5 of this report:

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| • an overview of the planned scope and timing of the audit |
| • the significant risks of material misstatement, whether due to fraud or error, and our plans to address these |
| • any other significant matters that, in our professional judgment, are relevant to the oversight of the financial reporting process |

Responsibilities and ethical standards

We have prepared this report taking account of the responsibilities of the Members and ourselves set out in [Appendix 1](#) of this report.

Operating environment and group structure

Our understanding of the operations is set out in [Appendix 2](#).

Group audit

Our consideration of the group structure and our audit approach is set out in [Appendix 3](#).

Internal controls and the IT environment

We have documented our consideration and approach to internal controls, including the IT environment, in [Appendix 4](#).

Audit materiality

Our overall audit materiality for the financial statements as a whole will take account of the level of activity / funds held by each entity and will be set at approximately 2% of investments, 1.5% of Income or 2% of Expenditure as appropriate for the entity concerned.

Further details of materiality levels, including those of components, are set out in [Appendix 3](#).

The City Corporation’s Report and Financial Statements

We have set out in [Appendix 7](#) a number of considerations to be taken by the Members and management when preparing the financial statements for the year ending 31 March 2025.

Audit reports

Please note that, while the financial statements are in draft form, the draft audit reports should contain the words “This report has not yet been signed” in the space for our signature. We will agree with you when this wording can be removed.

2. Significant audit risks

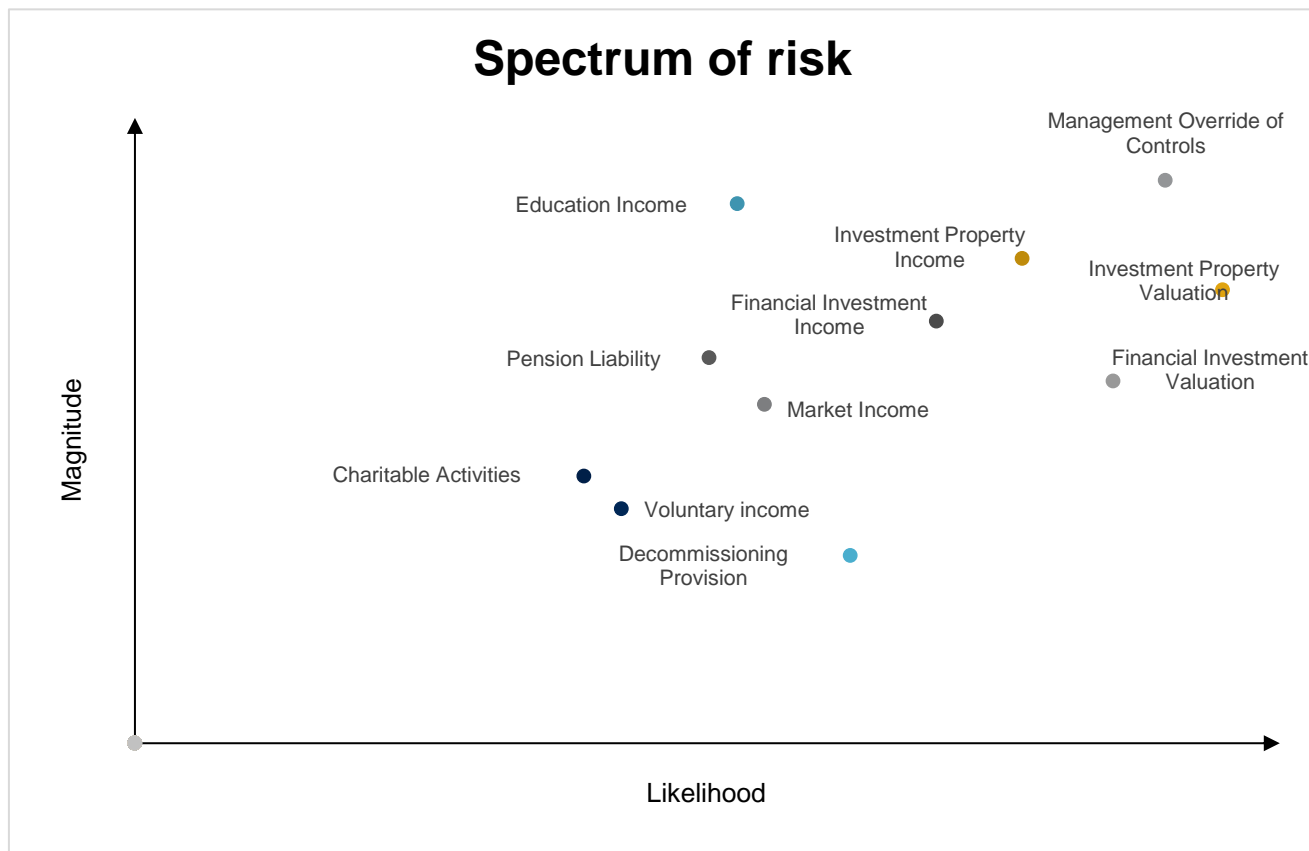
ISA (UK) 315 (Revised) came into effect for periods starting in December 2021.

The revised ISA introduces the concept of a spectrum of inherent risk, considering both the likelihood and magnitude of a possible misstatement. A 'significant' risk is one close to the upper end of the spectrum of inherent risk, or one that has to be treated as such under other auditing standards.

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.

Our audit work will take account of our assessment of the risks of misstatement of transactions and balances in the financial statements. We identify a range of risks from our understanding of City's Estate Group and Other Charities of the City of London, its people and environment, and the system of internal control and plan our audit work so as to reduce the risk of material misstatement to an acceptable level.

In line with ISA (UK) 315 (Revised), we have considered the inherent risk including both the likelihood and magnitude of a potential misstatement, as shown in the chart opposite.



We have included in the table below an indication as to which entities each risk applies to and noted this in each sub-heading of Section 2 to indicate the relevant entities for the identified risk.

Reference	Entity
A	City's Estate (Parent)
B	Natural Environments (previously known as open spaces)
C	Power station companies
D	Other charities within the Corporation subject to 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 £76.4m 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 audit work will include 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 will carry out analytical procedures and substantive testing on all income streams including reconciliations to the relevant systems and other records.
- Review a sample of transactions and bank receipts either side of the year end date to ensure these have been recognised in the appropriate period.
- Obtain a breakdown of investment property income for the year and reconcile to the trial balance.
- Verify a sample of property receipts to supporting tenancy agreements and invoices. Where there are rent free periods or rent holidays, reviewing supporting documentation for this and agreeing this has been appropriately accounted for.
- Review 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.

2.2 Revenue Recognition – Financial investments income (A, D)

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 Foundation 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 audit testing in this area will include:

- 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, including agreeing that the income is complete and covers the full financial period.
- 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.

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 £104.1m in 2024 (2023: £96.7m) which is the largest individual income stream representing 49.7% of total income (2023: 52.1%).

This income stream is generated from the three 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.

From January 2025, following the government decision to impose VAT on independent school fees, the members elected to include VAT on the school fees of the City of London Schools.

The recognition of school fees is considered highly predictable due to 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 audit testing in this area will include:

- Gain an understanding of the systems and controls in place around education income, including controls over pupil management and invoicing at each school.
- Complete a proof-in-total over education fee income at each school using pupil data and fixed tuition fees lists for each school.
- Complete testing on the underlying inputs into this proof in total, including any discounts offered in the year.
- Review a sample of tuition and other education fee income from source, agreeing it to support and receipt to the bank and agreeing completeness of data by selecting samples from a source external to finance to trace through to the financial statements.
- Perform cut-off testing around the year end to ensure income has been recognised in the correct years and income has been deferred appropriately.
- Review the treatment of VAT on fees including reviewing which elements of fees VAT has been applied to and agreeing that this has been correctly embedded into the VAT returns and workings.

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 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, we consider there to be a significant risk over this revenue stream, primarily over cut-off and completeness.

Crowe response

Our audit testing in this area will include:

- Review a sample of transactions from source documentation and bank receipts either side of the year end date to ensure these have been recognised in the appropriate period.
- Obtain a breakdown of market income for the year and reconcile to the trial balance;
- Verify a sample of market income from source documentation to nominal and bank receipts; and
- Review the year-end deferred income balances, testing a sample to support and re-calculating the split of any invoices as appropriate.

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 audit approach over these revenue streams will include:

- 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 from source documentation, agreeing it to nominal and receipt to bank;
- Performing cut-off testing by reviewing transactions around yearend; and
- Confirming the recognition City's Estate grants to Open Spaces entities.

2.6 Revenue Recognition – Voluntary income (B, D)

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

As part of our audit, we will:

- 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.

2.7 Financial investment valuation (A, B, D)

The financial investments portfolio within City's Estate was £988.5m as at 31 March 2024 (2023: £1,038m). 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 AAF01/06 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).

Listed and unlisted investments

In relation to substantiating the valuation and existence of assets reported in the financial statements our work will include:

- 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 will reconcile the valuation to records to confirm ownership and existence;
- For listed investments we will agree 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 will obtain 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;
- Perform 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.

Review management's overall reconciliation of asset values to information reported by Cambridge Associates

2.8 Estimates and Judgements – Investment Property Valuation (A)

Investment properties held by City's Estate totalled £1,863m as at 31 March 2024 (2023: £1,918m). It is our understanding that 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.

We will review the investment property valuation report with consideration to judgements and estimates used by the valuer with reference to market data. We will also test the inputs provided to the valuer by the entity and the ownership status via land registry.

We will also consider 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 will seek additional assurance over property valuations from an independent external property expert (Cluttons) who will review a sample of properties and assess the overall valuation scope, methodology and

assumptions used in order to confirm if the valuation provided by surveyors is reasonable.

We will also review the valuation adjustment and ensure any gains/losses on revaluation have been appropriately recognised in the Statement of Comprehensive Income.

2.9 Estimates and Judgements – Pension liability (A)

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 City Bridge Foundation).

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.

- 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.

2.10 Estimates and Judgements – Decommissioning provision (C)

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. During FY23/24 there was a significant utilisation of the provision as major works were finalised and the provision at 31 March 2024 was £2.5m (2023: £26.6m).

From our planning discussions with management we understand that the decommissioning is complete however there are further potential costs which are to be provided for which management are reviewing potentially totalling £1m.

Furthermore, from our discussions with management we understand there is a potential contingent liability disclosure for FY25 in connection to possible future costs removing gas pipelines. At the time of writing, management is assessing the potential obligations arising from this and their likelihood of occurrence to assess the quantum and any potential accounting disclosure.

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

Crowe response

As part of our audit work in this area, we will:

- Obtain and review 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.
- We will seek an update on events after the balance sheet date to assess if any assumptions or judgements included in the final provision remain appropriate.

2.11 Related parties

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 will therefore review 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.

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.

2.12 Consolidation (A, B, C, D)

In 2023 we highlighted a significant deficiency surrounding the preparation of the consolidated group accounts which management were not initially able to balance.

Although there were no such issues in 2024, given the inherent complexity of the consolidation due to the multiple entities consolidated, and that it is a manual process with a high level of adjustments, this has been identified as a significant risk.

Crowe response

As part of our audit work in this area, we will:

- Agree the inputs for the consolidated entities to the individual audited financial statements.
- Review 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.

- Document our understanding of the consolidation process to agree this is in line with expectations.

2.13 Management override of controls (A, B, C, D)

Although the level of risk of management override of controls varies from entity to entity, Auditing Standards recognise that this risk is nevertheless present in all entities because of management's ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.

Due to the unpredictable way in which such override could occur, including to mask fraud, the override of controls is a significant risk for all audits.

The members of The City Corporation must satisfy themselves that the control environment present within the entity together with the Member controls and controls over the posting of journals are adequate to deter any inappropriate override of controls from management.

We are required to design and perform audit procedures to respond to the risk of management's override of controls which will include:

- Understanding and evaluating the financial reporting process and the controls over journal entries and other adjustments made in the preparation of the financial statements and testing the appropriateness of a sample of such entries and adjustments;
- Reviewing accounting estimates for biases that could result in material misstatement due to fraud. We have noted above that the following estimates and judgements are considered significant audit risks:

- * Financial investment valuation
- * Investment property valuation
- * Pension liability
- * Decommissioning provision

Other estimates and judgement which are not considered significant audit risks are included in section 3.

- Obtaining an understanding of the business rationale of significant transactions that we become aware of that are outside the normal course of business or that otherwise appear to be unusual given our

understanding of City's Estate Group and Other Charities of the City of London and their environment and obtaining corroborating

evidence that these are valid, approved business transactions and there is no indication of fraud.

3. Other areas of audit focus and disclosure

We have also noted the following matters from our initial discussions and from our work in previous years as not having significant audit risk but being potentially relevant to the financial statements.

3.1 Other 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 above to be significant (see Section 2) we do not consider other income streams to be significant. Other income includes numerous immaterial income streams including innovation and growth and grants and other activities which have historically been immaterial individually and in total and therefore we do not consider these income streams to be a significant risk. Upon receipt of the draft 31 March 2025 year end financial statements if these streams are material individually or in total we will perform a risk assessment of this revenue stream and report this to you within our findings report.

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?).
- Valuation (where income is owed at year end, is it likely to be received or should it be provided against?).

3.2 Judgements and Estimates

ISA (UK) 540 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 required of 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.

We will pay careful attention to areas of the financial statements affected by management judgement and estimation. We have initially identified the following for specific review which are not outlined in the significant audit risks detailed in the previous section.

- 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.
- Valuation of insurance provision (City Re)

We will identify all areas where an accounting estimate or judgment is used and we will obtain an update from management on the basis of the estimates.

We will consider whether these have high or low estimation uncertainty. Where there is high estimation uncertainty (primarily, if there is a range of reasonable outcomes which exceeds our materiality) this indicates a "significant risk". We will compare the estimates and judgments made in the prior period with actual outcomes.

We will also review management's assessment of this and specifically consider whether the estimates and judgments arrived at by management indicate any "management bias". This means that management will also need to consider whether there is any bias in information received from other departments. 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.

Market Closure

We are aware of the ongoing application to close the markets and are having ongoing discussions with management about potential implications for the financial statements and disclosure requirements in terms of both potential compensation payments provision and impact on market income in the year.

Upon conclusion of these discussions, we will perform a risk assessment of any provision requiring disclosure and report this to you within our findings report.

3.3 Payroll

Payroll is the largest single expenditure item for City's Estate totalling £110.2m for the year ended 31 March 2024 (2023: £101.1m) which represented 31.1% of total expenditure (2023: 32.8%).

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.

The key risks in this area are considered to be:

- Existence (does the expenditure relate to genuine employees?).
- Accuracy (are payments made at authorised amounts and are the correct deductions made?).
- Disclosure (have all required disclosures been made in the financial statements?).

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

We will also perform analytical procedures that consider gross pay, deductions and staff numbers year on year to ensure that all trends and relationships appear reasonable and that the totals agree with the ledger, and we will verify a sample of staff between the payroll and other HR records and agree their costs to supporting documentation on a sample basis.

3.4 Grant expenditure

Whilst grants are not expected to have any performance related conditions which might create significant judgement over the recognition of expenditure, the volume and total value of the grants awarded is material.

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

3.5 Other expenditure

Our approach for other expenditure items will be based on analytical review procedures, which consider actual versus budget and prior year results, together with understanding the controls operated by City's Estate to ensure that expenditure is appropriately controlled and authorised and that the required cut-off has been correctly applied at the year-end.

We will also select a sample of expenditure transactions from the nominal ledger for agreement to underlying records, to ensure that transactions are being accurately processed in the accounting system and authorised by an appropriate individual within the organisation.

Additionally, we will review transactional repairs and maintenance nominal ledger codes for evidence of capital expenditure which has been incorrectly expensed in the period.

3.6 Other Balance Sheet Items

In addition to our focus on the areas detailed above we will carry out our standard audit procedures on the other material balance sheet amounts. Our work will include:

- Testing of key control accounts reconciliations;
- Testing of bank reconciliations;
- Review of post year end transactions where these help to confirm the year end position;
- Verification of ownership of land and buildings; and
- Confirmation of assets held (e.g. cash at bank) to third party confirmations.

We will pay particular attention to areas of "estimate and judgment" as detailed above.

3.7 Going concern and our audit reporting

In preparing the financial statements to comply with Financial Reporting Standard 102 the Trustees/Members/Directors (as applicable) are required to make an assessment of the entity's ability to continue as a going concern.

In assessing whether the going concern assumption is appropriate, those charged with governance are required to consider all available information about the future of the entity 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. In forming conclusions on going concern those charged with governance will need to evaluate which of three potential outcomes is appropriate to the specific circumstances of each entity, including the City's Estate group and parent. Those charged with governance may conclude:

- There are no material uncertainties that lead to significant doubt upon the entity's ability to continue as a going concern;
- There are material uncertainties that lead to significant doubt upon the entity's ability to continue as a going concern; or
- The use of the going concern basis is not appropriate.

A material uncertainty is defined as 'An uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the entity's ability to continue as a going concern, where the magnitude of its potential impact and likelihood of occurrence is such that appropriate disclosure of the nature and implications of the uncertainty is necessary for the fair presentation of the financial statements.'

Under ISA (UK) 570, where a material uncertainty related to going concern exists, we are also required to determine whether the financial statements:

- Appropriately disclose the principal events or conditions that may cast significant doubt on the entity's ability to continue as a going concern and management's plans to deal with these events or conditions; and
- Disclose clearly that there is a material uncertainty related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern and, therefore, that it may be unable to realise its assets and discharge its liabilities in the normal course of business.

We have discussed with management and explained that as part of our work on going concern for the year ending 31 March 2025 we will do the following.

- Review the period used by those charged with governance to assess the ability of each entity to continue as a going concern;
- Examine detailed budgets and forecasts prepared by management covering the period of the going concern assessment which adequately take account of the potential impacts of cost-of-living crisis, inflation and other global or UK economic factors on City's Estate or the other entities to ensure these appropriately support the conclusion of those charged with governance;
- Review the accuracy of past budgets and forecasts by comparing the budget for the current year against actual results for the year; and
- Review any other documentation which those charged with governance use in assessing the going concern status and make any necessary enquiries of management.

We will agree with management the preparation of a detailed paper setting out their assessment of each entity's ability to continue as a going concern for consideration alongside the draft financial statements by the Audit and Risk Committee.

4. Fraud and irregularities and our audit reporting

As we reported last year, the primary responsibility for the prevention and detection of fraud rests with management and “those charged with governance” (i.e. the Members, Trustees and/or Directors), including establishing and maintaining internal controls over the reliability of financial reporting, effectiveness and efficiency of operations and compliance with applicable laws and regulations. As auditors, we obtain reasonable, but not absolute, assurance that the financial statements as a whole are free from material misstatement, whether caused by irregularities including fraud, or error.

Corporate governance and fraud

As part of our audit procedures we make enquiries of management to obtain their assessment of the risk that the financial statements may be materially misstated due to fraud. However, we emphasise that the responsibility to make and consider your own assessment rests with yourselves and that the Members, Audit and Risk Committee and management should ensure that these matters are considered and reviewed on a regular basis.

As auditors, we are required to document an understanding of how “those charged with governance” exercise oversight of management’s processes for identifying and responding to the risks of fraud in City’s Estate Group and Other Charities of the City of London and the internal controls that management has established to mitigate these risks. Specifically, we require a response to the following questions:

- What, in your view, are the risks of fraud in the entity? Both misappropriation of assets and fraud relating to financial reporting?
- What are the general risks of fraud in this business sector, and how does this entity mitigate them?
- How do you monitor and review management’s process for identifying and responding to the risks of fraud in the entity?
- To what extent do you understand the controls management has put in place to mitigate those risks?
- Has there been any actual or suspected fraud during the year?
- Have there been any allegations of fraud during the year?

Members may find it helpful to prepare a fraud risk assessment alongside management. 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.

Any fraud risk assessment should not be seen as a standalone exercise but rather an ongoing process that is refreshed on a regular basis.

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>.

Our responsibilities

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

As auditors, we are required to document an understanding of how “those charged with governance” exercise oversight of management’s processes for identifying and responding to the risks of fraud in City’s Estate Group and Other Charities of the City of London and the internal controls that management has established to mitigate these risks.

We note that City of London has a structured process for fraud reporting, through its risk management and the Audit and Risk Committee. We have not been made aware of any significant matters which would affect our assessment of audit risk at this stage, although this will need to be reviewed

by us, and confirmed by the Members, up to the date of approval of the financial statements.

We will make enquiries of management and others within City's Estate Group and Other Charities of the City of London as appropriate, regarding their knowledge of any actual and suspected or alleged fraud affecting each entity. In addition, we will be required to ascertain the following from the Audit and Risk Committee, Members and Directors (As appropriate).

- Whether they have knowledge of any fraud or suspected fraud.
- The role that the Audit and Risk Committee / Members / Directors exercise in oversight of:

- i) Each entity's assessment of the risks of fraud, and the design, implementation and maintenance of internal controls to prevent and detect fraud; and
- ii) their assessment of the risk that the financial statements may be materially misstated as a result of fraud.

We will seek representations from the Members / Trustees / Directors (as appropriate on these matters and we will liaise with the finance team, in the first instance, to identify any specific risks or information relevant to these considerations.

5. Staffing and fees

Staffing

Tina Allison is your Audit Partner. She will be assisted by Rachel Laws as Senior Manager who will be supported by Jamie Smith (Audit Manager). Vincent Marke continues to be your Audit Partner for Natural Environment and other Sundry Trust entities which are consolidated into the Group accounts.

Our audit fees

Please refer to Appendix 5 for a detailed breakdown of fees broken down by entity. All fees are stated exclusive of VAT and disbursements

As in previous years our proposed audit fee is based on two assumptions.

- First draft financial statements and detailed supporting schedules are available at the commencement of the audit. If this information is not available to us at the start of our audit we may seek to charge additional fees to cover any resulting delays or inefficiencies.
- We are required to check and review up to two further drafts of the financial statements prior to these being finalised for approval by the members. If it is necessary for us to review additional drafts we may charge additional fees to cover any resulting extra staff time.

To assist you in providing the required information, we have provided a separate list of audit deliverables to the City of London finance team.

Our deliverables to you

In addition to carrying out the necessary audit procedures in accordance with International Standards on Auditing we will provide to you the following.

- Statutory audit reports on the financial statements of each entity.
- This Audit Planning Report to confirm the details of the planned timing of our audit and related year-end meetings, to confirm the key members of your audit team and their independence, and to summarise our audit approach and any specific issues relevant to our audit which we have identified from our initial discussions with City of London's finance team or elsewhere.
- An Audit Findings Report to summarise any key issues or adjustments identified during our audit which have impacted on the disclosures in, or required adjustment to, the draft financial statements together with comments on any weaknesses in City of London's systems and controls which come to our attention during our audit work on the annual statutory financial statements.
- Draft of the Representations Letters which we are required to obtain from the Members / Trustees / Directors (as applicable) to confirm certain specific matters relevant to the completion of the statutory financial statements.

Timetable

The anticipated timetable and deadlines are as follows.

Key Events	Date
Initial planning meeting	20 March 2025
Audit and Risk Committee meeting to consider audit plan	12 May 2025
Central Works and City's Estate interim systems and sample selection	16 June 2025
Deadline for delivery of all fieldwork deliverables and financial statements	4 August (City's Estate excl. NE entities) 11 August (Sundry Trusts including NE entities)
Audit fieldwork	w/c 11 August (City's Estate excl. NE entities) w/c 18 August (Sundry Trusts including NE entities)
Clearance meeting with finance team	October 2025
Audit and Risk Committee meeting to consider accounts and report from the auditors	17 November 2025
Accounts signed by Members	30 November 2025

Appendix 1 - Responsibilities and ethical standards

Scope of our audits

Our audits are a statutory requirement to ensure that Those Charged with Governance have properly discharged their legal responsibilities to prepare their annual reports and the financial statements in accordance with the applicable legislation and financial reporting requirements.

As your auditor we are required to obtain sufficient evidence to enable us to report as to whether the financial statements of each entity give a true and fair view of the financial performance of the entities, are free from material misstatements and are compliant with the requirements of relevant legislation and applicable Financial Reporting Standards.

Your financial statements

The financial statements on which we are to report are your responsibility; our audit of the financial statements does not relieve management or the Members / Trustees / Directors (as appropriate) of their responsibilities for the financial statements and the Trustees / Directors (as appropriate) must be satisfied that the financial statements give a true and fair view before approving them. Further details of your and our respective responsibilities are set out in our engagement letters dated 30 January 2023.

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.

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 Agreed upon procedure review £6,600

Teachers Pension Audit £13,200

Legal and regulatory disclosure requirements

In undertaking our audit work we will consider compliance with the following legal and regulatory disclosure requirements, where relevant:

- Charities Act 2011
- Companies Act 2006
- The Charities (Accounts and Reports) Regulations 2008
- The Charities SORP (FRS102)
- Financial Reporting Standard 102

We are not aware that any limitations will be placed on the planned scope of our audits.

Our audit approach

We will carry out our audit in accordance with International Standards on Auditing (UK) ('ISA's (UK)'). Overall, we seek to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, in order that we can report to the Trustees / members of each entity.

Our work will include such tests of transactions and of existence, ownership, valuation and completeness of assets and liabilities that we consider necessary for this purpose.

We will update our understanding of each entity including objectives, strategies, operations, governance structures, sources of incoming resources and related risks. We will also update our understanding of the classes of transactions, account balances, and disclosures to be expected in the financial statements. We will consider your selection and application of accounting policies and whether they remain appropriate, and your reasons for any changes thereto.

We will review your systems for the purpose of our audit and we will 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 after discussing them with management. Our audit should not, however, be relied upon to identify all systems deficiencies, which are your responsibility, and we shall only draw your attention to matters we have encountered as a part of our audit work.

We will also read the Trustees' / Directors' / Strategic Reports and any other information that will be included with the financial statements to ensure this is consistent with the financial statements.

We are required to confirm during our audit whether those charged with governance have knowledge of any actual, suspected or alleged fraud affecting each entity. We have not been made aware of any such issues from our initial discussions but will be requesting confirmation of this as part of the audit completion process.

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 FRC's Ethical Standard for auditors and the Code of Ethics adopted by The Institute of Chartered Accountants in England and Wales.

In our professional judgement there are no relationships between Crowe U.K. LLP and each entity 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 above. 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 parent entity and 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.

Appendix 2 - Group Structure

City's Estate is not a legal entity; it is a fund of the City of London Corporation (the City Corporation) that can be traced back to the 15th century and has built up from a combination of properties, land, bequests and transfers under statute since that time. This engagement only covers City's Estate. A second fund, City Fund, covers the City's activities as a local authority, police authority and port health authority. Its financial statements are published separately and are not part of the City's Estate. The City Corporation is also the sole trustee of City Bridge Foundation (CBF) which has separate controls and systems, and is managed by a different team to City's Estate with a separate board which is responsible for all decision making of the entity and as such are not consolidated into the City Estate accounts. CBF is a long-standing charity which maintained the original London Bridge, funded by bridge taxes, rents and private bequests. CBF is audited separately by Crowe and is not part of The City's Estate

The City's Estate financial statements consolidate the financial results of the services provided directly, including:

- Ceremonial, schools and markets;
- City Re Ltd. 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;
- Trust funds in respect of seven Natural Environment entities in addition to the Sir Thomas Gresham Charity and Keats House;
- Barking Power Limited and Thames Power Services Limited. The latter two companies represent a power station that is located on a site which the City Corporation intends to remediate and decontaminate for future redevelopment and is part of City's Estate innovation and growth activities.

In the case of charities and trusts, the rationale for consolidation is that the City Corporation is the sole Trustee and thereby exercises operational control over their activities, but specifically through its City's Estate fund due to this fund providing the majority of each charity's funding City's Estate is managed by committees of the City Corporation, with Membership of the committees drawn from the 25 Members of the Court of Aldermen and the 100 Members of the Court of Common Council.

The City Corporation is responsible for preparing the Annual Report and Financial Statements.

Consideration of group structure

As part of our assessment under ISA 600 Revised we will be assessing the rationale behind the inclusion of the below entities as part of the City Estate group as well as the omission of the Sundry trusts entities from consolidation, and assessing this for compliance with the revised standard.

Entity	Main Objectives
Ashtead Common	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.
Burnham Beeches	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.
Epping Forest	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 Higham's Park in Essex. Various buffer lands have been acquired by the City Corporation around the edges of Epping Forest.
Hampstead Heath / Hampstead Heath Trust	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.
Highgate Wood and Queen's Park Kilburn	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.
West Ham Park	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.
West Wickham and Spring Park Wood, Coulsdon and Other Commons	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.
Sir Thomas Gresham	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.
Barking Power Limited	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.
Thames Power Services Limited	To provide management services to Barking Power Limited in connection with operation and decommissioning of Barking Power Station.

Keats House	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.
City Re Limited	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

Appendix 3 - Group audit

Group audit

ISA (UK) 600 clarifies how the risk model underpinning the ISAs applies in a group context. It explains that:

"The group's information system, including its financial reporting process, may or may not be aligned with the group's organisational structure. For example, a group may be organised according to its legal structure, but its information system may be organised by function, process, product or service (or by groups of products or services), or geographic locations for management or reporting purposes.'

This means that City's Estate, its individual subsidiaries and its branches are all potential components for the purposes of the ISA.

We are required to audit each component to a "component performance materiality". The level of performance materiality to be used is a matter of judgement but it will always be lower than group materiality.

For components where Tina Allison is not the audit partner our work will include the following:

- Discussing with the component auditor or component management the component's business activities that are significant to the group.
- Discussing with the component auditor the susceptibility of the component to material misstatement of the financial information due to fraud or error.
- Issuing group audit instructions, including setting a level of materiality for components.
- Assess the competence of the component auditor.
- Reviewing the component auditor's documentation of identified significant risks of material misstatement of the group financial statements.
- Reviewing the component auditor's working papers relevant to the group audit.

Consideration of group structure

As stated in Appendix 2, as part of our assessment under ISA 600 Revised we will be assessing the rationale behind the inclusion of the below entities as part of the City Estate group as well as the omission of the Sundry trusts entities from consolidation, and assessing this for compliance with the revised standard.

Entity	Scope of planned work	Materiality Calculation	Materiality £'000	Reporting threshold £'000	Auditor (Partner)
City's Estate	Group audit	2% of investments (Overall materiality)	57,028	2,851	Crowe U.K. LLP
		1.5% of income (Specific materiality – used for all areas of testing except investments, investment property, Goodwill & Pensions)	3,137	157	
Consolidated entities – Tina Allison as Audit Partner					
Barking Power Limited	Full scope audit	2% of fixed assets 2% of expenditure	2,288 5	114 0.25	Crowe U.K. LLP
Thames Power Services Limited	Full scope audit	2% of expenditure	4.3	0.2	
Consolidated entities – Vincent Marke as Audit Partner					
Burnham Beeches	Audit of specific classes of transactions, account balances or disclosures	2% of expenditure	30	1.5	Crowe U.K. LLP
Epping Forrest	Full scope audit	2% of expenditure	167	8.35	Crowe U.K. LLP
Hampsted Heath / Hampstead Heath Trust	Full scope audit	2% of expenditure	205	10	Crowe U.K. LLP
Highgate Wood and Queen's Park Kilburn	Audit of specific classes of transactions, account balances or disclosures	2% of expenditure	30	1.5	Crowe U.K. LLP
West Ham Park	Audit of specific classes of transactions, account balances or disclosures	2% of expenditure	30	1.5	Crowe U.K. LLP

West Wickham and Spring Park Wood, Coulsdon and Other Commons	Audit of specific classes of transactions, account balances or disclosures	2% of expenditure	20	1	Crowe U.K. LLP
Ashtead Common	Independent Examination	2% of expenditure	13.5	0.6	Crowe U.K. LLP
Sir Thomas Gresham	Independent Examination	2% of expenditure	2.0	0.1	Crowe U.K. LLP
Keats House	Independent Examination	2% of expenditure	9.0	0.45	Crowe U.K. LLP
Consolidated entities – Other					
City Re	Audit of specific classes of transactions, account balances or disclosures	2% of income	55	2.7	Moore Stephens (Guernsey)

Appendix 4 - Audit materiality

Audit materiality and communication of errors and adjustments

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 judgment but consideration will be given to the highest cumulative error which would not threaten the validity of the financial statements. A matter is material if its omission or misstatement would reasonably influence the economic decisions of a user of the financial statements.

Whether adjustments are material to the “true and fair” view can only be judged in the particular circumstances of the items and their impact on the financial statements to which they relate. Materiality will be considered having regard to the overall financial statement totals, the relevant individual balance, the type of transaction and the disclosures.

Our overall audit materiality for the financial statements as a whole will take account of the level of funds held by City’s Estate and will be set at approximately 2% of investments, and this measure will be applied to the audit of investments (including Goodwill) and pension liability.

In addition, we will determine whether a materiality amount lower than this materiality level is applicable for any particular classes of transactions, account balances or disclosures.

We also set a level of materiality (‘performance materiality’) below the amount set for the financial statements as a whole to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole. Performance materiality also refers to amounts set at less than the materiality level or levels for particular classes of transactions, account balances or disclosures.

We will, of course, discuss with your finance team all errors, other than those that are “clearly trivial”, that we discover during the course of our audit work. Where such errors would have an impact upon the numbers reported in the statutory financial statements, but are not significant in terms of our audit, we will ask management if they wish to adjust the financial statements.

We will bring to your attention all significant potential adjustments to the financial statements. We will not, however, bring to your attention matters that we consider to be “clearly trivial” and we therefore propose to only identify amounts greater than 5% of our audit materiality.

Our audit materiality levels for the separate entities within the group are set out in [Appendix 2](#).

Appendix 5 - Schedule of Fees

Entity	Assessed Scope at planning stage	2025 £	2024 £
City's Estates	Audit	287,500	276,255
City's Estates Trusts and Companies			
Ashted Common (Charity no: 1051510)	Audit (2024: IE)	9,350	2,520
Burnham Beeches (Charity no: 232987)	Audit	9,350	9,000
Epping Forest (Charity no: 232990)	Audit	15,600	15,000
Hampstead Heath (Charity no: 803392)	Audit	15,600	15,000
Highgate Wood and Queen's Park Kilburn (Charity no: 232986)	Audit	9,350	9,000
West Ham Park (Charity no: 206948)	Audit	9,350	9,000
West Wickham Common and Spring Park Wood, Coulsdon and Other Commons (232988 & 232989)	Audit	9,350	9,000
Sir Thomas Gresham Charity (Charity no: 221892)	IE	2,620	2,520
Barking Power Limited (BPL) (Company no: 2354681)	Audit	30,650	29,450
Thames Power Services Limited (TPSL) (Company no: 2624730)	Audit	7,200	6,930
Sundry Trusts and other accounts			
Corporation of London Charities Pool (Charity no: 1021138)	Audit	9,350	9,000
Hampstead Heath Trust (Charity no: 803392-1)	Audit	5,200	5,000
City Educational Trust Fund (Charity no: 290840)	IE	2,620	2,520
City of London School Bursary and Awards Fund (Charity no: 276654)	IE	2,620	2,520
City of London School for Girls Bursary and Awards Bursary Fund & London School for Girls Scholarships and Prizes Fund (Charity no. 276251 & 276654)	Audit	9,350	9,000
City of London Freemen's School Bursary Fund (Charity no. 284769)	IE	2,620	2,520
The City of London Corporation Combined Education Charity (Charity no: 284769)	IE	2,620	2,520
Other Trust Funds			
Emmanuel Hospital (Charity no: 206952)	IE	2,620	2,520
Sir William Coxen Trust Fund (Charity no: 206936)	IE	2,620	2,520
Samuel Wilson's Loan Trust (Charity no: 206964)	IE	2,620	2,520
City of London Almshouses (Charity no: 1005857)	Audit	9,350	9,000
Keats House (Charity no: 1053381)	IE	2,620	2,520
Other Assurance			
Guildhall School of Music and Drama (GSMD)	Inc/Exp Certification	15,600	15,000
Total		475,730	450,835

Appendix 6 - Internal controls and the IT environment

Obtaining an understanding of internal control relevant to the audit

Our audit tests will combine a review of each entities controls with tests of detail (substantive procedures) and analytical review procedures.

ISAs require us to document our understanding of your business and assess the risk of material misstatement. For controls considered to be 'relevant to the audit' we are required to evaluate the design of the controls and determine whether they have been implemented. The controls that are determined to be relevant to the audit are those:

- relating to identified risks (including the risk of fraud in revenue recognition) or other audit issues;
- where we are unable to obtain sufficient audit assurance through substantive tests alone; and/or
- where we consider it more efficient to obtain assurance through controls testing.

The results of our work in obtaining an understanding of controls and any subsequent testing of the operational effectiveness of controls will be collated and the impact on the extent of detailed audit testing required will be considered.

Obtaining an understanding your IT environment

In accordance with ISA (UK) 315, we are required to obtain an understanding of the IT environment, including the relevant applications, infrastructure, processes and personnel, relevant to the preparation of the financial statements.

This includes how information, data and resources relating to significant classes of transactions, accounts and balances flow through the IT system, any related accounting records and the financial reporting process. We also consider the resources required, including the applications, infrastructure, processes and personnel.

Our understanding is used to identify risks arising from the use of IT judged relevant to our audit and assess the relevant controls (ITGCs) in place to mitigate them. Examples of ITGCs are shown in the diagram on the following page.

Our audit will include completing an assessment of the design and implementation of ITGCs where relevant to our audit.

Where required for complex IT environments, for example where there are multiple automated processes or controls, we may engage our IT Audit team to perform this work.

Our audit work is not designed to provide assurance as to the overall effectiveness of the controls operating within each entity, although we will report to management and the Audit and Risk Committee any recommendations on controls that we may have identified during the course of our work.

IT Governance



- ☐ Policies and procedures
- ☐ Incident management
- ☐ Outsourcing

Access management



- ☐ User access privileges
- ☐ User access reviews
- ☐ User provisioning / de-provisioning

IT General Controls

IT Operations



- ☐ Data backup and recovery
- ☐ Intrusion detection
- ☐ Vulnerability identification

Application changes



- ☐ Evaluation and authorisation
- ☐ Data migration
- ☐ System software changes
- ☐ Data conversion

Appendix 7 - Crowe Analytic Tools ('CAT')

We have a suite of data analytic tools which we can use to improve our risk assessment process, carry out substantive procedures and to perform tests of controls to support judgements and to provide insights. Some routines can be used to help us identify areas of focus whilst others provide audit evidence.

There are often technical challenges to overcome such as: obtaining read only access to your systems; or, where data has been extracted by management, carrying out a validation process. There is complexity in at least the first year of setting up some of the routines which will take additional management time to ensure the data presented to auditors has integrity and can be extracted in the right format. Once set up though the routines will become easy to execute in subsequent years.

DataSnippet

Datasnipper is an intelligent automation platform, integrated within Excel, that significantly enhances the efficiency and accuracy of financial audit work. It helps to take data from PDF in to Excel.

We use this on almost all our audits on financial statements to cast, agree comparatives to prior year and to check for internal consistencies. We also use it to for version comparison of financial statements against previous drafts.

DataSnippet is also used to snip and sum data from documents for sample testing, and use it on some high volume routine testing to make these formula driven/snip driven rather than manual.

We use the snips to validate things like procurement testing for audit efficiency.

Journals

We use a variety of tools for our testing of journals as suited to our clients.

For example, with Inflo, we have the ability to analyse 100% of the transactions and apply sophisticated risk scoring to test for fraud or error.

Other analytical tools

We use a range of other analytic tools such as Alteryx, Idea and Python with a PowerBi reporting tool to deliver bespoke audit tests. This automation delivers audit efficiencies enabling us and our clients to focus on other important areas.

We find this of greatest use on low value, high volume revenue testing (e.g. retail or membership fees). In these areas there is a low level of judgement involved and so a low level of audit risk. A data analytics approach in this area allows us to test the full population of revenue transactions,, from input to bank, identifying any unusual items that require further investigation.

WHERE WE PLAN ON UTILISING CROWE ANALYTIC TOOLS ON ASPECTS OF OUR AUDIT THIS IS DETAILED IN SECTION 2 AND SECTION 3 ACCORDINGLY

Appendix 8 - The City Corporation's Report and Financial Statements

Financial Statements and our audit

The preparation and presentation of the financial statements remains the responsibility of those charged with governance. However, our audit work will include reviewing the statements to ensure that they properly reflect the underlying financial records of each entity and also that they continue to be appropriately prepared in line with the requirements of FRS 102, Charities SORP (FRS 102) and the requirements of the Charities / Companies Act (as applicable).

As part of our audit we will:

- ensure there is a full audit trail from the trial balance to the financial statements;
- review the financial statements against legal, regulatory and the SORP requirements and sector best practice;
- review the processes operated by each entity for identifying any related party transactions that might require disclosure; and
- review the latest copy of the risk register and ensure any key issues for the financial statements have been considered in the context of

our audits, and appropriately managed in the context of each entity's governance.

The City Corporation's Report

We expect that the City Corporation's Report will include discussions of risks, outcomes, outputs and impacts and information on financial and non-financial KPIs.

Whilst we are required to review the report for any inconsistencies with the information included in the financial statements we do not audit the City Corporation's Report. The responsibility for preparing the report rests with The City Corporation.

Although Council Members may seek the assistance of the organisation's staff in drafting the report, the Members must approve the final text of the report. It is therefore important that Members have some assurance over the process which management have adopted in the collection and verification of the data included in the Members' Report.

It will also be important that each entity continues to ensure consistency between the statutory Members' Report information and any information that is included elsewhere including on its website.

Appendix 9 - External developments

We note that whilst City's Estate is not a Charity, the below external developments are relevant directly to the charities in the group but also demonstrate good practice issues and therefore can be useful in the context of City's Estate.

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 or 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/croweuk/industries/webinars>) 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

State of the Sector

The Charity Commission has released its latest annual report on public trust in charities. The findings indicate that trust levels have remained stable since 2020, largely driven by the perception of a charity's aim to do good.

There is a persistent belief that smaller, local charities are more trustworthy than national charities. This is despite the fact that larger charities are subject to more stringent transparency requirements, which are a key factor in building trust. Respondents highlighted that their trust is influenced by how charities ensure that monies reach their intended causes and by visibly demonstrating their charitable activities.

The report, which includes interviews with a diverse range of the public, reveals that only one in 5 individuals are well-acquainted with the Charity Commission, with increased familiarity with the Commission associated with higher levels of trust. For more details, see the full report [here](#).

Smee & Ford legacy trends 2024 reported record legacy income of £3.5 billion in 2023, marking a 3.2% increase. Charitable estates have also risen to £22.6 billion, a 5.6% increase and 2023 had the highest record of unique charitable legacies for the past decade. The report highlights that there is further growth anticipated from Baby Boomer bequests with an increase in

annual deaths expected to rise to over 730k by 2035 translating to 47,000 charitable cases per annum in the years to come.

Additionally, the CAF UK Giving Report 2024 revealed that donations reached £13.9 billion in 2023, up from £12.7 billion in 2022. However, there was a decrease of £800 million in funds directed towards overseas causes. Furthermore, average monthly donation was £65; 40% higher than 2019 but using the median method, donations remained at £20 per month, unchanged for 7 years – using statistics from Pro-Bono Economics, with inflation it should have been £25.

An analysis of the VCSE Barometer carried out by Pro-Bono Economics found that one-third (33%) of charities reported a decline in their finances in the quarter-ended July 2024. This is attributed to ongoing workplace challenges and rising demand for services across charities of all sizes.

For further information on the treatment for the charity sector's unhealthy status quo, please visit: <https://www.probonoeconomics.com/>

Budget 2024: Key implications for charities

The 2024 budget, released 30 October, outlines new government's tax, welfare, and spending priorities up to March 2026, with a framework extending beyond April 2026. It also previews the spring spending review, which will allocate funding for central government departments through to March 2029.

Key announcements for Charities:

- Local government funding. A 3.2% rise in core local government spending, at least £600 million funding for social care.
- Support for individuals and carers. Reduced Universal Credit deductions increased Carer's Allowance earnings limit.
- VAT and business rates relief for private schools. VAT relief is removed. Business rate relief is for those providing full time education to pupils with education, health, and care plans.
- SEND Support. £1 billion to support children with special educational needs and disabilities (SEND).
- Hardship support. £1 billion next year to extend the Household Support Fund and hardship payments.
- Educational funding. An additional £30 million for free breakfast clubs, £300 million for further education and £40 million for the Growth and Skills Levy for training.
- Holocaust education. An additional £2 million to support Holocaust education charities.
- Research and development and inheritance tax reliefs maintained.

Further positive announcements include increased budget for the Charities Commission, additional support for central government departments and public services, and more funding for 'trailblazer' programmes and mental health crisis centres.

However, the 6.7% rise in the national living wage and the increase in employer National Insurance contributions (NICs) to 15%, both effective from April 2025, will impose financial pressures for charities. Additionally, the NIC threshold has dropped from £9,100 to £5,000.

From April 2025, many charities that employ staff will see their costs increase, with the average employer expected to incur an extra £26,000 in annual costs (approximately £800 per employee). However, the Employer's Allowance is set to increase from £5,000 to £10,500 and the threshold for claiming this allowance will be removed, potentially allowing more charities to benefit.

Holistically, commentators believe that the budget signals a shift in government's approach to funding local public services. It aims to simplify

local government funding and commits to moving towards multi-year settlements, which will help local authorities and voluntary sector partners to plan more effectively.

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](#).

Building Resilience: Responsive strategies in uncertain times

It is now accepted thinking that the uncertainty of the past few years is here to stay due to global economic uncertainties, geopolitical instability and as a result of rapid technological change.

These continuing challenges signal a new normal which requires all organisations to adapt to survive and thrive. Whilst there have been uncertainties in the past, the level and number has increased as has the speed with which these will impact an organisation.

For non profit organisations, the ever-present challenge is how they can deliver their mission in times of growing demand amid a squeeze on income and rising costs. It becomes even more imperative for boards and the leadership teams to continue to focus on organisational purpose, impact and culture. Juggling competing priorities often results in a lack of focus on matters related to climate risks or EDI and ESG. It is key that organisations focus on strategy at different time horizons to avoid falling behind the curve.

Further information can be found on our Insights page [here](#).

Charity Commission: New commission guidelines CC48 and CC27

CC48: Charity Meetings

The CC48 guidance from the Charity Commission, updated July 2024, provides essential rules for charity meetings that must be adhered to. The guidance emphasises the necessity for charities to adhere to their Governing Document rules on planning, running and recording meetings.

The Governing Document must be amended where rules are outdated to ensure decisions made in meetings are valid. For example, CC48 provides specific guidance on updating the Governing Document to allow for virtual and hybrid meetings. It also covers different types of meetings, such as trustee meetings and Annual General Meetings (AGMs), each with their own rules that must be followed.

CC48 can be found [here](#).

CC27: Decision Making for Trustees

The CC27 guidance from the Charity Commission outlines seven principles and best practices for trustees on decision making.

The seven decision-making principles are:

1. Trustees must act within their powers
2. Trustees must act in good faith

3. Trustees must be sufficiently informed
4. Trustees must take account of all relevant factors
5. Trustees must identify and disregard irrelevant factors
6. Trustees must manage conflicts of interest
7. Trustees must ensure their decision is within the range of decisions that a reasonable trustee body could make

This guidance provides detail on each principle but particularly when making significant or strategic decisions and how to record the decisions made.

Whilst CC27 applies specifically to all trustees of all charities in England and Wales -whether registered, unregistered or exempt, including corporate charity trustees – the guidance can be useful for other members of the charity to be aware of in considering in their decision making.

CC27 can be found [here](#).

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 set out an indicative timetable [here](#). Most of the provisions have now come into force.

Provisions of the Act in force that came into force on 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 that came 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](#).

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](#).

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

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

The Commission have updated CC28 to reflect these changes, which can be found [here](#).

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](#).

Failed appeals

The Act introduces new rules granting the power for trustees to apply *cypres*, 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](#).

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](#).

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](#).

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](#) and [here](#) for total return investment.

Investing Charity Money

CC14 was updated in August 2023, 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](#).

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 applies 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 was published in July 2024 and can be found [here](#).

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](#).

Compliance

Employment Rights Bill 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.

The new duty to prevent sexual harassment will be enforceable by an employment tribunal, where the tribunal 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](#).

Fundraising Regulator:

In November 2023 the Fundraising Regulator 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](#).

In August 2024, the fundraising regulator produced guidance on charitable institutions working with commercial participators and with professional fundraisers. Both pieces of guidance define professional fundraisers and commercial participators and in both cases explain that charities should carry out due diligence, have in place a written agreement and carry out monitoring.

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](#).

The Economic Crime and Corporate Transparency Act 2023

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, Royal Charters and CIOs.

When considering the size criteria it is worth noting that the legislation references the financial year of the entity that precedes the year of the fraud offence.

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 guidance for the new corporate criminal offence of “failure to prevent fraud” has been published by the UK government. The Act aims to hold large organisations accountable if they benefit, or there is an intention to benefit, from fraudulent activities conducted by their employees, agents, subsidiaries, or other associated persons. Organisations have to put in place proactive measures and reasonable procedures to provide a defence to criminal liability for failing to prevent fraud and other economic crimes by associated persons.

The offence sits alongside existing law; for example, the person who committed the fraud may be prosecuted individually for that fraud, while the organisation may be prosecuted for failing to prevent it.

The offence, which will come into effect on 1 September 2025, applies to all large incorporated bodies, subsidiaries, partnerships, and large not-for-profit organisations such as charities if they are incorporated and Royal Charter. Whilst unincorporated charitable trusts may not be included, this guidance is considered as being best practice. It is important to note that the size criteria is considered in the year preceding the fraud offence. An organisation will be criminally liable if an associated person commits fraud intending to benefit the organisation such as through dishonest sales or commercial practices, hiding important information from consumers or investors, or dishonest practices in financial markets.

The guidance sets out six principles that should inform fraud prevention frameworks put in place by organisations in order to comply with the law - top level commitment, risk assessment, proportionate risk-based prevention procedures, due diligence, communication (including training), and ongoing monitoring and reviews.

Risk assessments must fully consider the potential for relevant economic crimes to be committed. These include but are not limited to fraud. Onboarding of employees and ‘associates’ must be reviewed and mitigation measures put in place. Sufficiency of training which is properly tailored to the particular employees involved is increasingly an area of regulatory focus and must also be part of the policies and procedures put in place here.

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

Another aspect of the Act is 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 has launched a new free digital service, MyNCSC, which aims to enhance charities' cyber security approach.

MyNCSC combines Active Cyber Defence (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.

Further information and guidance on how MyNCSC works can be found [here](#).

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, there is the possibility that DWP may take action to validate scheme rule amendments which would otherwise be invalidated by the principle in the Virgin Media case.

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.

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 Takeaways

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](#).

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 published 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](#).

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](#).

Charity Digital Skills report

The Charity Digital Skills annual report, now in its eighth year, continues to serve as an essential measure of the charity sectors' digital proficiency, attitudes, and behaviour. As charities face ongoing challenges from the cost-of-living crisis and adapt to a rapidly changing digital landscape, this report aims to highlight how charities are increasingly leveraging digital tools and identifying key trends.

The report highlights that:

- Half of charities have a digital strategy and 45% say this is a priority for this year, with 76% making progress this year.
- 1 in 4 charities say data is a high priority, with 48% use data to improve services or operations.
- 68% are struggling to process digitally due to finances, capacity or headspace.

- 56% are to engaging with emerging tech trends with 40% saying that they have poor skills & capacity.
- Over half (62%) of charities say trustees' digital skills are low or could improve.

Whilst many gaps identified in previous years persist, particularly in funding and leadership, there have been positive developments. Notably, there is a significant shift towards charities creating their own digital strategies. These strategies are crucial for ensuring that charities do not fall behind, especially with the rise of AI.

The report can be found [here](#).

NCSC publishes “Cyber Threat Report: UK Charity Sector”

The National Cyber Security Centre has published its annual report, outlining cyber threats currently facing charities of all sizes.

The 2024 DCMS Cyber Security Breaches Survey measures the policies and processes organisations have for cyber security; highlights the commonly perpetrated breaches and attacks and their impacts; and provides a number of recommendations and links to guidance to assist charities strengthen their defences.

The report revealed that 32% of UK Charities identified a cyber-attack in the last 12 months, an increase from the reported 24% in 2023, with phishing breaches being the most common. This increase has driven an increase in the deployment of various controls and procedures in businesses, such as:

- using up-to-date malware protection,
- restricting admin rights,
- network firewalls, and
- agreed processes for phishing emails.

The report notes that the charity sector is particularly vulnerable as they often hold significant amounts of sensitive or valuable data, making them attractive targets for cyber-attacks. Therefore, charities should consider adapting to the increasingly technical environment. This need for adaption is exemplified by cybersecurity being deemed high priority for 63% of charities, with 30% of Boards having explicit responsibility for cyber security, and 47% of high-income charities having formal cyber strategies in place.

A copy of the report can be obtained [here](#).

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 of 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](#).

Taxation

Charities tax compliance

As part of the Autumn Budget 2024, the government published a response to their consultation on charities tax compliance. The original consultation, published in April 2023, received responses from 33 stakeholders in the charity sector including Crowe UK.

The consultation addressed four key areas of tax compliance for charities. A summary of these areas and the proposed changes to tax legislation, all of which will take effect from April 2026, are outlined below.

Preventing donors from obtaining a financial benefit from their donation

The issue: Existing legislation on Tainted Charity Donations does not have a wide enough scope to capture all possible arrangements between charities and donors that could be used to exploit tax reliefs on charitable donations for financial advantage.

The change: The legislation will be amended to lower the bar for challenging transactions, and the current motive test will be replaced with an outcome test. This is expected to allow HMRC to consider a series of transactions in the round and allow for a more objective assessment of the interactions between a donor and a charity.

Issues to consider: Ahead of the drafting of the new legislation, charities may wish to assess any long term arrangements they have with donors in order to be ready to assess whether any changes will need to be made to these arrangements to minimise the risk of falling into the tighter scope of the new rules.

Preventing abuse of the charitable investment rules

The issue: Under current legislation, certain types of investment qualify automatically as approved charitable investments, irrespective of how the investment is actually used.

The change: Legislation will be amended so that all investments (as opposed to only 'Type 12' investments under current legislation) must be demonstrably for the benefit of the charity and not for the avoidance of tax. Investments which do not meet this test will not be approved charitable investments and may lead to a tax exposure.

Issues to consider: Charities may wish to review their investment policies for all types of investment to ensure that sufficient evidence will be available in the event of an enquiry to demonstrate that all investments are made for the financial or charitable benefit of the charity. Further guidance on approved charitable investments is available [here](#).

Closing a gap in non-charitable expenditure rules

The issue: The non-charitable expenditure rules under current legislation do not account for legacy income as a type of 'attributable income'. This provides scope for charities to use legacy income for non-charitable purposes without incurring a tax charge.

The change: Legislation will be amended so that income which is relievably in either the charity's hands or the donor's hands will be included within the 'attributable income' definition.

Issues to consider: Charities should assess their proposed expenditure from legacy funding to ensure that this will not fall within the tax law definition of non-charitable expenditure. Further guidance on non-charitable expenditure is available [here](#).

Sanctioning charities that do not meet their filing and payment obligations

The issue: Some charities are persistently failing to meet their tax compliance obligations whilst also taking advantage of reliefs and exemptions available to them as charities.

The change: The Fit and Proper Persons test will be amended so that a manager of a charity who persistently fails to comply with the charity's tax obligations will fail the management condition. This may ultimately lead to the loss of recognition as a charity for tax purposes and to the loss of charitable reliefs and exemptions.

Issues to consider: Charities may consider appointing a suitable official to be responsible for ensuring compliance with the charity's tax compliance obligations, including the filing of tax returns which are in many cases requested on a rotational basis from charities.

The full published response to the consultation is available [here](#).

Private schools and rates relief

As confirmed at the Autumn Budget 2024, charitable rate relief will be removed from private schools with effect from April 2025. There will be an exception for private schools that are "wholly or mainly" concerned with providing full-time education to pupils for whom an education, health and care plan (EHCP) is maintained.

Creative industry tax reliefs

All claims for Theatre Tax Relief (TTR), Orchestra Tax Relief (OTR) and Museums and Galleries Exhibition Tax Relief (MGETR) made on or after 1 April 2024 must be accompanied by an additional information form. The form must be submitted online and must be filed before or on the same day as the company tax return in which the relevant claim is made. Claims submitted without having filed the additional information form beforehand will be invalid and must be re-submitted.

The Autumn Budget 2024 has confirmed the new permanent rates of 40% and 45% which were introduced in the Spring Budget 2024. The new rates will take effect from 1 April 2025.

Stamp Duty Land Tax

HMRC guidance has been updated to confirm that in circumstances where it is necessary to determine the market value of a land transaction for SDLT purposes, it is not necessary to obtain a formal valuation. This is a useful clarification particularly for charities receiving a transfer of land under an incorporation or merger, where the market value may be reportable even where no SDLT is payable due to charitable reliefs.

Autumn Budget 2024

On 30 October, the Chancellor of the Exchequer Rachel Reeves delivered her Autumn 2024 Budget, unveiling a series of significant changes set to impact businesses across various sectors, including most of our audit clients.

In her address, the Chancellor emphasised the government's commitment to restoring economic stability and fostering sustainable growth. She highlighted the need to tackle fiscal challenges inherited from previous administrations, make tough decisions on tax, welfare, and spending, increase support for public services, and boost capital investment.

Headlines from the budget include:

- From April 2025, the National Living Wage will rise by 6.7% - increasing to £12.21 per hour for adults over 21 – and employer National Insurance Contributions (NICs) will increase to 15%, with the threshold for NICs dropping from £9,100 to £5,000.
- The NICs Employment Allowance will increase from £5,000 to £10,500 starting April 2025 and the previous threshold for eligibility removed, enabling more businesses to benefit from this relief.
- Corporation Tax will continue to be capped at 25% for the duration of the current parliament, with the Small Profits Rate and Marginal Relief to remain at their current rates and thresholds.
- The budget includes several measures to increase funding for charities and not-for-profits. The government has committed an additional £1.3 billion in new grant funding for local authorities, alongside funding for education and hardship support.
- 20% VAT on private school fees from 1 January 2025, and the removal of charitable rates relief for private schools (further details below).
- For those charities with retail, hospitality or leisure activities, an additional 40% relief on business rates for these sectors up to 2025/2026, capped at £110,000 per business.

Full details of the changes introduced in the budget can be found [here](#).

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](#).

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 the policy paper [here](#).

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