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CITY OF LONDON

Finance Committee

Date: **TUESDAY, 22 JULY 2014**

Time: **1.45 pm**

Venue: **COMMITTEE ROOMS - WEST WING, GUILDHALL**

8. **AUDITED 2013/14 CITY FUND AND PENSION FUND FINANCIAL STATEMENTS TOGETHER WITH DELOITTE'S REPORT THEREON**

For Decision
(Pages 1 - 202)

9. **AUDITED 2013/14 BRIDGE HOUSE ESTATES AND SUNDY TRUSTS FINANCIAL STATEMENTS TOGETHER WITH MOORE STEPHEN'S REPORT THEREON**

For Decision
(Pages 203 - 342)

Items received too late for circulation in conjunction with the Agenda.

John Barradell
Town Clerk and Chief Executive

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Committee(s):	Date(s):
Audit and Risk Management Finance	22 July 2014 22 July 2014
Subject: City Fund and Pension Funds Financial Statements 2013/14	
Report of: The Chamberlain	**Public:** For Decision

Summary

1. Attached to this report are the City Fund and Pension Funds Financial Statements for the year ended 31 March 2014.

2. The key points are:

   - The City Fund Balance Sheet includes, for the first time, an estimated share of the net liability in the City of London Pension Scheme. The estimated City Fund Share is 49% which was £197m at 31 March 2014 (£167m at 31 March 2013). ***(See paragraph 3 of the explanatory forward and note 46 (on page 87) to the financial statements)*.**
   - Total City Fund net assets of £1,045m, an increase of £85m since last year. The £1,045m comprises £215m in usable reserves and £830m in unusable reserves. This net asset position is after having deducted total pension funds liabilities of £894m. ***(See the Balance Sheet on page 13 and paras. 16 to 20 of the covering report).***
   - The usable reserves of £215m are a reduction of £61m from a year earlier due, primarily, to the purchase of investment properties to generate increased revenue income. These purchases convert usable reserves to unusable reserves. The reserves are allocated for the funding of the capital programme over the medium term, including part of the City Fund's £200m contribution to Crossrail, or are earmarked for specific purposes such as for Police, Highways and Housing Revenue Account. ***(The £215m is shown in the Balance Sheet on page 13 and analysed in more detail in the Movement in Reserves Statement on page 11).***
   - The unusable reserves of £830m have increased by £146m. The main movements were:
     - revaluation gains on investment and operational properties - £191m;
     - financing of capital expenditure including the purchase of investment properties indicated above - £183m;

     partly offset by;
     - an increase in pension liabilities - £120m (City £30m, Police £90m);
     - disposals, depreciation and impairments - £93m;

- an increase on the Collection Fund Adjustment Account - £15m.

  (The £830m is shown on the Balance Sheet on page 13 and analysed in more detail in note 26 (page 60) to the financial statements).

- A net deficit of £27.4m on the City Fund, a better than budget position of £3.8m. ***(The £27.4m is shown in the Movement in Reserves Statement on page 11 on the penultimate line of the first column of figures. The comparison to budget is set out in para 8 of this covering report).***

3. Deloitte commenced its audit on 9 June and intend to give unqualified opinions on the financial statements. Representatives of the auditors will be in attendance at the Audit and Risk Management Committee to present their management letters which are appended to this report.

<u>Recommendations</u>

4. The Audit and Risk Management Committee is requested to:-

- consider the contents of Deloitte's management letters;
- recommend approval of the City Fund and Pension Funds Financial Statements for the year ended 31 March 2014 to the Finance Committee; and
- delegate to the Town Clerk, in consultation with the Chairman and Deputy Chairman of the Audit and Risk Management Committee, approval of any material changes to the financial statements required before the signing of the audit opinion by Deloitte which is expected to be by the end of August or early September.

5. The Finance Committee is requested to:-

- consider the resolution from the Audit and Risk Management Committee and, if appropriate, approve the City Fund and Pension Funds Financial Statements for the year ended 31 March 2014; and
- delegate to the Town Clerk, in consultation with the Chairman and Deputy Chairman of the Finance Committee, approval of any material changes to the financial statements required before the signing of the audit opinion by Deloitte which is expected to be by the end of August or early September.

Introduction

6. The City Fund and Pension Funds Financial Statements for 2013/14 are set out in Annex 1.

7. The Accounts and Audit Regulations 2011 further require the approval and publication of the City Fund and Pension Funds Financial Statements for the year to 31 March 2014 to take place as soon as reasonably practicable, and in any event by 30 September 2014. Approval of each year's financial statements has been delegated by the Court of Common Council to the Finance Committee.

Revenue Position

As set out in the table below, the revenue account reveals an overall net deficit for 2013/14 of £27.4m to be funded from the City Fund Unallocated Reserve. This is a better than budget position of £3.8m compared with the anticipated deficit of £31.2m. The deficit reflects the decision to use general revenue reserves to part fund the purchase of investment properties. If this use of reserves is excluded, there is a surplus of £9.3m which compares to a budgeted surplus of £5.4m.

	Budget **£m**	**Actual** **£m**	**Variation (Better) Worse** **£m**
Net expenditure on services	150.7	148.5	(2.2)
Investment property purchases	83.0	83.0	0.0
Major revenue works projects	1.7	0.8	(0.9)
Requirement before investment income from the City's Assets	235.4	232.3	(3.1)
Contribution from earmarked reserves to fund the purchase of investment property	(46.4)	(46.4)	0.0
Interest on balances	(4.9)	(5.2)	(0.3)
Estate rent income	(36.0)	(36.8)	(0.8)
City Fund Requirement	148.1	143.9	(4.2)
Financed by:			
Government formula grant	(79.7)	(80.0)	(0.3)
Business Rates Retention Scheme	(14.6)	(14.7)	(0.1)
City offset	(10.5)	(10.5)	0.0
Council tax	(5.6)	(5.6)	0.0
NNDR premium	(6.5)	(5.7)	0.8
Total contribution from reserves	**31.2**	**27.4**	**(3.8)**

8. The better than budget position of £4.2m on the line 'City Fund Requirement' can be analysed on a committee basis as follows:

Committee	Budget	Actual	Variation (Better)/Worse		
			Total	Local Risk	Central Risk/ Support Services
	£'m	£'m	£'m	£'m	£'m
Barbican Centre	25.5	25.8	0.3	0.0	0.3
Barbican Residential	0.4	0.2	(0.2)	(0.2)	0.0
Community and Children's Services	11.4	10.2	(1.2)	(0.7)	(0.5)
Culture, Heritage and Libraries	20.1	20.2	0.1	0.1	(0.0)
Finance	27.4	26.6	(0.8)	0.6	(1.4)
Licensing	0.2	0.1	(0.1)	(0.1)	0.0
Markets	(0.8)	(0.8)	0.0	(0.2)	0.2
Open Spaces	1.5	1.4	(0.1)	(0.1)	0.0
Planning and Transportation	12.0	11.8	(0.2)	(0.6)	0.4
Police - excluding transfers to/(from) reserves	64.0	62.2	(1.8)	(1.8)	(0.0)
Police - transfers to/(from) reserves	(1.1)	0.7	1.8	1.8	0.0
Policy and Resources	3.8	3.7	(0.1)	(0.1)	0.0
Port Health and Environmental Services	14.3	13.7	(0.6)	(0.4)	(0.2)
Property Investment Board	(30.6)	(31.9)	(1.3)	(0.4)	(0.9)
Total City Fund Requirement	**148.1**	**143.9**	**(4.2)**	**(2.1)**	**(2.1)**

The £1.4m reduced requirement against central risk/support services on Finance Committee relates to slippage/rephasing on major revenue repairs, maintenance and improvement projects together with central contingencies not being fully required.

The City Police reduced requirement of £1.8m primarily relates to the rephasing and slippage of certain capital projects, decreasing the level of funding required from revenue.

9. More detailed analyses of the outturn compared to budget are currently being submitted to committees.

10. In accordance with the City's budget management arrangements, requests for the carry forward of City Fund resources totalling £2.1m are being considered by the Chamberlain, in consultation with the Chairman and Deputy Chairman of the Resource Allocation Sub-Committee. The extent to which these carry forwards are agreed, will increase the call on the City Fund Unallocated Reserve in 2014/15. In addition, £0.9m of projects and works programmes have slipped and/or been rephased to 2014/15.

Business Rates Retention Scheme

11. In the table above, the income recognised from the new Business Rates Retention Scheme is reported as £14.7m, a marginal increase of £0.1m compared to budget. This sum is taken from a Government return that is completed prior to the commencement of the financial year setting out estimated rates income. Local authorities have no discretion to use a different figure.

12. However, due to the impact of the provision for successful rating appeals on total rates income, the final rates retained will be the lower sum of £13.5m. This is the level below which the City's retained rates share cannot fall (i.e. the safety net). The reduction of £1.2m (£14.7m less £13.5m) will unwind in 2014/15 as local authorities are currently prohibited by statute from including this adjustment in the year of account.

NNDR Premium

13. Income from Business Rates income has also reduced due to the provision for successful rating appeals – from £6.5m in the budget to an outturn of £5.7m. Previously, the impact of successful appeals was included in the year they were determined. From 2013/14, a provision has been created to retain consistency with the Rates Retention Scheme.

Capital Position

14. The approved capital budget for 2013/14 totalled £190.5m. Actual capital expenditure during the year was £183.7m. This reduction of £6.8m compared to budget was mainly due to slippage and/or rephasing of expenditure on a number of schemes, primarily relating to investment properties and streetscene projects.

Balance Sheet

15. The Consolidated Balance Sheet indicates that the City Fund's total net assets increased by £85.1m (or 9%) to £1,045.1m from £960.0m a year earlier. The main reasons for this increase are set out on the following page.

	2013/14	
	£m	£m
Long Term Assets		
Net unrealised gain on revaluation of investment properties	105.9	
Net unrealised gain on revaluation of other fixed assets	85.0	
Acquisitions	183.3	
Disposals	(72.2)	
Depreciation, impairment and amortisation	(20.6)	
Reduction in long term non-property investments	(42.5)	
Reduction in long term debtors	(5.0)	
Sub-Total LongTerm Assets		233.9
Increase in Pension liabilities		(119.5)
Decrease in short term investments		(13.6)
Increase in capital grants and contributions received in advance		(7.3)
Net increase in NNDR and Council Tax liabilities		(7.5)
Increase in other net liabilities		(0.9)
Increase in net assets		**85.1**

16. This increase in net assets of £85.1m is reflected in the following movements in usable and unusable reserves.

	2013/14 £m	2012/13 £m	(Increase)/ Decrease £m
Usable reserves			
Revenue	128.9	182.2	53.3
Capital	85.9	93.7	7.8
Sub-total usable reserves	214.8	275.9	61.1
Unusable reserves	830.3	684.1	(146.2)
Total reserves	**1,045.1**	**960.0**	**(85.1)**

17. The £53.3m decrease in usable revenue reserves primarily relates to the part funding of the purchase of investment properties. The £7.8m decrease in usable capital reserves is the result of sums applied to finance capital expenditure partly offset by proceeds from disposals during the year.

18. Although usable reserves are a relatively healthy £214.8m they are already committed over the medium term. They are required for the funding of the capital programme including part of the City Fund’s £200m contribution to Crossrail and also include sums earmarked, either by

statute or as agreed for Members, for specific purposes such as Highways, the Housing Revenue Account and the Police. It is not sustainable for the reserves to fund the potential annual revenue deficits being forecast over the medium term as a result of increasing Government grant cuts and these deficits are therefore being addressed by the Service Based Review.

19. The main movements included within the overall net increase of £146.2m in unusable reserves are as follows:
    - revaluation gains on investment and operational properties - £190.9m;
    - financing of capital expenditure including the purchase of investment properties indicated above - £183.3m;

    partly offset by;
    - an increase in pension liabilities - £119.5m (City £29.3m, Police £90m, Judges £0.2m);
    - disposals, depreciation and impairments - £92.8m;
    - an increase in the deficit on the Collection Fund Adjustment Account - £15.4m. This account manages the differences arising from the recognition of National Non Domestic Rates and Council Tax income as it falls due from tax payers compared with the statutory arrangements for paying amounts to the City Fund from the Collection Fund.

Crossrail

20. The City of London Corporation has agreed with Government that £200m will be provided from City Fund towards the costs of constructing Crossrail. The payment of this amount is dependent on the fulfilment of a number of conditions, primarily the completion of certain works in relation to Crossrail stations. Whilst it is anticipated that the conditions will be met, there is still 2 years to go before the relevant works are due to be completed. A liability has not therefore been recognised in the financial statements pending fulfilment of the conditions. At this stage it is anticipated that the contribution will be made in 2016. The financing strategy for the contribution is based on the accumulation of annual rental income from specific investment properties and capital receipts from the sale of assets. The City Surveyor is in the process of identifying the properties that it would be most advantageous to sell – both in terms of potential proceeds and the overall City Fund Estate strategy.

Pension Liabilities

21. The City Fund's total net assets of £1,045.1m are after having deducted net pension liabilities totalling £893.7m (City £196.7m, Police £695.2m,

Judges £1.8m). The comparator for 31 March 2013 is £774.2m (City £167.4m, Police £605.2m, Judges £1.6m). The liabilities arise from applying the requirements of International Accounting Standard (IAS) 19. This accounting standard is complex, but is based on the principle that an organisation should recognise liabilities for pension benefits as they are earned, even if the payment of such benefits will be many years into the future. The estimated net liabilities are calculated by independent actuaries, Barnett Waddingham.

City of London Pension Scheme

22. City of London staff, excluding police officers, teachers and judges, are eligible to join the Local Government Pension Scheme – a statutory scheme administered in accordance with Government regulations.

23. Previously, the City Fund's share of the estimated net deficit on the City of London Pension Scheme had not been included in the balance sheet. This exclusion arose because the estimated net deficit is the responsibility of the City of London as a whole, as one employer, rather than the specific responsibility of any of its three funds. Thus the City Fund does not have an exclusive relationship with the City of London Pension Fund and the portion of the Pension Fund relating to City of London employee members engaged on City Fund activities is not separately identifiable. Consequently, in accordance with IAS 19, the pension arrangements have been treated as a defined contribution scheme in the City Fund accounts. This meant that only the employer's contributions to the scheme have previously been included in the accounts as they become payable.

24. However, although the Pension Fund net deficit cannot be attributed precisely between the City Fund, City's Cash and Bridge House Estates, it is now considered that an apportionment of that deficit and inclusion in the respective balance sheets presents a fairer view of the funds' financial positions than if the deficit were to continue to be excluded. Accordingly an apportionment has been made which is based on employer's annual contributions to the fund.

25. Amounts included for 2012/13 have also been restated from those published last year to include the City Fund's estimated proportion of the net Pension Fund deficit. The total net deficit in the City of London Pension Fund was £402m at 31 March 2014 (2012/13: £342m). The City Fund's estimated proportion of this deficit is £196.7m or 49% (2012/13:

£167.4m or 49%).

26. Pension fund deficits (or surpluses) are relatively sensitive to movements in the underlying assumptions. The main reasons for the increase in the City of London Pension Fund deficit are a reduction in the discount rate used for calculating the present day value of future payments from the fund - with a decrease in the rate resulting in higher liabilities and vice-versa together with an increase in longevity; partly offset by an increase in the fund’s assets.

27. The employer’s pension contribution rate is considered and determined by the Finance Committee following each triennial valuation (updated by any subsequent interim valuations) and is a separate issue from the IAS19 calculations. The triennial valuation considers the period over which the pension deficit should be recovered through employer’s contributions and the City Corporation is consulted on the assumptions used by the actuary for these valuations. Following the triennial valuation as at 31 March 2013 the Finance Committee agreed to leave the employer’s contribution rate at 17.5%.

City Police Pension Schemes

28. The Police Pension Scheme is a statutory scheme as specified by police regulations. The scheme is unfunded (i.e. the scheme has no assets - unlike the Local Government Pension Fund which has both assets and liabilities). The deficit in the City Police Pension Scheme at 31 March 2014 was £695.2m, an increase of £90m since last year. The main reasons for the increase in the deficit are a decrease in the discount rate used to value liabilities, an increase in longevity and experience losses (differences between actual events as they have turned out and the assumptions made at the previous actuarial valuation).

29. The City of London Corporation in its capacity as Police Authority pays an employer’s contribution of 24.2% of pensionable pay for all serving police officers into the Police Pension Fund Account. If there is insufficient money in the Police Pension Fund Account to meet all expenditure commitments in any particular year, the Home Office will fund the deficit. In practice therefore the significant balance sheet liability of £695.2m relating to benefits earned but to be paid in the future, will be covered by future employee contributions and receipt of Home Office grant monies.

Audit Opinion and Letter

30. Deloitte commenced its audit on 9 June and intends to give unqualified opinions on the City Fund and Pension Funds Financial Statements subject to clarification of any residual points and to issue its 2013/14 management letters for the City Fund and Pension Fund as set out in Annexes 2 and 3 respectively. Representatives from Deloitte will be in attendance at the Audit and Risk Management Committee to present their reports and to clarify any points or issues.

Subsequent Adjustments to the Accounts

31. Deloitte is expecting to sign its audit opinion by the end of August or early September. Should any material adjustments to the financial statements be required before that position is reached, it is recommended that authority to approve such amendments should be delegated to the Town Clerk in consultation with the Chairmen and Deputy Chairmen of the Audit and Risk Management and Finance Committees.

Publication of the Statement of Accounts

32. As soon as reasonably possible after the conclusion of the audit, and in any event by 30 September 2014, the City is required to publish the 2013/14 City Fund and Pension Fund Financial Statements including the Audit Opinion on its website. Copies of the published statements will be placed in the Members' Reading Room and will be available from my office. The final management letters from Deloitte on its audit will be presented to the Court of Common Council for information.

Dr. Peter Kane
Chamberlain

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Annex 1: Statement of Accounts for the City Fund and the Pension Funds
Annex 2: Deloitte's City Fund Management Letter
Annex 3: Deloitte's Pension Fund Management Letter

THE CITY OF LONDON

STATEMENT OF ACCOUNTS FOR THE CITY FUND AND THE PENSION FUNDS YEAR ENDED 31 MARCH 2014

CITY OF LONDON

Statement of Accounts for the City Fund and the Pension Funds Year Ended 31 March 2014

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Introduction

1. This document sets out the 2013/14 City Fund accounts which cover the City of London Corporation's activities as a local authority, police authority and port health authority, together with the accounts of the City of London Pension Fund and the Police Pension Fund. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2013/14 issued by the Chartered Institute of Public Finance and Accountancy (CIPFA). The City also provides services and activities from City's Cash (an endowment fund) and from various charities including Bridge House Estates. These funds are accounted for and reported separately.

2. This document comprises the following statements and notes. The purpose of each statement is set out as part of that statement.

    - Movement in Reserves Statement
    - Comprehensive Income and Expenditure Statement
    - Balance Sheet
    - Cash Flow Statement
    - Notes to the accounts including Accounting Policies
    - Housing Revenue Account (HRA)
    - Collection Fund
    - City of London Corporation Pension Fund
    - Police Pension Fund

Key Points

3. The Balance Sheet includes, for the first time, an estimated share of the net liability in the City of London Pension Scheme. The estimated City Fund Share is 49% which was £197m at 31 March 2014 (£167m at 31 March 2013).

4. Total reserves of £1,045m, an increase of £85m since last year. The £1,045m comprises £215m in usable reserves and £830m in unusable reserves. This net asset position is after having deducted total pension funds liabilities of £894m.

5. The usable reserves of £215m have reduced by £61m from a year earlier due, primarily, to the purchase of investment properties to generate increased revenue income. These purchases convert usable reserves to unusable reserves. The reserves are allocated for the funding of the capital programme over the medium term, including part of the City Fund's £200m contribution to Crossrail, or are earmarked for specific purposes such as for Police, Highways and Housing Revenue Account.

6. The unusable reserves of £830m have increased by £146m. The main movements were:

    - revaluation gains on investment and operational properties - £191m;
    - financing of capital expenditure including the purchase of investment properties indicated above - £183m;

    partly offset by;

    - an increase in pension liabilities - £120m (City £30m, Police £90m);
    - disposals, depreciation and impairments - £93m;

- an increase on the Collection Fund Adjustment Account - £15m.

Pension Fund Deficit – Change in Accounting Treatment

7. The 2013/14 statement of accounts includes a significant change to the way in which the deficit on the City of London Pension Fund is accounted for in the City Fund.

8. Previously, the City of London Corporation's share of the estimated net deficit on the (non-Police) City of London Pension Scheme had not been included in the balance sheet. This exclusion arose because the estimated net deficit is the responsibility of the City of London as a whole, as one employer, rather than the specific responsibility of any of its three funds. Thus the City Fund does not have an exclusive relationship with the City of London Pension Fund and the portion of the Pension Fund relating to City of London employee members engaged on City Fund activities is not separately identifiable. Consequently, in accordance with IAS 19, the pension arrangements have been treated as a defined contribution scheme in the City Fund accounts. This meant that only the employer's contributions to the scheme have previously been included in the accounts as they become payable.

9. The City of London Corporation now takes the view that although the Pension Fund net deficit cannot be attributed precisely between its three funds, an apportionment of that deficit and inclusion in the respective balance sheets presents a fairer view of the funds' financial positions than if the deficit were to continue to be excluded. Accordingly an apportionment has been made which is based on employer's annual contributions to the funds.

10. Amounts included for 2012/13 have also been restated from those published last year to include the City Fund's estimated proportion of the net Pension Fund deficit. The total net deficit in the City of London Pension Fund was £402m at 31 March 2014 (2012/13: £342m). The City Fund's estimated proportion of this deficit is £196.7m or 49% (2012/13: £167.4m or 49%). These deficits reduce total reserves at 31 March 2014 and 31 March 2015 as set out in the following table. Note 2 to the financial statements provides further details of these adjustments.

	31 March 2014		31 March 2013	
	£m	£m	£m	£m
Total reserves **prior** to change in accounting treatment		(1,241.8)		(1,127.4)
After change in accounting treatment:				
Usable reserves		(214.8)		(275.9)
Unusable reserves	(1,027.0)		(851.5)	
Less City Fund's estimated proportion of the net Pension Fund deficit	196.7		167.4	
		(830.3)		(684.1)
Total reserves **after** change in accounting treatment		(1,045.1)		(960.0)

Overall Financial Position on the City Fund

11. The following table is an extract from the financial statements and shows that after taking into account those items which the City of London, as a local authority, is required by statute and non-statutory proper practices to debit or credit to the City Fund, together with transfers to earmarked reserves which the City has decided to make, the movement on the Unallocated Reserve for 2013/14 was a decrease of £27.4m compared to a £7.2m increase in 2012/13. This year on year movement was largely attributable to the one off financing of capital expenditure from revenue.

	2013/14 £m	2012/13 £m
Cost of Services	125.5	150.9
Other operating income	(7.7)	(21.3)
Financing and investment income	(111.6)	(63.6)
Taxation and non specific grant income	(124.2)	(124.2)
Surplus on the provision of services	(118.0)	(58.2)
Adjust for HRA	20.0	5.8
Adjustments between accounting basis and funding basis under regulation	152.2	33.9
Transfers (from)/to Earmarked Reserves	(26.8)	11.3
Decrease/(Increase) in City Fund Unallocated Reserve	27.4	(7.2)

12. As at 31 March 2014 the City Fund had reserves of £1,045.1m an increase of £85.1m compared to the previous year. Reserves are analysed between usable, those relatively liquid reserves that can be applied to fund expenditure or reduce local taxation, and unusable, those reserves which cannot be used to provide services and which hold unrealised gains and losses and differences between the accounting basis and funding basis under regulations.

	2013/14 £m	2012/13 £m	(Increase)/ Decrease £m
Usable reserves			
Revenue	128.9	182.2	53.3
Capital	85.9	93.7	7.8
Sub-total usable reserves	214.8	275.9	61.1
Unusable reserves	830.3	684.1	(146.2)
Total reserves	**1,045.1**	**960.0**	**(85.1)**

13. The £53.3m decrease in usable revenue reserves primarily relates to the use of revenue resources to part fund the purchase of investment properties, the £7.8m decrease in usable capital reserves is the result of sums applied to finance capital expenditure partly offset by proceeds from disposals during the year .

14. The usable reserves are required for the funding of the capital programme over the medium term, including part of the City Fund's £200m contribution to Crossrail, to the purchase of investment properties to provide a better return than interest on cash balances, or are earmarked for specific purposes such as for Police, Highways and the Housing Revenue Account. Consequently, it is not sustainable for the reserves to fund directly the ongoing Government grant cuts which, together with the continuing difficult economic climate, are placing significant financial pressure on the City Fund with potential annual revenue deficits being forecast over the medium term.

15. The £146.2m increase in unusable reserves is mainly due to unrealised revaluation gains an capital investments during the year which have been partly offset by an increase in the negative Pension Reserve (see paragraph 23).

Crossrail

16. The City of London Corporation has agreed with Government that £200m will be provided from City Fund towards the costs of constructing Crossrail. The payment of this amount is dependent on the fulfilment of a number of conditions, primarily the completion of certain works in relation to Crossrail stations. Whilst it is now looking quite likely that the conditions will be met, there is still 2 years to go before the works are due to be complete. A liability has not therefore been recognised in the financial statements pending fulfilment of the conditions but will be recognised when it becomes payable. The City Surveyor is in the process of identifying the most advantageous properties to sell.

2013/14 Revenue Outturn compared to Budget

17. Set out below is a summary comparing actual revenue expenditure for the year against budget. The summary is in the format used to report the overall City Fund budget requirement to the City of London Corporation's Finance Committee.

	Budget £m	Actual £m	Variation (Better) Worse £m
Net expenditure on services	150.7	148.5	(2.2)
Investment property purchases	83.0	83.0	0.0
Major revenue works projects	1.7	0.8	(0.9)
Requirement before investment income from the City's Assets	235.4	232.3	(3.1)
Contribution from earmarked reserves to fund the purchase of investment property	(46.4)	(46.4)	0.0
Interest on balances	(4.9)	(5.2)	(0.3)
Estate rent income	(36.0)	(36.8)	(0.8)
City Fund Requirement	148.1	143.9	(4.2)
Financed by:			
Government formula grant	(79.7)	(80.0)	(0.3)
Business Rates Retention Scheme	(14.6)	(14.7)	(0.1)
City offset	(10.5)	(10.5)	0.0
Council tax	(5.6)	(5.6)	0.0
NNDR premium	(6.5)	(5.7)	0.8
Total contribution from reserves	**31.2**	**27.4**	**(3.8)**

18. This better than budget position of £3.8m is summarised in the City's management accounts as follows:

	(Better)/ Worse than Budget £m
City Police	(1.8)
Unused contingencies	(0.9)
Investment property estate rent income	(0.8)
Interest earned on cash balances	(0.3)
Works programmes - slippage/rephasing	(0.9)
Reduction in financing	0.4
Other net variations	0.5
Total decrease in transfer from the Unallocated Reserve	**(3.8)**

2013/14 Capital Outturn compared to Budget

19. The approved capital budget for 2013/14 totalled £190.5m. Actual expenditure during the year was £183.7m, an underspend of £6.8m compared with the budget. This reduction was mainly due to slippage and/or rephasing of expenditure on a number of schemes, primarily relating to investment properties and streetscene projects.

20. The actual capital expenditure included:

- £167.5m on the acquisition and redevelopment of investment properties;
- £5.3m investment in the Barbican Arts Centre, including the installation of a new flying system for the theatre;
- £6m on highways and streetscene improvement; and
- £2.5m on construction and refurbishment of Housing Revenue Account Properties.

City Fund Total Assets and Liabilities

21. As at 31 March 2014, the City Fund Balance Sheet indicates that total assets exceed total liabilities (i.e. net assets) by £1,045.1m an increase of £85.1m compared to the previous year. The main reasons for the increase in net assets are set out below:

	2013/14	
	£m	£m
Long Term Assets		
Net unrealised gain on revaluation of investment properties	105.9	
Net unrealised gain on revaluation of other fixed assets	85.0	
Acquisitions	183.3	
Disposals	(72.2)	
Depreciation, impairment and amortisation	(20.6)	
Reduction in long term non-property investments	(42.5)	
Reduction in long term debtors	(5.0)	
Sub-Total LongTerm Assets		233.9
Increase in Pension liabilities		(119.5)
Decrease in short term investments		(13.6)
Increase in capital grants and contributions received in advance		(7.3)
Net increase in NNDR and Council Tax liabilities		(7.5)
Increase in other net liabilities		(0.9)
Increase in net assets		**85.1**

Capital Borrowing

22. The City has not had loan debt for many years as it has been able to finance its full capital spending from its own resources or external contributions and, in the light of the City's overall financial position, it is not intended that any borrowing will be required in 2014/15. However, the 'borrowing option' is kept under review.

Pension Liabilities

23. The 2013/14 Balance Sheet includes pension liabilities of £893.7m (2012/13 restated: £774.2m). The liability arises from applying the requirements of International Accounting Standard (IAS) 19: Employee Benefits. This accounting standard is complex, but is based on the principle that an organisation should recognise liabilities for pension benefits as they are earned, even if the payment of such benefits will be many years into the future. The liability relates primarily to the historic deficit in the unfunded Police Pension Scheme, which has increased by £90m, and the City Fund's share of the deficit in the City of London Scheme which has increased by £29m. Pension fund deficits (or surpluses) are relatively sensitive to movements in the underlying assumptions. The main reasons for the increase in the Police pension deficit are a reduction in the discount rate used for calculating the present day value of future payments from the fund - with a decrease in the rate resulting in higher liabilities and vice-versa together with an increase in longevity and experience losses (differences between actual events as they have turned out and the assumptions made at the previous actuarial valuation). The reduction in the discount rate and an increase in longevity have also increased the deficit on the City of London Pension Fund. However, as the City of London Scheme is funded (i.e. has assets) the value of the scheme's investments have to be taken into account when assessing the net deficit and in 2013/14 the value of the schemes investments increased which partly offset the other factors.

Impact of Economic Climate

24. Although the general economy is recovering, the outlook for local government remains particularly difficult due to significant and continuing reductions in Government grants. For 2014/15 the grant to the City has been cut by a further 12% (£4m) in cash terms with a larger reduction of 16% (£5m) signalled for 2015/16. Indications for the two subsequent years are for further reductions.

25. Low interest rates continue to depress interest earnings but rental incomes from investment properties remain strong. As yields from investment properties are significantly better than interest on cash balances, the City has recently invested a large element of its cash backed reserves into further investment properties.

26. Notwithstanding the additional rental income, the medium term financial forecasts indicate that the City Fund will incur a deficit in 2015/16, rising to £11m by 2017/18.

27. To address these potential deficits, a service-based review is being undertaken to identify: further efficiencies where savings can be made with little impact on services; the appropriate level of expenditure to fulfil statutory requirements; services with less impact on the City's policy objectives; and funding/income generation opportunities.

This will produce a range of options for consideration by Members. In addition, targeted/selective budget reductions and efficiency programmes are continuing to be pursued, including those relating to corporate-wide procurement arrangements, and the utilisation of assets is being reviewed to determine whether investment returns can be improved at an acceptable level of risk.

28. Spending on capital and major revenue projects is limited to the highest corporate priorities with funding being maximised from external sources and from surplus operational properties, thus minimising requirements for the sale of income generating investment properties.

29. The City Police, which manages its budget on a ring-fenced basis, also faces significant and continuing reductions in Government funding. The Force is formulating its own savings plans for balancing its budget over the medium term, including the embedding of a new operating model developed through the City First Change Programme.

Risk Management

30. The City of London has established a robust programme of risk management as a key element of its strategy to preserve its assets, enhance efficiency for service users and members of the public and protect its employees.

31. The Strategic Risk Management Group has a remit to ensure that risk management policies are applied, that there is an on-going review of risk management activity and that appropriate advice and support is provided to Members and officers.

32. The Strategic Risk Register codifies key strategic risks and assigns responsibility for taking action to mitigate each risk to a named Chief Officer.

33. A Governance Statement is reviewed and updated annually. The Governance Statement is considered by the Audit and Risk Management Committee and will be available at www.cityoflondon.gov.uk.

Statement of Responsibilities

34. Local Authorities are required to include in their statement of accounts a Statement of Responsibilities which sets out the respective responsibilities of the authority and relevant financial officer for the accounts. These respective responsibilities are given on page 10.

Website

35. The City of London Corporation is responsible for the maintenance and integrity of the corporate and financial information included on its website. Legislation in the United Kingdom governing the preparation and dissemination of financial information differs from legislation in other jurisdictions.

The City of London's Responsibilities

The City of London is required to:

- make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. This officer is the Chamberlain.
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- approve the Statement of Accounts

The Chamberlain's Responsibilities

The Chamberlain is responsible for the preparation of the Authority's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2013/14 ("the Code").

In preparing this Statement of Accounts, the Chamberlain has:

- selected suitable accounting policies and then applied them consistently;
- made judgments and estimates that were reasonable and prudent;
- complied with the local authority Code.

The Chamberlain has also:

- kept proper accounting records which were up to date; and
- taken reasonable steps for the prevention and detection of fraud and other irregularities.

Chamberlain's Certificate

I certify that the Statement of Accounts gives a true and fair view of the financial position of the City Fund and the Pension Funds of the City of London at the reporting date and of its expenditure and income for the year ended 31 March 2014.

Chamberlain of London Date:

CITY FUND MOVEMENT IN RESERVES STATEMENT

This statement shows the movement in the year on the different reserves held by the City, analysed into “usable reserves” (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The Surplus on the Provision of Services line shows the true economic cost of providing services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the City Fund Unallocated Reserve for council tax setting and the Housing Revenue Account for dwellings rent setting purposes. The Net (Increase)/Decrease before Transfers to Earmarked Reserves line shows the statutory City Fund Unallocated Reserve and Housing Revenue Account Balance before any discretionary transfers to or from earmarked reserves.

		Usable Reserves								
	Notes	City Fund Unallocated Reserve £m	Earmarked City Fund Reserves £m	Housing Revenue Account £m	Capital Receipts Reserve £m	Capital Grants Unapplied £m	Major Repairs Reserve £m	Total Usable Reserves £m	Unusable Reserves £m	Total Reserves £m
Balance at 31 March 2012 (Restated)		**(63.7)**	**(94.0)**	**(4.5)**	**(18.2)**	**(1.0)**	**(1.8)**	**(183.2)**	**(709.2)**	**(892.4)**
Movement in reserves during 2012/13										
(Surplus) or deficit on provision of services		(52.4)	0.0	(5.8)	0.0	0.0	0.0	(58.2)	0.0	(58.2)
Other Comprehensive Income and Expenditure		0.0	0.0	0.0	0.0	0.0	0.0	0.0	(9.4)	(9.4)
Total Comprehensive Income and Expenditure		**(52.4)**	**0.0**	**(5.8)**	**0.0**	**0.0**	**0.0**	**(58.2)**	**(9.4)**	**(67.6)**
Adjustments between accounting basis and funding basis under regulations	7	33.9	0.0	4.3	(71.4)	(0.3)	(1.0)	(34.5)	34.5	0.0
Net (increase) or decrease before transfers to earmarked reserves		**(18.5)**	**0.0**	**(1.5)**	**(71.4)**	**(0.3)**	**(1.0)**	**(92.7)**	**25.1**	**(67.6)**
Transfers (to) or from earmarked reserves	8	11.3	(11.3)	0.0	0.0	0.0	0.0	0.0	0.0	0.0
(Increase) or decrease in 2012/13		**(7.2)**	**(11.3)**	**(1.5)**	**(71.4)**	**(0.3)**	**(1.0)**	**(92.7)**	**25.1**	**(67.6)**
Balance at 31 March 2013 (Restated)		**(70.9)**	**(105.3)**	**(6.0)**	**(89.6)**	**(1.3)**	**(2.8)**	**(275.9)**	**(684.1)**	**(960.0)**
Movement in reserves during 2013/14										
(Surplus) or deficit on provision of services		(98.0)	0.0	(20.0)	0.0	0.0	0.0	(118.0)	0.0	(118.0)
Other Comprehensive Income and Expenditure		0.0	0.0	0.0	0.0	0.0	0.0	0.0	32.9	32.9
Total Comprehensive Income and Expenditure		**(98.0)**	**0.0**	**(20.0)**	**0.0**	**0.0**	**0.0**	**(118.0)**	**32.9**	**(85.1)**
Adjustments between accounting basis and funding basis under regulations	7	152.2	0.0	19.1	9.1	0.8	(2.1)	179.1	(179.1)	0.0
Net (increase) or decrease before transfers to earmarked reserves		**54.2**	**0.0**	**(0.9)**	**9.1**	**0.8**	**(2.1)**	**61.1**	**(146.2)**	**(85.1)**
Transfers (to) or from earmarked reserves	8	(26.8)	26.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0
(Increase) or decrease in 2013/14		**27.4**	**26.8**	**(0.9)**	**9.1**	**0.8**	**(2.1)**	**61.1**	**(146.2)**	**(85.1)**
Balance at 31 March 2014		**(43.5)**	**(78.5)**	**(6.9)**	**(80.5)**	**(0.5)**	**(4.9)**	**(214.8)**	**(830.3)**	**(1,045.1)**

CITY FUND COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. The City raises taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The difference between the accounting cost and expenditure in accordance with regulations is shown in the Movement in Reserves Statement.

2012/13 Restated				Notes	2013/14		
Gross Expenditure £m	Gross Income £m	Net Expenditure (Income) £m			Gross Expenditure £m	Gross Income £m	Net Expenditure (Income) £m
			Services				
101.2	(41.7)	59.5	Police Services		103.2	(47.1)	56.1
			Cultural and Related Services				
46.5	(21.9)	24.6	Barbican Centre	9	44.4	(18.1)	26.3
24.1	(3.0)	21.1	Other Cultural and Related Services		25.7	(3.4)	22.3
20.8	(11.3)	9.5	Environmental and Regulatory Services		19.0	(11.9)	7.1
12.5	(7.7)	4.8	Planning Services		12.5	(7.6)	4.9
34.7	(20.2)	14.5	Highways and Transport Services		33.2	(20.5)	12.7
9.0	(5.0)	4.0	Children's and Education Services		8.2	(5.1)	3.1
5.8	(0.5)	5.3	Adult Social Care		5.7	(0.7)	5.0
0.0	0.0	0.0	Public Health	31	2.2	(2.5)	(0.3)
			Housing Services				
			Housing Revenue Account (HRA)				
12.0	(13.5)	(1.5)	Operations		13.3	(14.1)	(0.8)
(4.3)	0.0	(4.3)	Revaluation gain on dwellings	44	(19.1)	0.0	(19.1)
18.9	(18.3)	0.6	Other Housing Services		19.0	(18.6)	0.4
			Central Services				
9.1	(5.2)	3.9	Court Services		4.4	(5.0)	(0.6)
8.8	(2.5)	6.3	Corporate and Democratic Core		8.9	(2.5)	6.4
1.2	(0.5)	0.7	Emergency Planning		0.8	(0.2)	0.6
3.3	(1.9)	1.4	Local Tax Collection		3.4	(1.9)	1.5
0.4	0.0	0.4	Elections		0.4	0.0	0.4
			Non Distributed Costs				
0.1	0.0	0.1	Past Service Costs	39	(0.5)	0.0	(0.5)
304.1	**(153.2)**	**150.9**	**Cost of Services**		**284.7**	**(159.2)**	**125.5**
		(21.3)	Other Operating Income	10			(7.7)
		(63.6)	Financing and Investment Income and Expenditure	11			(111.6)
		(124.2)	Taxation and Non Specific Grant Income	12			(124.2)
		(58.2)	**Surplus on the Provision of Services**				**(118.0)**
		(20.7)	Surplus on the Revaluation of Property, Plant and Equipment	26A			(59.1)
		11.3	Remeasurements of the Pensions Liability	50			91.9
		(9.4)	**Other Comprehensive (Income) and Expenditure**				**32.9**
		(67.6)	**TOTAL COMPREHENSIVE (INCOME) AND EXPENDITURE**				**(85.1)**

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the City. The net assets (assets less liabilities) are matched by the reserves held. Reserves are reported in two categories. The first category is usable reserves, i.e. those reserves that the authority may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve may only be used to fund capital expenditure or repay debt). The second category of reserves comprises those the City is not able to use to provide services. This includes reserves that hold unrealised gains and losses (e.g. the Revaluation Reserve), where amounts only become available if the assets are sold; and reserves holding timing differences shown in the Movement in Reserves Statement line "Adjustments between accounting basis and funding basis under regulations".

31 March 2012 Restated £m	31 March 2013 Restated £m		Notes	31 March 2014 £m
628.9	645.8	Property, Plant and Equipment	13	705.1
8.9	8.9	Heritage Assets	14	8.9
794.4	794.1	Investment Property	15	1,016.3
0.7	0.5	Intangible Assets	16	0.4
63.1	50.4	Long Term Investments	18	7.9
16.8	16.2	Long Term Debtors	20	11.2
1,512.8	**1,515.9**	**Long Term Assets**		**1,749.8**
259.8	345.2	Short Term Investments	18	331.6
0.3	0.3	Inventories		0.3
0.1	0.0	Intangible Current Assets		0.0
43.5	45.0	Short Term Debtors	21	68.9
12.5	14.1	Cash and Cash Equivalents	22	40.2
316.2	**404.6**	**Current Assets**		**441.0**
(148.6)	(121.3)	Short Term Creditors	23	(144.7)
(148.6)	**(121.3)**	**Current Liabilities**		**(144.7)**
(734.2)	(774.2)	Pensions Liability	50	(893.7)
(53.3)	(64.5)	Capital Grants and Contributions Received in Advance	41	(71.8)
(0.5)	(0.5)	Other Long Term Liabilities	43	(0.4)
(788.0)	**(839.2)**	**Long Term Liabilities**		**(965.9)**
0.0	**0.0**	**Provisions**	24	**(35.1)**
892.4	**960.0**	**NET ASSETS**		**1,045.1**
(183.2)	(275.9)	Usable Reserves	25	(214.8)
(709.2)	(684.1)	Unusable Reserves	26	(830.3)
(892.4)	**(960.0)**	**TOTAL RESERVES**		**(1,045.1)**

Chamberlain of London

Date:

This statement shows the change in cash and cash equivalents during the year. It shows how the City generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which services are funded by way of taxation and grant income or from the recipients of services provided by the City. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the City's future service delivery.

2012/13 Restated £m		Notes	2013/14 £m
(58.2)	Net surplus on the provision of services		(118.0)
(62.6)	Adjustments for non-cash movements		(10.8)
82.1	Adjustments for items that are investing and financing activities		88.3
(38.7)	Net cash inflows from operating activities	27	(40.5)
7.8	Investing activities	28	27.2
29.3	Financing activities	28	(12.8)
(1.6)	Net increase in cash and cash equivalents		(26.1)
(12.5)	Cash and cash equivalents at the beginning of the reporting period	22	(14.1)
(14.1)	**Cash and cash equivalents at the end of the reporting period**	22	**(40.2)**

1. Accounting Policies

The accounting policies set out the specific principles, bases, conventions, rules and practices applied in preparing and presenting the financial statements.

1.1. General Principles

The Statement of Accounts summarises the City Fund transactions for the 2013/14 financial year and its position at the year end of 31 March 2014. The City of London Corporation is required to prepare the City Fund annual Statement of Accounts in accordance with proper accounting practices by the Accounts and Audit (England) Regulations 2011. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2013/14 (the Code) and the Service Reporting Code of Practice for Local Authorities 2013/14 (SeRCOP), both of which are issued by the Chartered Institute of Public Finance and Accountancy (CIPFA), supported by International Financial Reporting Standards (IFRS). The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets.

1.2. Accruals of Expenditure and Income

The accounts of the City Fund are maintained on an accruals basis. Consequently, activity is accounted for in the year that it takes place, not simply when cash payments are made or received. In particular:

- Revenue from the sale of goods is recognised when the significant risks and rewards of ownership are transferred to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the City Fund.
- Revenue from the provision of services is recognised when the percentage of completion of the transaction can be measured reliably and it is probable that economic benefits or service potential associated with the transaction will flow to the City Fund.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

1.3. Cash and Cash Equivalents

Cash and Cash Equivalents comprise funds repayable to the City without penalty on notice within 24 hours, less cheques and BACS payments issued but not presented.

1.4. Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years affected by the change and do not give rise to a prior period adjustment.

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the City Fund financial position or financial performance. Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

1.5. Charges to Revenue for Non-current Assets

Services are debited with the following amounts to record the cost of holding non-current assets during the year:

- depreciation attributable to the assets used by the relevant service
- revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off
- amortisation of intangible assets attributable to the service.

The City is not required to raise council tax to fund depreciation, revaluation and impairment losses or amortisation. However, if it had a borrowing requirement it would be required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement equal to an amount, the Minimum Revenue Provision (MRP), calculated on a prudent basis determined in accordance with statutory guidance. Depreciation, revaluation and impairment losses and amortisation would then be replaced by the MRP by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves.

1.6. Employee Benefits

(a) Short-term employee benefits

Short term benefits are those due to be settled within 12 months of the year end. They include such benefits as salaries, wages, paid annual leave and paid sick leave, bonuses and non-monetary benefits for current employees and are recognised as an expense for services in the year in which employees render service.

The cost of leave earned but not taken by employees at the end of the period is recognised within the Surplus or Deficit on the Provision of Services to the extent that employees are permitted to carry forward leave into the following period. However, statutory regulations require this cost to be reversed out of the accounts and this is achieved by crediting the revenue account for 'adjustments between accounting basis and funding basis under regulations' within the Movement in Reserves and debiting the 'statutory adjustments account' on the balance sheet.

(b) Retirement benefit costs

(i) Pension Costs – City of London Staff

With the exception of serving police officers and teachers, City of London staff are eligible to contribute to the City of London Pension Fund, which is a funded defined benefits scheme. The estimated net deficit on the Fund is the responsibility of the City of London as a whole, as one employer, rather than the specific responsibility of any of its three funds (City Fund, City's Cash and Bridge House Estates). Although the Pension Fund net deficit cannot be attributed precisely between the three funds, an apportionment of that deficit and inclusion in the respective balance sheets presents a fairer view of the funds' financial positions than if the deficit were to be excluded. Accordingly an apportionment has been made which is based on employer's annual contributions from the funds to the Pension Fund.

- The liabilities attributable to the City Fund are included on the balance sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions including mortality rates, employee turnover rates and projections of earning for current employees.
- Liabilities are discounted to their value at current prices.
- The assets attributable to the City Fund are included in the balance sheet at their fair value using estimated bid values where necessary.

The change in the net pensions liability is analysed into the following components:

- Service cost comprising
  - current service cost, the increase in liabilities as a result of years of service earned this year, allocated in the comprehensive income and expenditure statement to the services for which the employees worked
  - past service cost, the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years – debited to the surplus or deficit on the provision of services in the comprehensive income and expenditure statement as part of non-distributed costs
  - net interest on the net defined benefit liability is charged to the financing and investment income and expenditure line of the

comprehensive income and expenditure statement. The interest is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability at the beginning of the period taking into account any changes in the net defined benefit liability during the period as a result of contribution and benefit payments.

- Remeasurements comprising
  - the return on plan assets, excluding amounts included in the net interest on the net defined benefit liability, charged to the pensions reserve as other comprehensive income and expenditure
  - actuarial gains and losses, changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions, charged to the pensions reserve as other comprehensive income and expenditure
- Contributions paid to the Pension Fund, cash paid as employer's contributions to the pension fund in settlement of liabilities, not accounted for as an expense.

In relation to retirement benefits, statutory provisions require the City Fund unallocated reserve to be charged with the amount payable to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the movement in reserves statement, this means that there are transfers to and from the pension reserve to remove the notional debits and credits for retirement benefits and replace them with debits for cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year end. The negative balance that arises on the pension reserve thereby measures the beneficial impact to the City Fund unallocated reserve of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

(ii) Pension Costs – Police Officers and Judges

The Police Pension Scheme is unfunded. Prior to 1 April 2006 each police authority was responsible for paying the pensions of its own former employees on a "pay as you go" basis. Under the current arrangements the City no longer meets pension costs directly; instead it contributes a percentage of police pay into the Police Pension Fund. At the year end the Police Pension Fund is balanced to zero by either receiving a contribution from the City Fund equal to the amount by which the amounts payable from the Pension Fund for the year exceed the amounts receivable or, by paying to the City Fund the amount by which sums receivable by the Pension Fund for the year exceed the amounts payable. Where the City Fund makes a transfer to the Pension Fund, the Home Office will pay an equivalent top-up grant to the City. Where a transfer is made out of the Pension Fund, the City must pay the amount to the Home Office.

The payment of pensions to former judges is the responsibility of the Treasury with the City of London reimbursing the Treasury for the City's share of the liability. The City of London's estimated liability has been determined by independent actuaries in accordance with IAS19.

The accounting treatment for the estimated liabilities on the Police and Judges schemes are similar to that outlined above for the City of London Pension Scheme.

(iii) Pension Costs - Teachers

The payment of pensions to former teachers under the Teachers' Pension Scheme is administered by Capita Teachers' Pensions on behalf of the Department for Education (DfE). The scheme provides defined benefits to members (retirement lump sums and pensions), earned as employees worked for the Authority. However, the arrangements for the teachers' scheme mean that liabilities for these benefits cannot ordinarily be identified specifically to the Authority. The scheme is therefore accounted for as if it was a defined contribution scheme and no liability for future payments of benefits is recognised in the Balance Sheet. The Children's and Education Services line in the Comprehensive Income and Expenditure Statement is charged with the employer's contributions payable to Teachers' Pensions in the year.

1.7. Events After the Reporting Period

Events after the Balance Sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue. Two types of events can be identified:

(a) Adjusting Events

Those that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted to reflect such events.

(b) Non-adjusting Events

Those that are indicative of conditions that arose after the reporting period – the Statement of Accounts is not adjusted to reflect such events, but, where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts.

1.8. Financial Instruments

(a) Financial Assets

Financial assets are recognised when the City becomes party to a financial instrument contract (any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another) or, in the case of trade receivables, when the goods or services have been delivered. Financial assets are derecognised when the contractual rights have expired or the asset has been transferred.

Financial assets are initially recognised at fair value. This is defined as the amount for which an asset could be exchanged or a liability settled, assuming the transaction was negotiated between parties knowledgeable about the market in which they are dealing and willing to buy/sell at an appropriate price, with no other motive in their negotiations other than to secure a fair price.

Financial assets are classified into the following categories: held to maturity investments; available for sale financial assets, and loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

(iv) Held to maturity investments

Held to maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity, and there is a positive intention and ability to hold to maturity. After initial recognition, they are held at amortised cost using the effective interest method, less any impairment. Interest is recognised using the effective interest method.

(v) Available for sale financial assets

Available for sale financial assets are non-derivative financial assets that are designated as available for sale or that do not fall within any of the other three financial asset classifications. They are measured at fair value with changes in value taken to the revaluation reserve, with the exception of impairment losses. Accumulated gains or losses are recycled to surplus/deficit on de-recognition.

(vi) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments which are not quoted in an active market. They are recognised on the Balance Sheet when the City becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. After initial recognition, they are measured at amortised cost using the effective interest method, less any impairment. Interest is recognised using the effective interest method.

The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, to the initial fair value of the financial asset.

At the end of the reporting period, the City assesses whether any financial assets are impaired. Financial assets are impaired and impairment losses recognised if there is objective evidence of impairment as a result of one or more events which occurred after the initial recognition of the asset and which has an impact on the estimated future cash flows of the asset. The impairment of receivables is based on the age and type of each debt with the percentages applied reflecting an assessment of the recoverability. The loss is recognised in expenditure and the carrying amount of the asset is reduced through a provision for impairment of receivables.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through expenditure to the extent that the carrying amount of the receivable at the date of the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

(b) Financial Liabilities

Financial liabilities are recognised when the City becomes party to the contractual provisions of the financial instrument or, in the case of trade payables, when the goods or services have been received. Financial liabilities are de-recognised when the liability has been discharged, that is, the liability has been paid or has expired.

They are initially measured at fair value and are carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

1.9. Interest Income

Interest is credited to the City Fund and Housing Revenue Account based upon average balances held by the Chamberlain of London, and invested by him in the London Money Markets.

1.10. Government Grants and Other Contributions

Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations are recognised as income at the date that the authority satisfies the conditions of entitlement to the grant/contribution, there is reasonable assurance that the monies will be received and the expenditure for which the grant is given has been incurred.

Where a grant or contribution has been received but the conditions of entitlement have not been satisfied, the grant or contribution is treated as a receipt in advance.

(a) Revenue

Specific, ring-fenced, revenue grants are credited to the appropriate service revenue accounts. Non ring-fenced grants to finance the general activities of a local authority (e.g. Revenue Support Grant) are disclosed in the Comprehensive Income and Expenditure Account within taxation and non-specific grant income.

(b) Capital

Where a capital grant or contribution has been received but conditions remain outstanding at the balance sheet date, the grant or contribution is recognised as part of Capital Grants Receipts in Advance. Once the conditions have been met, the grant or contribution will be transferred from Capital Grants Receipts in Advance and recognised as income in the Comprehensive Income and Expenditure Statement.

Where a capital grant or contribution has been recognised as income in the Comprehensive Income and Expenditure Statement, and the expenditure to be financed from the grant or contribution has been incurred at the Balance Sheet date, the grant or contribution is transferred from revenue to the Capital Adjustment Account, reflecting the application of capital resources to finance expenditure. This transfer is reported in the Movement in Reserves Statement.

Where a capital grant or contribution has been recognised as income in the Comprehensive Income and Expenditure Statement, but the expenditure to be financed from that grant or contribution has not been incurred at the Balance Sheet date, the grant or contribution is transferred to the Capital Grants Unapplied Account within the usable reserves section of the balance sheet reflecting its status as a capital resource available to finance expenditure. This transfer is reported in the Movement in Reserves Statement. When, at a future date, the expenditure to be financed from the grant or contribution is incurred, the grant or contribution is transferred from the Capital Grants Unapplied Account to the Capital Adjustment Account, reflecting the application of capital resources to finance expenditure. This transfer is reported in the Movement in Reserves Statement.

1.11. Heritage Assets

The adoption of Financial Reporting Standard 30: Heritage Assets by the Code requires the separate disclosure of such assets on the face of the Balance Sheet. Heritage assets are those assets intended to be preserved in trust for future generations because of their cultural, environmental or historical associations. The Code provides that where the cost or value of heritage assets cannot be obtained at a cost which is commensurate with the benefits to the users of the financial statements, such assets will not be recognised in the Balance Sheet. The City does not consider the expense of obtaining information on cost or values to be justified and therefore recognises on the balance sheet only those heritage assets for which information on costs is readily available. The carrying value of heritage assets currently held in the Balance Sheet at historic cost relates almost exclusively to one asset – the capital's only Roman Amphitheatre. The amphitheatre was discovered in Guildhall Yard during an archaeological dig taking place in preparation for a building project. For those heritage assets which are recognised the City considers that they will have indeterminate lives and high residual values; hence the City does not consider it appropriate to charge depreciation for these assets.

The City Fund's heritage asset holdings have not changed, with no acquisitions, donations or disposals, in recent history.

1.12. Intangible Assets

Intangible assets are non-monetary assets without physical substance but are controlled by the City as a result of a past event. They are recognised only when it is probable that future economic benefits will flow to, or service potential be provided to, the City and where the cost of the asset can be measured reliably. Intangible assets are measured initially at cost. Amounts are only revalued where the fair value of the assets held can be determined by reference to an active market. In practice, none meet this condition and all are held at amortised cost.

(a) Long Term Intangible Assets

Intangible long term assets comprise computer software licences, which are capitalised at cost. They are not revalued and are amortised over their useful lives.

Amortisation is provided for on all intangible long term assets, calculated by allocation of the Balance Sheet value of the asset, less any residual value, to the periods expected to benefit from its use on a straight line basis. Amortisation charges in respect of the value of intangible assets at the start of the year are charged to the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

(b) Current Intangible Assets

Intangible current assets, which are represented by unused landfill allowances, are valued at the weighted average value at which allowances have traded during the year.

1.13. Inventories

Inventories (stock) are valued at the lower of average cost and net realisable value.

1.14. Investment Property

Investment property, which is property held to earn rental income and/or for capital appreciation, is measured at fair value and is not subject to depreciation. The definition is not met if the property is used in any way to facilitate the delivery of services or production of goods or is held for sale.

Investment properties are initially measured at cost and subsequently at fair value, based on the amount at which the asset could be exchanged between knowledgeable parties at arm's length. Properties are not depreciated but are revalued annually according to market conditions at year end. The net income (or expenditure) from investment properties, after allowing for gains or losses in fair value during the period they arise, is credited (or debited) to 'Financing and Investment Income and Expenditure' below the 'Cost of Services' in the Comprehensive Income and Expenditure Statement. Under statutory arrangements, revaluation gains and losses are reversed out of the City Fund unallocated reserve in the Movement in Reserves Statement and posted to the Capital Adjustment Account.

1.15. Contingent Assets

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the City. Contingent assets are assessed continually to ensure that developments are appropriately reflected in the financial statements. If it has become virtually certain that an inflow of economic benefits or service potential will arise and the asset's value can be measured reliably, the debtor (or cash where consideration has been received) and the related revenue are recognised in the financial statements of the period in which the change in circumstances occurs. Where an inflow of economic benefits or service potential is probable (rather than virtually certain) and can be reliably measured, contingent assets are disclosed as notes to the accounts.

1.16. Contingent Liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the City. Contingent liabilities are assessed continually to determine whether an outflow of resources embodying economic benefits or service potential has become probable. If it becomes probable that an outflow of future economic benefits or service potential will be required for an item previously dealt with as a note to the accounts, a provision is recognised in the financial statements for the period in which the change in probability occurs (except in circumstances where no reliable estimate can be made). Where a contingent liability exists, but a reliable estimate cannot be made, a note is disclosed in the accounts unless the possibility of an outflow of resources embodying economic benefits or service potential is remote.

1.17. Provisions

Provisions are made where an event has taken place that gives the City a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation. For instance, the City may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation from the City Fund. Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the City becomes aware of the obligation, and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties. When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year – where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service. Where some or all of the payment required to settle a provision is expected to be recovered from another party (e.g. from an insurance claim), this is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received if the City settles the obligation.

1.18. Leases

Leases are classified as finance leases when substantially all the risks and rewards of ownership are transferred to the lessee. All other leases are classified as operating leases.

(a) Finance Leases

(vii) City as Lessee

The City of London recognises property, plant and equipment held under finance leases as assets at the commencement of the lease at amounts equal to its fair value and, where material, liabilities at the lower of the present value of the minimum lease payments or the fair value of the property. The asset recognised is matched by a liability for the obligation to pay the lessor. Minimum lease payments are apportioned between a finance charge (interest) and a reduction of the outstanding liability. The finance charge element is allocated to revenue and is calculated so as to produce a constant periodic rate of interest on the remaining balance of the liability. Where liabilities are immaterial, a liability is not recognised and the full rental is charged to revenue over the term of the lease.

(viii) City as Lessor

Amounts due from lessees under finance leases are recorded in the Balance Sheet as a debtor at the amount of the net investment in the lease. The lease payments receivable are apportioned between repayment of the debtor and finance income. The finance income is credited to revenue and calculated so as to give a constant periodic rate of return from the net investment.

(b) Operating Leases

(ix) City as Lessee

Rentals payable, net of benefits received or receivable (e.g. cash incentives for a lessee to sign a lease), are charged to revenue on a straight-line basis over the term of the lease, even if the payments are not made on such a basis, unless another systematic and rational basis is more representative of the benefits received.

(x) City as Lessor

Assets subject to operating leases are included in the Balance Sheet according to the nature of the assets. Rental income from operating leases, excluding charges for services such as insurance and maintenance, are recognised on a straight-line basis over the period of the lease, even if the payments are not received on this basis (e.g. due to lease incentives), unless another systematic and rational basis is more representative of the time pattern in which the benefits derived from the leased asset are diminished.

1.19. Non-Current Assets held for Sale

Non-current assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met when the sale is highly probable, the asset is available for immediate sale in its present condition and management is committed to the sale, which is expected to qualify for recognition as a completed sale within one year from the date of classification. Non-current assets held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell. Fair value is open market value including alternative uses.

The gain or loss arising from derecognition of an asset is the difference between the net disposal proceeds, if any, and the carrying amount of the asset. The gain or loss arising from derecognition of an asset is included in Surplus or Deficit on the Provision of Services when the item is derecognised. However, legislation prescribes that the gain or loss is not a proper charge to the City Fund or Housing Revenue Account. As a result the General Fund or Housing Revenue Account is debited (in the case of a gain) or credited (in the case of a loss) with an amount equal to the gain or loss on disposal of the asset (net of any disposal costs), with the consequent entries being:

- an increase to the Capital Receipts Reserve of an amount equal to the disposal proceeds; and
- a charge to the Capital Adjustment Account of an amount equal to the carrying amount of the fixed asset disposal (less any balance transferred from the Donated Assets Account).

If the asset derecognised was carried at a re-valued amount the balance on the Revaluation Reserve in respect of the asset derecognised is transferred to the Capital Adjustment Account and reported in the Movement in Reserves Statement.

1.20. Overheads

The costs of support service overheads, with the exception of expenditure on corporate and democratic activities, are generally apportioned between all revenue accounts on the basis of employee time spent or other resources consumed on behalf of user services. Similarly, with the exception of vacant properties, the costs of support service buildings (including capital charges) are apportioned on the basis of the office area utilised by each service.

1.21. Property, Plant and Equipment

Property, plant and equipment comprises the following classes of tangible long term assets; council dwellings, other land and buildings, leasehold improvements, vehicles plant and equipment, infrastructure assets, community assets and assets under construction.

(a) Recognition

Expenditure on the acquisition, creation or enhancement of property, plant and equipment is capitalised provided that the expenditure is material (generally in excess of £50,000) and the asset yields benefits to the City of London, and the services it provides, for a period of more than one year. This excludes expenditure on routine repairs and maintenance of fixed assets which is charged directly within service costs.

(b) Valuation

Property, plant and equipment are measured initially at cost, representing the cost directly attributable to acquiring or constructing the asset so that it is capable of operating in the manner intended. All assets are measured subsequently at fair value determined as follows:

- Properties regarded as operational - Open Market Value in Existing Use, or where this cannot be assessed because there was no market for the subject asset, the Depreciated Replacement Cost based on modern equivalent assets. In some cases, specialist properties have required specialist valuation assumptions or alternative use valuations have been carried out.
- Non-operational assets under construction – historic cost.
- Infrastructure, community and heritage assets - historic cost, net of depreciation, where appropriate.
- Vehicles, plant and equipment - cost, net of depreciation, as a proxy for current value.

All properties included on the balance sheet at fair value are revalued at least once within a five year period as part of a rolling programme with subsequent additions being included in the accounts at their cost of acquisition until the asset is next revalued. Revaluations are carried out sufficiently regularly to ensure that their carrying value is not materially different from their value at the year end.

(c) Revaluations

An increase arising on revaluation is taken to the revaluation reserve unless the increase is reversing a previous impairment loss charged to Surplus or Deficit on the Provision of Services on the same asset or reversing a previous revaluation decrease charged to Surplus or Deficit on the Provision of Services on the same asset, in which case it is credited to expenditure to the extent of the loss or decrease previously charged there.

Where the carrying amount of an item of property, plant and equipment is decreased as a result of a revaluation, i.e. a significant decline in an asset's carrying amount during the period that is not specific to the asset (as opposed to impairment – see below), the decrease is recognised in the Revaluation Reserve to the extent that there is a balance on the reserve for the asset and, thereafter, against the Surplus or Deficit on the Provision of Services.

Legislation prescribes that revaluation gains or losses charged to Surplus or Deficit on the Provision of Services are not proper charges to the City Fund. Such amounts are transferred to the Capital Adjustment Account and reported in the Movement in Reserves Statement.

The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal inception following implementation from the 2007 Statement of Recommended Practice. Gains arising before that date have been consolidated in the Capital Adjustment Account.

(d) Impairments

An impairment loss arises if the carrying amount of an asset exceeds its recoverable amount. This could be caused by such factors as a significant decline in an asset's value during the period (i.e. more than expected as a result of the passage of time, normal use or general revaluation), evidence of obsolescence or physical damage of an asset, a commitment by the authority to undertake a significant reorganisation, or a significant adverse change in the statutory or other regulatory environment in which the authority operates.

An annual assessment takes place as to whether there is any indication that an asset may be impaired. An impairment loss is recognised in the Revaluation Reserve to the extent that there is a balance on that reserve relating to the specific asset and thereafter to the Surplus or Deficit on the Provision of Services.

The reversal of an impairment loss previously recognised in Surplus or Deficit on the Provision of Services will not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. Any excess above this carrying amount is treated as a revaluation gain and charged to the Revaluation Reserve.

Legislation prescribes that impairment losses and reversal of impairment losses charged to Surplus or Deficit on the Provision of Services are not proper charges to the City Fund. Such amounts are transferred to the Capital Adjustment Account and reported in the Movement of Reserves Statement.

(e) De-recognition

The carrying amount of an item of property, plant and equipment is derecognised:

- on disposal, or
- when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from de-recognition of an asset is the difference between the net disposal proceeds, if any, and the carrying amount of the asset. The gain or loss arising from de-recognition of an asset is included in Surplus or Deficit on the Provision of Services under other operating expenditure.

Legislation prescribes that the gain or loss is not a proper charge to the City Fund or Housing Revenue Account. As a result, the City Fund or Housing Revenue Account is debited (in the case of a gain) or credited (in the case of a loss) with an amount equal to the gain or loss on disposal with the consequent entry being:

- an increase in the Capital Receipts Reserve of an amount equal to the disposal proceeds; and
- a charge to the Capital Adjustment Account of an amount equal to the carrying amount of the fixed asset.

If the asset derecognised was carried at a re-valued amount, an additional entry is required; the balance on the Revaluation Reserve is written off to the Capital Adjustment Account and reported in the Movement in Reserves Statement.

The Capital Receipts Reserve can only be used for new capital investment or set aside to reduce any underlying need to borrow (the capital financing requirement). A proportion of receipts relating to Housing Revenue Account disposals (75% for dwellings, 50% for land and other assets, net of statutory deductions and allowances) is payable to the Government.

(f) Depreciation

Depreciation is provided for on all property, plant and equipment with a finite useful life, other than freehold land. The depreciation charge is calculated by allocating the Balance Sheet value of the asset, less its residual value, to the periods expected to benefit from its use; generally the straight line method has been adopted.

The costs of services include charges for depreciation for all fixed assets used in the delivery of services based on the value of assets at the start of the year. Where the effects of major additions or disposals occurring during the year are material, these are also reflected in capital charges to service revenue accounts. Freehold land, certain community assets and assets under construction are not directly used in the delivery of services and therefore do not attract a charge for capital.

(g) Components

(xi) Assets other than HRA Dwellings

Large assets, for example a building, are reviewed to ascertain whether differences in the useful lives of components would have a material impact on the level of depreciation and/or carrying value of the overall assets. These reviews are undertaken:

- when an asset is acquired;
- when an asset is enhanced; and
- when an asset is revalued.

Where there is a material impact on depreciation and/or the carrying value, the components are treated as separate assets and depreciated over their own useful economic lives.

(xii) HRA Dwellings

The components of HRA dwellings are reviewed at the same stages as indicated above. However, upon review, all the main components in HRA dwellings (e.g. roofs, windows, central heating, lifts and electrics) are treated as separate assets and depreciated over their own useful economic lives. This facilitates the use of the Major Repairs Reserve which is classified by Government as 'capital' funding.

1.22. Reserves

Specific amounts have been set aside as reserves for future policy purposes or to cover contingencies. Details of the City of London's earmarked reserves are set out in the Summary of Movement on Reserves in the notes to the financial statements. Certain reserves are required by the Code to manage the accounting process for tangible fixed assets and retirement benefits and do not represent usable resources. Details of these reserves are set out in the notes to the financial statements.

1.23. Revenue expenditure funded from capital under statute

Legislation allows some expenditure to be classified as capital for funding purposes when it does not result in the expenditure being carried on the Balance Sheet as a fixed asset. The purpose of this is to enable it to be funded from capital resources rather than be charged to revenue and impact on that year's council tax. These items are generally grants and expenditure on property not owned by the authority, and amounts directed under statute.

Such expenditure is charged to Surplus or Deficit on the Provision of Services in accordance with the general provisions of the Code. Any statutory provision that allows capital resources to meet the expenditure is accounted for by debiting the Capital Adjustment Account and crediting the City Fund unallocated reserve and inclusion as a reconciling item in the Movement in Reserves Statement.

1.24. Value Added Tax

Income and expenditure excludes any amounts related to VAT as all VAT collected is payable to HM Revenue & Customs and all VAT paid is recoverable from it.

1.25. Social Security Deductions

The City of London accounts centrally for social security deductions as its registration also includes other activities that do not form part of the City Fund. Consequently, current assets and liabilities do not include social security deductions.

1.26. Carbon Reduction Commitment Scheme

The City of London is required to participate in the Carbon Reduction Commitment (CRC) Energy Efficiency Scheme. This scheme is currently in its introductory phase which will last until 31 March 2014. It requires participants to purchase and surrender allowances, currently retrospectively, on the basis of emissions i.e. carbon dioxide produced as energy is used. As carbon dioxide is emitted a liability and an expense are recognised. The liability will be discharged by surrendering allowances. The liability is measured at the best estimate of the expenditure required to meet the obligation, normally at the current market price of the number of allowances required to meet the liability at the reporting date. The cost to the authority is recognised and reported in the costs of the authority's services and is apportioned to services on the basis of energy consumption.

2. Change in Accounting Policy

For 2013/14 the City has changed its accounting policy for the City of London Pension Scheme. Previously, the Scheme was accounted for as a defined contribution scheme. Consequently, pension costs were accounted for on the basis of contributions payable and no liability for future payments of benefits was recognised in the balance sheet. This policy was adopted because the estimated net deficit is the responsibility of the City of London as a whole, as one employer, rather than the specific responsibility of any of its three funds. Thus the City Fund does not have an exclusive relationship with the City of London Pension Fund and the portion of the Pension Fund relating to City of London employee members engaged on City Fund activities is not separately identifiable.

The City now takes the view that although the Pension Fund net deficit cannot be attributed precisely between its three funds, an apportionment of that deficit and inclusion in the respective balance sheets presents a fairer view of the funds' financial positions than if the deficit were to continue to be excluded. Accordingly an apportionment has been made which is based on employer's annual contributions to the funds and the City now accounts for the City Fund's "share" of the Pension Fund as a defined benefits scheme in accordance with IAS 19.

The 1 April 2012 and 31 March 2013 balance sheets and the 2012/13 comparative figures have thus been restated in the 2013/14 Statement of Accounts to apply the new policy to the City of London Pension Scheme.

The effects of the restatement are as follows:-

(i) The City Fund balance sheet now includes a proportion of the estimated liability on the City of London Pension Scheme. As at 1 April 2012 this results in an increase of £171.8m in the carrying amount of the Pensions Liability, which previously only included the liabilities on the Police and Judges schemes. This is matched by a corresponding increase in the negative Pension Reserve. The fully restated 1 April 2012 balance sheet is provided on page 13. The adjustments that have been made to that balance sheet compared to the version published in the 2012/13 Statement of Accounts are as follows:

Effect on Opening Balance Sheet 1 April 2012

	Previous £m	Effect of Change in Accounting Policy £m	Restated £m
Pensions Liability	(562.4)	(171.8)	(734.2)
Long Term Liabilities	(616.2)	(171.8)	(788.0)
Net Assets	1,064.2	(171.8)	892.4
Unusable Reserves	(881.0)	171.8	(709.2)
Total Reserves	(1,064.2)	171.8	(892.4)

(ii) The employer's contributions to the Pension Fund and payments made directly to pensioners previously included in the Comprehensive Income and Expenditure Statement have been replaced by service costs measuring the increase in the pension liability as a result of service earned which has resulted in a net increase of £2.5m in the cost of services, £0.1m for administration expenses has been charged to other operating income and expenditure and interest on the pension liability of £7.7m has been charged to financing and investment income. As a result of these additional charges the surplus on the provision of services has reduced by £10.3m. However, statutory provisions require the City Fund and Housing Revenue Account to be charged with the amount payable to the Pension Fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standard. The £10.3m charged to the surplus on the provision of services has therefore been reversed out to the Pension Fund through the Movement in Reserves Statement. The change in accounting policy has also resulted in a reduction of £14.7m in remeasurements of the pension liability. Remeasurements comprise the return on plan assets and actuarial gains and losses which are charged or credited to the Pensions Reserve on the balance sheet as Other Comprehensive Income and Expenditure. The fully restated 2012/13 comparative figures for the Comprehensive Income and Expenditure Statement are on pages 12 and 11 respectively. The adjustments that have been made to the statements compared to the version published in the 2012/13 Statement of Accounts are set out in the following three tables.

Effect on the Comprehensive Income and Expenditure Statement 2012/13

	Previous Net Expenditure (Income) £m	Effect of Change in Accounting Policy £m	Restated Net Expenditure (Income) £m
Services			
Police Services	59.0	0.5	59.5
Cultural and Related Services			
Barbican Centre	24.2	0.4	24.6
Other Cultural and Related Services	20.8	0.3	21.1
Environmental and Regulatory Services	9.2	0.3	9.5
Planning Services	4.6	0.2	4.8
Highways and Transport Services	14.4	0.1	14.5
Children's and Education Services	3.9	0.1	4.0
Housing Services			
Housing Revenue Account (HRA)			
Operations	(1.7)	0.2	(1.5)
Revaluation gain on dwellings	(4.3)		(4.3)
Other Housing Services	0.5	0.1	0.6
Central Services			
Court Services	3.8	0.1	3.9
Corporate and Democratic Core	6.2	0.1	6.3
Non Distributed Costs			
Past Service Costs	0.0	0.1	0.1
Cost of Services	**148.4**	**2.5**	**150.9**
Other Operating Income	(21.4)	0.1	(21.3)
Financing and Investment Income and Expenditure	(71.3)	7.7	(63.6)
Surplus on the Provision of Services	**(68.5)**	**10.3**	**(58.2)**
Remeasurements of the Pensions Liability	26.0	(14.7)	11.3
Other Comprehensive (Income) and Expenditure	**5.3**	**(14.7)**	**(9.4)**
TOTAL COMPREHENSIVE (INCOME) AND EXPENDITURE	**(63.2)**	**(4.4)**	**(67.6)**

Effect on the Movement in Reserves Statement – Usable Reserves 2012/13

	Previous Usable Reserves £m	Effect of Change in Accounting Policy £m	Restated Usable Reserves £m
Balance at 31 March 2012	**(183.2)**	**0.0**	**(183.2)**
Movement in reserves during 2012/13			
(Surplus) or deficit on provision of services	(68.5)	10.3	(58.2)
Adjustments between accounting basis and funding basis under regulations	(24.2)	(10.3)	(34.5)
Net (increase) or decrease before transfers to earmarked reserves	**(92.7)**	**0.0**	**(92.7)**
(Increase) or decrease in 2012/13	**(92.7)**	**0.0**	**(92.7)**
Balance at 31 March 2013	**(275.9)**	**0.0**	**(275.9)**

Effect on the Movement in Reserves Statement – Unusable Reserves 2012/13

	Previous Unusable Reserves £m	Effect of Change in Accounting Policy £m	Restated Unusable Reserves £m
Balance at 31 March 2012	**(881.0)**	**171.8**	**(709.2)**
Movement in reserves during 2012/13			
Other Comprehensive Income and Expenditure	5.3	(14.7)	(9.4)
Adjustments between accounting basis and funding basis under regulations	24.2	10.3	34.5
(Increase) or decrease in 2012/13	**29.5**	**(4.4)**	**25.1**
Balance at 31 March 2013	**(851.5)**	**167.4**	**(684.1)**

(iii) The resulting restated balance sheet as at 31 March 2013 is provided on page 13. The adjustments that have been made to that balance sheet over the version published in the 2012/13 Statement of Accounts are as follows:

Effect on the Balance Sheet as at 31 March 2013

	Previous £m	Effect of Change in Accounting Policy £m	Restated £m
Pensions Liability	(606.8)	(167.4)	(774.2)
Long Term Liabilities	(671.8)	(167.4)	(839.2)
Net Assets	1,127.4	(167.4)	960.0
Unusable Reserves	(851.5)	167.4	(684.1)
Total Reserves	(1,127.4)	167.4	(960.0)

3. Accounting Standards That Have Been Issued but Not Yet Adopted

The Code of Practice on Local Council Accounting in the United Kingdom 2014/15 (the Code) has introduced several changes in accounting policies which will be required from 1 April 2014. If these had been adopted for the financial year 2013/14 there would be no material or significant change to the Statement of Accounts.

A number of new and revised standards have been issued addressing the accounting for consolidation, involvements in joint arrangements and disclosure of involvements in other entities. These include:

• IFRS 10 Consolidated Financial Statements – This standard introduces a new definition of control, which is used to determine which entities are consolidated for the purposes of group accounts. The City Fund does not have subsidiaries or associates and is therefore not affected by the change.

• IFRS 11 Joint Arrangements – This standard addresses the accounting for a 'joint arrangement', which is defined as a contractual arrangement over which two or more parties have joint control. These are classified as either a joint venture or a joint operation. In addition proportionate consolidation can no longer be used for jointly controlled entities. The City Fund has no material joint venture arrangements.

• IFRS 12 Disclosures of Involvement with Other Entities – This is a consolidated disclosure standard requiring a range of disclosures about an entity's interests in subsidiaries, joint arrangements, associates and unconsolidated 'structured entities'. It is not considered that this change will affect the Statement of Accounts.

• IAS 27 Separate Financial Statements and IAS 28 Investments in Associates and Joint Ventures – These statements have been amended to conform with the changes in IFRS 10, IFRS 11 and IFRS 12. Given that there would be no changes in the financial statements due to the changes to IFRS 10, IFRS 11 and IFRS 12, there is therefore also no impact as a result of changes in IAS 27 and IAS 28.

IAS 32 Financial Instruments Presentation – The Code references to amended application guidance when offsetting a financial asset and a financial liability. The gains and losses are separately identified on the Comprehensive Income and Expenditure Statement and therefore no further disclosure is required.

IAS 1 Presentation of the Financial Statements – The changes clarifies the disclosure requirements in respect of comparative information of the preceding period. The Statement of Accounts fully discloses comparative information for the preceding period therefore these changes will not have a material impact on the Statement of Accounts.

4. Critical Judgements in Applying Accounting Policies

In applying accounting policies authorities may have to make certain judgements about complex transactions or those involving uncertainty about future events. Apart from those disclosed in the summary of significant accounting policies (note 1) and those involving estimations (see note 5), there are no critical judgements that management has made in the process of applying the City's accounting policies that will have a material effect on the amounts recognised in the financial statements.

5. Assumptions Made About the Future and Other Major Sources of Estimation Uncertainty

The Statement of Accounts contains estimated figures that are based on assumptions made by the City about the future or that are otherwise uncertain. The estimates and associated assumptions are continually reviewed and are based on historical experience and other factors including expectations of future events that are considered to be reasonable under the circumstances. However, because balances cannot be determined with certainty, actual results could be materially different from those estimates. Changes in accounting estimates may be necessary if there are changes in circumstances on which the estimate was based, or as a result of new information or more experience. The estimates and assumptions that have the most significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are set out below:

(a) Business Rates

Since the introduction of the Business Rates Retention Scheme effective from 1 April 2013, Local Authorities are liable for successful appeals against business rates in their proportionate share. Therefore, a provision has been recognised for the best estimate of successful appeals up to 31 March 2014. The estimate has been calculated using the Valuation Office (VAO) ratings list of appeals and the analysis of successful appeals to date when providing the estimate of total provision up to and including 31 March 2014.

(b) Pension Benefits

Estimation of the net liability to pay pensions depends on a number of complex adjustments relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the City with expert advice about the assumptions to be applied.

The effect of changes in individual assumptions on the net pension's liability can be measured, but are complex and interact in a complex manner. For example the actuary determines the appropriate discount rate at the end of each year after taking account of the yield from a high quality bond of appropriate duration, a 0.1% decrease in the discount rate assumption would result in an increase in the pension liabilities of £21.2m. Other key assumptions for pension obligations are based in part on current market conditions and demographic data. Additional information on pension schemes is given in notes 45 to 50.

(c) Property Valuations

The carrying values of property, plant and equipment and investment properties are primarily dependent on judgements of such variables as the state of the property market, location, asset lives, condition of the property, indices etc. Valuation is an inexact science with assessments provided by different surveyors rarely agreeing and with prices subsequently realised diverging from valuations. A reduction in estimated valuations would result in reductions to the Revaluation Reserve and/or a loss recorded as appropriate in the Comprehensive Income and Expenditure Statement. For example a 1% reduction in the value of investment properties would result in a £10.2m debit to "Financing and Investment Income and Expenditure" in the Comprehensive Income and Expenditure Statement. Conversely, an increase in value would result in increases to the Revaluation Reserve and/or reversals of previous negative revaluations to the Comprehensive Income and Expenditure Statement and/or gains being recorded as appropriate in the Comprehensive Income and Expenditure Statement.

However, the risk of material adjustments is mitigated by using the experience and knowledge of professional chartered surveyors, both in-house staff and external firms. In addition, tests are undertaken to ensure that variations between the valuations of different surveyors, and between valuations and actual prices, are within reasonable tolerances. Additional information on property asset valuation is provided in note 13.

(d) Arrears

At 31 March 2014, the City Fund had a balance for rents and sundry debtors of £26.4m. A review of the length of time past due and progress on recovery action suggested that an impairment allowance for doubtful debts of £3.0m was appropriate. If collection rates were to deteriorate an increase in the amount of the impairment of the doubtful debts would be required.

6. Events after the Balance Sheet Date

The Statement of Accounts was authorised for issue by the Chamberlain on . Events after the balance sheet date and up to have been considered in respect of material impact on the financial statements. Events taking place after this date are not reflected in the financial statements or notes.

7. Adjustments between Accounting Basis and Funding Basis under Regulations

This note details the adjustments that are made to the total comprehensive income and expenditure recognised in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to meet future capital and revenue expenditure.

The following sets out a description of the reserves that the adjustments are made against.

City Fund Unallocated Reserve

This is the statutory fund into which all receipts are required to be paid and out of which all liabilities are to be met, except to the extent that statutory rules might provide otherwise, in respect of the City's activities as a local authority, police authority and port health authority. These rules can also specify the financial year in which liabilities and payments should impact on the City Fund unallocated reserve, which is not necessarily in accordance with proper accounting practice. The City Fund unallocated reserve is not available to fund Housing Revenue Account (HRA) services. With this exception, the City Fund unallocated reserve therefore summarises the resources that the City is statutorily empowered to spend on its services or on capital investment (or the deficit of resources that the City is required to recover) at the end of the financial year.

Housing Revenue Account (HRA) Balance

The HRA Balance reflects the statutory obligation to maintain a revenue account for local authority council housing provision in accordance with Part VI of the Local Government and Housing Act 1989. It contains the balance of income and expenditure as defined by the 1989 Act that is available to fund the City's HRA landlord function or (where in deficit) that is required to be recovered from tenants in future years.

Capital Receipts Reserve

This reserve holds the proceeds from the disposal of land or other assets, which are restricted by statute from being used other than to fund new capital expenditure or to be set aside to finance historical capital expenditure. The balance on the reserve shows the resources that have yet to be applied for these purposes at the year-end.

Capital Grants Unapplied

This reserve holds the grants and contributions received towards capital projects which have yet to be applied to meet expenditure. The balance is restricted by grant terms as to the capital expenditure against which it can be applied and/or the financial year in which this can take place.

Major Repairs Reserve

The City is required to maintain this reserve, which controls the application of the Major Repairs Allowance (MRA). The MRA is restricted to being applied to new capital investment in HRA assets or the financing of historical capital expenditure by the HRA. The balance shows the MRA that has yet to be applied at year end.

2013/14	Usable Reserves					
	City Fund Unallocated Reserve £m	Housing Revenue Account £m	Capital Receipts Reserve £m	Capital Grants Unapplied £m	Major Repairs Reserve £m	Movement in Unusable Reserves £m
Adjustments primarily involving the Capital Adjustment Account:						
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:						
Charges for depreciation and impairment of non-current assets	(17.9)	(2.5)				20.4
Revaluation gains on Property, Plant and Equipment	6.8	19.1				(25.9)
Movements in the fair value of Investment Properties	105.9					(105.9)
Amortisation of intangible assets	(0.2)					0.2
Capital grants, contributions and donations applied	7.3					(7.3)
Revenue expenditure funded from capital under statute	(0.4)					0.4
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(72.2)					72.2
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:						
Income from finance lease	(0.5)					0.5
Capital expenditure charged against the City Fund and HRA balances	84.7					(84.7)
Adjustments primarily involving the Capital Grants Unapplied Account:						
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	0.9			(0.9)		0.0
Application of grants to capital financing transferred to the Capital Adjustment Account				1.7		(1.7)
Sub-total	**114.4**	**16.6**	**0.0**	**0.8**	**0.0**	**(131.8)**

2013/14	Usable Reserves					Movement in Unusable Reserves
	City Fund Unallocated Reserve £m	Housing Revenue Account £m	Capital Receipts Reserve £m	Capital Grants Unapplied £m	Major Repairs Reserve £m	£m
Brought forward	**114.4**	**16.6**	**0.0**	**0.8**	**0.0**	**(131.8)**
Adjustments primarily involving the Capital Receipts Reserve						
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	81.0		(81.0)			0.0
Use of the Capital Receipts Reserve to finance new capital expenditure			89.8			(89.8)
Contribution from the Capital Receipts Reserve towards administrative costs of non-current asset disposals	0.0		0.0			0.0
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	(0.3)		0.3			0.0
Adjustments primarily involving the Major Repairs Reserve:						
Reversal of Major Repairs Allowance credited to the HRA		2.3			(2.3)	0.0
Use of the Major Repairs Reserve to finance new capital expenditure					0.2	(0.2)
Adjustments primarily involving the Pensions Reserve:						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(27.5)	(0.1)				27.6
Adjustments primarily involving the Collection Fund Adjustment Account:						
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	0.1					(0.1)
Amount by which national business rates income credited to the Comprehensive Income and Expenditure Statement is different from national business rates income calculated for the year in accordance with statutory requirements	(15.5)					15.5
Adjustments primarily involving the Accumulated Absences Account:						
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	0.3					(0.3)
Other Adjustments	(0.3)	0.3				0.0
Total Adjustments	**152.2**	**19.1**	**9.1**	**0.8**	**(2.1)**	**(179.1)**

2012/13 Restated	Usable Reserves					
	City Fund Unallocated Reserve £m	Housing Revenue Account £m	Capital Receipts Reserve £m	Capital Grants Unapplied £m	Major Repairs Reserve £m	Movement in Unusable Reserves £m
Adjustments primarily involving the Capital Adjustment Account:						
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:						
Charges for depreciation and impairment of non-current assets	(18.3)	(2.3)	0.0	0.0	0.0	20.6
Revaluation gains/losses on Property, Plant and Equipment	1.5	4.3	0.0	0.0	0.0	(5.8)
Movements in the fair value of Investment Properties	51.3	0.0	0.0	0.0	0.0	(51.3)
Amortisation of intangible assets	(0.2)	0.0	0.0	0.0	0.0	0.2
Capital grants, contributions and donations applied	7.4	0.0	0.0	0.0	0.0	(7.4)
Revenue expenditure funded from capital under statute	(2.3)	0.0	0.0	0.0	0.0	2.3
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(59.8)	0.0	0.0	0.0	0.0	59.8
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:						
Income from finance lease	(0.5)	0.0	0.0	0.0	0.0	0.5
Capital expenditure charged against the City Fund and HRA balances	1.8	0.0	0.0	0.0	0.0	(1.8)
Adjustments primarily involving the Capital Grants Unapplied Account:						
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	1.0	0.0	0.0	(1.0)	0.0	0.0
Application of grants to capital financing transferred to the Capital Adjustment Account	0.0	0.0	0.0	0.7	0.0	(0.7)
Sub-total	**(18.1)**	**2.0**	**0.0**	**(0.3)**	**0.0**	**16.4**

2012/13	Usable Reserves					
	City Fund Unallocated Reserve £m	Housing Revenue Account £m	Capital Receipts Reserve £m	Capital Grants Unapplied £m	Major Repairs Reserve £m	Movement in Unusable Reserves £m
Brought forward	**(18.1)**	**2.0**	**0.0**	**(0.3)**	**0.0**	**16.4**
Adjustments primarily involving the Capital Receipts Reserve						
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	82.1	0.0	(82.1)	0.0	0.0	0.0
Use of the Capital Receipts Reserve to finance new capital expenditure	0.0	0.0	10.3	0.0	0.0	(10.3)
Contribution from the Capital Receipts Reserve towards administrative costs of non-current asset disposals	(0.3)	0.0	0.3	0.0	0.0	0.0
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	(0.2)	0.0	0.2	0.0	0.0	0.0
Adjustments primarily involving the Major Repairs Reserve:						
Reversal of Major Repairs Allowance credited to the HRA	0.0	2.3	0.0	0.0	(2.3)	0.0
Use of the Major Repairs Reserve to finance new capital expenditure	0.0	0.0	0.0	0.0	1.3	(1.3)
Adjustments primarily involving the Pensions Reserve:						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(28.5)	(0.2)	0.0	0.0	0.0	28.7
Adjustments primarily involving the Collection Fund Adjustment Account:						
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	0.1	0.0	0.0	0.0	0.0	(0.1)
Adjustments primarily involving the Accumulated Absences Account:						
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(1.0)	0.0	0.0	0.0	0.0	1.0
Other Adjustments	(0.2)	0.2	(0.1)	0.0	0.0	0.1
Total Adjustments	**33.9**	**4.3**	**(71.4)**	**(0.3)**	**(1.0)**	**34.5**

8. Transfers (to)/from Earmarked Reserves

This note sets out the amounts set aside from the City Fund in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet City Fund expenditure in 2013/14.

	Notes	Balance at 31 March 2012 £m	Transfers Out 2012/13 £m	Transfers In 2012/13 £m	Balance at 31 March 2013 £m	Transfers Out 2013/14 £m	Transfers In 2013/14 £m	Balance at 31 March 2014 £m
Resilience Reserve	(i)	(46.4)	0.0	0.0	(46.4)	46.4	0.0	0.0
Highway Improvements	(ii)	(14.5)	4.2	(4.2)	(14.5)	4.2	(5.4)	(15.7)
Police Future Expenditure	(iii)	(13.8)	0.0	(1.5)	(15.3)	0.2	0.0	(15.1)
Crime Reduction Initiatives	(iv)	(1.6)	0.1	0.0	(1.5)	0.0	(0.9)	(2.4)
Crossrail	(v)	(11.3)	0.0	(6.2)	(17.5)	0.0	(3.0)	(20.5)
Judges Pensions	(vi)	(1.6)	0.0	0.0	(1.6)	0.2	0.0	(1.4)
Service Projects	(vii)	(3.7)	0.9	(0.1)	(2.9)	0.2	(0.8)	(3.5)
Renewals and Repairs	(viii)	(0.5)	0.0	0.0	(0.5)	0.0	0.0	(0.5)
Landfill Allowances	(ix)	(0.3)	0.0	0.0	(0.3)	0.0	0.0	(0.3)
School's Reserve	(x)	(0.3)	0.0	0.0	(0.3)	0.0	0.0	(0.3)
VAT reserve	(xi)	0.0	0.0	(4.2)	(4.2)	0.0	0.0	(4.2)
Asset Realisation Costs Fund	(xii)	0.0	0.0	(0.3)	(0.3)	0.1	(0.1)	(0.3)
Business Rates Safety Net Equalisation	(xiii)	0.0	0.0	0.0	0.0	0.0	(14.3)	(14.3)
Total		**(94.0)**	**5.2**	**(16.5)**	**(105.3)**	**51.3**	**(24.5)**	**(78.5)**

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(i) Resilience Reserve – The original intention of the reserve was to meet costs which may arise from damage by terrorism or other cause to uninsured infrastructure assets such as highways, and expenses which may be incurred in order to assist businesses and others to resume their normal operation. However, this reserve has now been fully applied in 2013/14 to purchase investment properties in order to deliver rental income to help fund ongoing operations.

(ii) Highway Improvements - Created from on-street car parking surpluses to finance future highways related expenditure and projects as provided by section 55 of the Road Traffic Regulation Act 1984, as amended by the Road Traffic Act 1991.

(iii) Police Future Expenditure - Revenue expenditure for the City Police service is cash limited. Underspendings against this limit may be carried forward as a reserve to the following financial year and overspendings are required to be met from this reserve. The City Police have £15.1m set aside to finance general revenue expenditure in subsequent years.

(iv) During 2011/12, the City Police received a substantial cash forfeiture award of £1.6m. Under the guidelines of the scheme, the funds must be ring fenced for "crime reduction initiatives".

(v) Crossrail - Funds set aside to contribute towards the City's £200m commitment towards the Crossrail project, currently anticipated in 2016.

(vi) Judges Pensions - Sums set aside to assist with the City of London's share of liabilities.

(vii) Service Projects - A number of reserves for service specific projects and activities have been aggregated under this generic heading.

(viii) Renewals and Repairs - These reserves comprise:

6-8 Bonhill Street – Sums obtained on the surrender of the headlease and set aside to fund cyclical maintenance and repair works to the property and void costs.

New Spitalfields Market Building Defects - Sums obtained from the developer of the new building to fund repairs to the Market, particularly the concrete slab.

(ix) Landfill Allowances – Income arising from the sale of Landfill Allowances is being set aside to fund the future purchase of Landfill Allowances and to meet increases in the cost of waste disposal due to changes in the method of disposal in order to achieve landfill targets.

(x) School's Reserve - The cumulative balance from the local management budget delegated to the Sir John Cass's Foundation Primary School.

(xi) VAT Reserve - Should the City Corporation no longer be able to recover VAT incurred on exempt services as a result of exceeding the 5% partial exemption threshold, this reserve will be the first call for meeting the associated costs.

(xii) Asset Realisation Costs Fund - Provided to fund those costs associated with the sale of assets that cannot be offset against the sale proceeds.

(xiii) Business Rates Safety Net Equalisation – Safety net arrangements are in place to protect local authorities from the impact of any reductions below 7.5% in their retained business rates baseline funding level. Under these arrangements the maximum loss the City can suffer is £1.1m against the baseline funding level. Due to the impact of the provision for rating appeals the City did suffer a reduction in retained rates income for 2013/14. However, under statutory arrangements, the shortfall will not be charged against the City Fund unallocated reserve until next year and is held temporarily in the Collection Fund Adjustment Account as a negative reserve (see note 26 D). This liability will be largely offset by a payment from the Government to bring the City's retained rates income up to its safety net level. This payment from the Government has therefore been set aside to partly compensate for the shortfall when it is subsequently recognised.

9. Arts Council England

The Barbican Centre's income for 2013/14 includes a grant of £0.6m from Arts Council England (2012/13 £0.6m).

10. Other Operating Income and Expenditure

	2013/14 Net Expenditure/ (Income) £m	2012/13 Restated Net Expenditure/ (Income) £m
Net Gain on Disposal of Fixed Assets	(8.7)	(22.0)
Inner and Middle Temple Precepts	0.3	0.3
Local levies	0.2	0.1
Payment to Government Housing Capital Receipts Pool	0.3	0.2
Pension Fund Administration Expenses	0.2	0.1
Total	**(7.7)**	**(21.3)**

11. Financing and Investment Income and Expenditure

	2013/14 Net Expenditure/ (Income) £m	2012/13 Restated Net Expenditure/ (Income) £m
Investment Properties		
Operational	(33.6)	(32.3)
Gain on revaluation	(105.9)	(51.3)
Interest receivable and similar income	(5.5)	(10.4)
Pension Interest Cost	34.1	33.1
Contribution from Trading Services	(0.7)	(2.7)
Total	**(111.6)**	**(63.6)**

12. Taxation and Non-Specific Grant Income

	2013/14 Income £m	2012/13 Income £m
Redistributed National Business Rates		
Police	0.0	(26.7)
Non - Police	0.0	(35.3)
Retained National Business Rates	(13.5)	0.0
City Non Domestic Rates Premium	(5.7)	(6.6)
City Offset	(10.5)	(10.3)
Council Tax Income	(5.7)	(5.7)
Non Ringfenced Government Revenue Grants		
Revenue Support Grant		
Police	0.0	(0.5)
Non - Police	(22.2)	(0.7)
Police Core Grant	(57.8)	(30.2)
Other	(1.0)	(2.1)
Capital Grants & Contributions	(7.8)	(6.1)
Total	**(124.2)**	**(124.2)**

The changes in the analysis of taxation and non-specific grant income between financial years set out in the above table is a consequence of the introduction by the Government of a new funding regime from 1 April 2014. Prior to its introduction national business rates were paid into a pool and were redistributed on a formula basis between authorities. The new funding regime allows local government authorities to retain a set proportion of business rates collected in their areas, subject to set baselines and limits. Funding for local policing bodies is outside the business rates retention scheme.

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13. Property, Plant and Equipment

Movements on Balances 2013/14	Council Dwellings £m	Other Land & Buildings £m	Leasehold Improvements £m	Vehicles, Plant and Equipment £m	Infra-structure £m	Community Assets £m	Assets Under Construction £m	Total £m
Cost or valuation								
at 1 April 2013	185.6	383.5	57.6	29.2	52.2	0.6	1.2	**709.9**
Additions	1.9	5.2	(1.3)	2.1	5.7	0.1	2.0	**15.7**
Transfers	0.2	(15.5)	0.0	0.0	0.0	0.0	(0.4)	**(15.7)**
Revaluation increases/(decreases) recognised in the Revaluation Reserve	35.4	11.3	0.0	0.0	0.0	0.0	0.0	**46.7**
Revaluation decreases recognised in the Surplus/Deficit on the Provision of Services	18.7	4.2	0.0	0.0	0.0	0.0	0.0	**22.9**
Derecognition - disposals	(4.9)	(0.2)	0.0	(0.4)	0.0	0.0	0.0	**(5.5)**
at 31 March 2014	**236.9**	**388.5**	**56.3**	**30.9**	**57.9**	**0.7**	**2.8**	**774.0**
Accumulated Depreciation and Impairment								
at 1 April 2013	(0.1)	(9.9)	(10.5)	(21.2)	(22.4)	0.0	0.0	**(64.1)**
Depreciation Charge	(2.1)	(8.2)	(2.5)	(2.5)	(5.0)	0.0	0.0	**(20.3)**
Depreciation written out to the Revaluation Reserve	1.4	10.9	0.0	0.1	0.0	0.0	0.0	**12.4**
Depreciation written out to the Surplus/Deficit on the Provision of Services	0.7	2.3	0.0	0.0	0.0	0.0	0.0	**3.0**
Impairment (losses)/reversals recognised in the Revaluation Reserve	0.0	0.0	0.0	0.0	0.0	0.0	0.0	**0.0**
Impairment losses recognised in the Surplus/Deficit on the Provision of Services	0.0	(0.1)	0.0	0.0	0.0	0.0	0.0	**(0.1)**
Derecognition - disposals	0.0	0.0	0.0	0.2	0.0	0.0	0.0	**0.2**
at 31 March 2014	**(0.1)**	**(5.0)**	**(13.0)**	**(23.4)**	**(27.4)**	**0.0**	**0.0**	**(68.9)**
Net Book Value								
at 31 March 2013	**185.5**	**373.6**	**47.1**	**8.0**	**29.8**	**0.6**	**1.2**	**645.8**
at 31 March 2014	**236.8**	**383.5**	**43.3**	**7.5**	**30.5**	**0.7**	**2.8**	**705.1**

Movements on Balances Comparative for 2012/2013	Council Dwellings £m	Other Land and Buildings £m	Leasehold Improvements £m	Vehicles, Plant and Equipment £m	Infra-structure £m	Community Assets £m	Assets Under Construction £m	Total £m
Cost or valuation								
at 1 April 2012	179.7	363.4	57.6	28.0	47.8	0.6	2.5	**679.6**
Additions	1.3	6.1	0.0	1.9	4.4	0.0	1.1	**14.8**
Transfers	0.8	2.2	0.0	(0.6)	0.0	0.0	(2.4)	**0.0**
Revaluation increases/(decreases) recognised in the Revaluation Reserve	5.3	10.8	0.0	0.0	0.0	0.0	0.0	**16.1**
Revaluation decreases recognised in the Surplus/Deficit on the Provision of Services	2.3	1.0	0.0	0.0	0.0	0.0	0.0	**3.3**
Derecognition - disposals	(3.8)	0.0	0.0	(0.1)	0.0	0.0	0.0	**(3.9)**
at 31 March 2013	**185.6**	**383.5**	**57.6**	**29.2**	**52.2**	**0.6**	**1.2**	**709.9**
Accumulated Depreciation and Impairment								
at 1 April 2012	0.0	(6.4)	(8.1)	(18.4)	(17.8)	0.0	0.0	**(50.7)**
Depreciation Charge	(2.0)	(8.5)	(2.4)	(3.0)	(4.6)	0.0	0.0	**(20.5)**
Depreciation written out to the Revaluation Reserve	0.2	4.3	0.0	0.0	0.0	0.0	0.0	**4.5**
Depreciation written out to the Surplus/Deficit on the Provision of Services	1.8	0.8	0.0	0.0	0.0	0.0	0.0	**2.6**
Impairment losses recognised in the Surplus/Deficit on the Provision of Services	(0.1)	0.0	0.0	0.0	0.0	0.0	0.0	**(0.1)**
Derecognition - disposals	0.0	0.0	0.0	0.1	0.0	0.0	0.0	**0.1**
Other movements in depreciation and impairment	0.0	(0.1)	0.0	0.1	0.0	0.0	0.0	**0.0**
at 31 March 2013	**(0.1)**	**(9.9)**	**(10.5)**	**(21.2)**	**(22.4)**	**0.0**	**0.0**	**(64.1)**
Net Book Value								
at 31 March 2012	**179.7**	**357.0**	**49.5**	**9.6**	**30.0**	**0.6**	**2.5**	**628.9**
at 31 March 2013	**185.5**	**373.6**	**47.1**	**8.0**	**29.8**	**0.6**	**1.2**	**645.8**

Depreciation

The following useful lives and depreciation rates have generally been used in the calculation of depreciation

General operational buildings	50 years
Council Dwellings	125 years
Leasehold improvements	10-30 years
Certain 'listed' operational buildings	75-125 years
Infrastructure	10 years
Heavy vehicles and plant	7 years
Equipment	5–12 years
Cars and light vans	5 years
Assets under construction	None
Community Assets	None

Where there is a material impact on depreciation and/or the carrying value, components are treated as separate assets and depreciated over their own useful economic lives. Indicative economic lives of typical asset components include:

Internal fit-out	10-25 years
Plant and Machinery	15-25 years

Commitments

The City of London Corporation has agreed with Government that £200m will be provided from City Fund towards the costs of constructing Crossrail. The payment of this amount is dependent on the achievement of a number of conditions, primarily the completion of certain works in relation to Crossrail stations. Whilst it is now looking quite likely that the conditions will be met, there is still some 2 years to go before the works are due to complete. Therefore a liability has not been recognised in the financial statements pending performance of the conditions but will be recognised when it becomes payable. At this stage it is anticipated that the contribution will be made in 2016. The financing strategy for the contribution is based on the accumulation of annual rental income from specific investment properties and capital receipts from the sale of assets. The City Surveyor is in the process of identifying the most advantageous properties to sell.

In addition, the following significant capital commitments were outstanding at 31 March 2013

- £4.5m in respect of the City's 25% contribution to the cost of a new investment property joint venture development. After completion, in 2015, capital receipts in excess of costs are anticipated from the sale of a long leasehold interest in the property.

- £2.7m relating to waterproofing works on the Barbican Estate highwalk which should be completed in 2014/15.

Revaluations

Properties regarded as operational have been valued at their Open Market Value in Existing Use, or where this could not be assessed because there was no market for the subject asset, the Depreciated Replacement Cost. In some cases, specialist properties have required specialist valuation assumptions or alternative use valuations have been carried out.

Properties regarded as non-operational have been valued on the basis of Market Value.

Vehicles, plant and equipment are shown at depreciated cost, as a proxy for value.

Community assets in existence at 1 April 1994 are each shown at a notional £1 to which subsequent additions have been added at cost.

Infrastructure in existence at 1 April 1994 was valued at nil since there was no loan debt outstanding on this category of asset. Subsequent outlay has been added at cost.

The following have been revalued at 31 March 2014 in accordance with the Rolling Five Year Programme of Revaluation or to reflect material changes in value:

- Barbican Estate residential properties, baggage stores, and car bays
- Housing Dwellings (including guest flats)
- Properties at the City of London Cemetery and Crematorium
- Woodredon and Warlies Park Estate
- Public Car Parks
- Animal Reception Centre, Heathrow
- Barbican Centre, including the Barbican lending library
- Central Criminal Court
- Cleansing Depot and Offices at Walbrook Wharf
- Police Stations and Section House
- Lauderdale Place Housing Services Offices

The City is not aware of any material change in value of any other assets and therefore the valuations have not been updated. The current asset values used in the accounts for the Barbican Centre, Central Criminal Court, Walbrook Wharf (depot and offices), Golden Lane Recreation Centre, Woodredon and Warlies Park, Cemetery and Crematorium, Police Stations and Section House, Barbican Hostel, Animal Reception Centre and most of the investment properties are based on assessments by external valuers. The firms of chartered surveyors who have prepared valuations for the City of London are BNP Paribas Real Estate, Jones Lang Lasalle Ltd, Montagu Evans, Allsop LLP, Gerald Eve and Savills.

All other asset values have been prepared by the City of London Corporation's City Surveyor who is a Chartered Surveyor.

14. Heritage Assets

The carrying value of heritage assets currently held in the Balance Sheet at historic cost is £8.9m (2012/13 £8.9m) which relates almost exclusively to one asset – the capital's only Roman Amphitheatre. The amphitheatre was discovered in Guildhall Yard during an archaeological dig taking place in preparation for a building project. In 2002, the doors to the amphitheatre opened for the first time in nearly 2,000 years.

The London Metropolitan Archives look after 105km of books, maps, films and photographs about London and Londoners dating from as far back as 1067. Guildhall Library also specialises in the history of London with a printing books collection from the 15th century onwards and many special collections including those devoted to Samuel Pepys, John Wilkes and Thomas More. Reliable valuations are not available for these assets and the cost of obtaining such valuations in order to recognise them on the balance sheet would outweigh the benefit of such recognition to the users of the financial statements.

Further information on the Roman Amphitheatre and the London Metropolitan Archives, including opening times and details of the collections held by the LMA, can be found on the City's website (www.cityoflondon.gov.uk).

15. Investment Properties

The following items of income and expense have been accounted for in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement:

	2013/14	**2012/13**
	£m	**£m**
Income from investment properties	(46.0)	(44.5)
Operating expenses arising from investment property	12.4	12.2
Net gain	**(33.6)**	**(32.3)**

There are no restrictions on the City's ability to realise the value inherent in its investment property or on the City's right to the remittance of income and the proceeds of disposal. The City has no contractual obligations to purchase, construct or develop investment property or repairs, maintenance or enhancement.

The following table summarises the movement in the fair value of investment properties over the year:

	2013/14 £m	2012/13 £m
Balance at start of the year	794.1	794.4
Transfers	15.8	0.0
Additions:		
Purchases	162.2	0.0
Construction	4.6	2.5
Subsequent expenditure	0.7	1.9
Disposals	(67.0)	(56.0)
Revaluations:		
Net gains from fair value adjustments	105.9	51.3
Balance at end of the year	**1,016.3**	**794.1**

16. Intangible Assets

Long Term Intangible Assets

Intangible long term assets comprise computer software licences, which are capitalised at cost. They are not revalued and are amortised over their useful life.

Amortisation is provided on all intangible long term assets, calculated by allocation of the Balance Sheet value of the asset, less any residual value, to the periods expected to benefit from its use on a straight line basis over the following indicative periods.

Computer software	3 – 7 years

Amortisation charges in respect of the value of intangible assets at the start of the year are charged to service revenue accounts.

The movement on Intangible Asset balances during the year is as follows:

	2013/14 £m	2012/13 £m
Balance at start of year:		
Gross carrying amounts	1.3	1.3
Accumulated amortisation	(0.8)	(0.6)
Net carrying amount at start of year	0.5	0.7
Additions	0.1	0.0
Amortisation for the period	(0.2)	(0.2)
Net carrying amount at end of year	0.4	0.5
Comprising		
Gross carrying amounts	1.4	1.3
Accumulated amortisation	(1.0)	(0.8)
Balance at end of the year	**0.4**	**0.5**

17. Capital Expenditure and Capital Financing

The total amount of capital expenditure incurred in the year is shown, in the table below, together with the resources that have been used to finance it. The City has a negative capital financing requirement, i.e. it has no underlying need to borrow to finance capital expenditure and no plans to borrow to finance future expenditure. To the extent that capital expenditure is not financed immediately through capital receipts, grants and contributions or direct financing from revenue balances the capital financing requirement will change although it will remain negative. As set out in note 43 the supply of a number of vehicles by the contractor providing the City's cleansing services has been classified as a finance lease. The substance of the transaction is considered to be the same as if the City had purchased the vehicles and financed this by taking out a loan. The vehicles are therefore included as an asset and a liability is recognised for the same amount.

	2013/14 £m	2012/13 £m
Opening Capital Financing Requirement	**(1.6)**	**(1.6)**
Capital Investment		
Property, Plant and Equipment	15.7	14.8
Investment Properties	167.5	4.4
Intangible Assets	0.1	0.0
Revenue Expenditure Funded from Capital Under Statute	0.4	2.3
Sources of Finance		
Capital Receipts	(89.8)	(10.3)
Capital grants, contributions and donations	(9.0)	(8.1)
Direct revenue contributions	(84.9)	(3.1)
Closing Capital Financing Requirement	**(1.6)**	**(1.6)**

18. Financial Instruments

The financial instruments recognised in the City Fund financial statements include trade debtors and creditors, bank deposits and investments.

Categories of Financial Instruments

The financial instruments disclosed in the Balance Sheet are made up of the following categories:

	Long Term		Current	
	31 March 2014 £m	31 March 2013 £m	31 March 2014 £m	31 March 2013 £m
Investments				
Loans and receivables	7.9	50.4	331.6	345.2
Total Investments	7.9	50.4	331.6	345.2
Debtors				
Loans and receivables	11.2	12.0	24.7	23.1
Total Debtors	11.2	12.0	24.7	23.1
Creditors				
Financial liabilities at amortised cost	0.0	0.0	(36.2)	(40.7)
Total Creditors	0.0	0.0	(36.2)	(40.7)
Long Term Liabilities				
Finance Leases	(0.4)	(0.5)	0.0	0.0
Total Long Term Liabilities	(0.4)	(0.5)	0.0	0.0

Investments

The City's investments comprise cash that is not required for day to day purposes invested in deposits of varying fixed lengths and fixed interest rates in the London money markets.

Income, Expense, Gains and Losses

The gains and losses recognised in the Income and Expenditure account in relation to financial instruments are made up as follows:

	2013/14 Financial Assets Loans and Receivables £m	2012/13 Financial Assets Loans and Receivables £m
Impairment (gains)/losses	(0.7)	0.3
Total (Gains)/Losses in Surplus or Deficit on the Provision of Services	**(0.7)**	**0.3**
Interest Income	(5.5)	(10.4)
Total Income in Surplus or Deficit on the Provision of Services	**(5.5)**	**(10.4)**
Net gain for year	**(6.2)**	**(10.1)**

Fair Value of Assets and Liabilities

Financial liabilities and financial assets represented by loans and receivables and long term debtors are carried in the Balance Sheet at amortised cost. The fair value of trade and other receivables is taken to be the invoiced or billed amount. Short term debtors and creditors are carried at cost as this is a fair approximation of their value. The City's investments in the London money markets are predominately fixed rate and fixed length deposits. The carrying amount of the investments is assumed to be a reasonable approximation of fair value taking into account the period to maturity.

	31 March 2014		31 March 2013	
	Carrying Amount £m	Fair Value £m	Carrying Amount £m	Fair Value £m
Loans and receivables	339.5	339.5	395.6	395.6

19. Nature and Extent of Risks arising from Financial Instruments

The City Of London Corporation's activities expose it to a variety of financial risks:

- Credit risk – the possibility that other parties might fail to pay amounts due
- Liquidity risk – the possibility that the City might not have enough funds available to meet its commitments to make payments
- Market risk – the possibility that financial loss might arise as a result of changes in such measures as interest rates and stock market movements

The City of London Corporation has adopted CIPFA's Treasury Management in the Public Services: Code of Practice and sets treasury management indicators to control key financial instrument risks in accordance with CIPFA's Prudential Code. The City's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund services. Risk management is carried out by a central treasury team, under policies approved by the Court of Common Council in the annual treasury management strategy statement.

Credit Risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the City's customers. Deposits are not made with banks and financial institutions unless they are rated independently with a minimum score of Long term A, Short term F1 Viability bbb, Support 3. The City Corporation also invests in Money Market Funds, which are subject to a minimum credit rating of AAA. The lending list is reviewed on a regular basis using advice from credit rating agencies and in-house judgements based partially on credit default swap rates.

The creditworthiness of the counterparties on the City Corporation's lending list is carefully monitored. Security of the investments was paramount but with liquidity and yield also being considerations. By the end of the year the City effectively only had five potential borrowers in the form of banks and building societies and it was necessary to maintain high levels of individual maximum lending limits to accommodate lending requirements. The lending limit attributable to HSBC, Barclays and Royal Bank of Scotland Group Banks was maintained at maximum lending limits of £100m each, and the government supported Lloyds TSB Bank was fixed at £150m, this organisation being the City's banker. The lending limit for the Nationwide Building Society was maintained at £120m. The maximum duration for such loans was fixed at three years. The list also contains four foreign banks with individual limits of £25m, National Australia Bank, Australia and New Zealand Banking Group, NV Bank Nederlandse Gemeenten and Svenska Handelsbanken. However, these institutions do not normally operate in the City Corporation's marketplace. The lending list also includes five top rated Money Market Funds; CCLA, Federated Prime Rate Funds, Ignis Asset Management Liquidity Funds, Invesco and Payden Sterling Reserve Fund, which effectively offer daily liquidity for deposits.

The City's maximum exposure to credit risk in relation to its investments in banks and money market funds cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. No credit limits were exceeded during the reporting period and the City does not expect any losses from non-performance by any counterparty in relation to outstanding deposits.

The City does not generally allow credit for customers. Therefore the potential maximum exposure to credit risk is with customers for which prudent provision for bad debts has been included within the accounts based on the length of time past due and progress on recovery action. The past due but not impaired amount is summarised below.

	Amount as at 31 March 2014 £000s	Amount as at 31 March 2013 £000s
Less than three months	11.3	9.0
Three to six months	0.8	1.2
Six months to one year	0.4	0.3
More than one year	0.5	0.6
Total	**13.0**	**11.1**

Liquidity risk

As the authority has ready access to borrowings from the Public Works Loans Board, there is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments. At present, the City has no borrowing exposure and has no plans to borrow to finance future capital expenditure. All trade creditors and other payables are due to be paid in less than one year.

Market risk

Interest rate risk

The authority is exposed to significant risk in terms of its exposure to interest rate movements on its investments. Movements in interest rates have a complex impact on the authority. For instance, a rise in interest rates would have the following effects:

- investments at variable rates – the interest income credited to the Income and Expenditure Account will rise
- investments at fixed rates – the fair value of the assets will fall

The reduced interest rates for 2013/14 continue to have a severe adverse impact on the income earnings of the City Fund and HRA, which is anticipated to continue in 2014/15, although longer term deals are entered into wherever possible to earn higher rates when available.

Changes in interest receivable on variable rate investments are posted to the Surplus or Deficit on the Provision of Services and affect the City Fund unallocated reserve. The Treasury Management Team has an active strategy for assessing interest rate exposure that feeds into the setting of the annual budget and which is used to update the budget quarterly during the year. According to this assessment strategy, if interest rates had been 1% higher with all other variables held constant, the financial effect at 31 March on investments with variable rates would be:

	2013/14 £m	2012/13 £m
Increase in interest receivable on investments held at variable rates		
City Fund	1.2	1.4
HRA	0.0	0.0
Total	**1.2**	**1.4**

The impact of a 1% fall in interest rates would be as above but with the movements being reversed.

Price risk

The authority does not invest in equity shares within the City Fund.

Foreign exchange risk

The authority has no financial assets or liabilities denominated in foreign currencies and thus has no exposure to loss arising from movements in exchange rates.

20. Long Term Debtors

	31 March 2014 £m	31 March 2013 £m
Loans to Museum of London (repayable by 2032)	2.4	2.6
Museum of London - Net Investment in Finance Lease	8.5	9.0
Prepayment in respect of affordable housing units	0.0	4.2
Museum in Docklands Loan	0.2	0.3
Service Charge Loans	0.1	0.1
	11.2	**16.2**

21. Debtors and Payments in Advance falling due within a year

	31 March 2014		31 March 2013
	£m	£m	£m
Central Government Bodies		28.5	12.8
Greater London Authority		1.7	0.0
Rents	8.6		7.7
less impairment allowance for bad and doubtful debts	(0.8)		(0.8)
		7.8	6.9
Sundry	17.8		17.8
less impairment allowance for bad and doubtful debts	(2.2)		(2.9)
		15.6	14.9
City's share of national business rates arrears	5.4		0.0
less impairment allowance for bad and doubtful debts	(3.0)		0.0
		2.4	0.0
Museum of London Net Investment in Finance Lease		0.5	0.6
Season Ticket and Loans to Employees		0.8	0.7
Prepayments		11.6	9.1
		68.9	**45.0**

The Code specifies that, except where information is not material, debtors should be analysed between the following categories; central government bodies, other local authorities, NHS bodies, public corporations and trading funds, and bodies external to general government (i.e. all other bodies). With the exception of central government bodies and the Greater London Authority, there are no material amounts due from other general government bodies.

22. Cash and Cash Equivalents

The balance of Cash and Cash Equivalents is made up of the following elements:

	31 March 2014	31 March 2013
	£m	£m
Cash at bank (overdrawn)/in hand	(3.4)	14.1
Cash equivalents	43.6	0.0
	40.2	**14.1**

23. Creditors and Receipts in Advance

	31 March 2014 £m	31 March 2013 £m
Central Government Bodies	(46.1)	(52.9)
Greater London Authority	(25.0)	(4.2)
City's share of national business rates creditors and receipts in advance	(10.4)	0.0
Deposits	(8.5)	(6.8)
Sundry	(27.7)	(33.9)
Receipts in advance	(26.0)	(22.3)
Spitalfields Market Tenants Fund	(1.0)	(1.2)
	(144.7)	**(121.3)**

The Code specifies that, except where information is not material, creditors should be analysed between the following categories; central government bodies, other local authorities, NHS bodies, public corporations and trading funds, and bodies external to general government (i.e. all other bodies). With the exception of central government bodies and the Greater London Authority, there are no material amounts due from other general government bodies. The City also acts as an agent on behalf of the Greater London Authority by collecting sums due from national non-domestic rates, Community Infrastructure Levy (CIL and Section 106 agreements planning obligations). Sums collected, but not yet paid over, by the City as an agent for theses bodies are included as creditors.

24. Provisions

	National Business Rates		City Premium on Business Rates	
	Appeals relating to 2013/14 £m	Backdated Appeals adjustments £m	Appeals relating to 2013/14 £m	Backdated Appeals adjustments £m
Balance at 1 April 2013	0.0	0.0	0.0	0.0
Provisions made in 2013/14	(9.9)	(24.2)	(0.3)	(0.7)
Balance at 31 March 2014	(9.9)	(24.2)	(0.3)	(0.7)

With the introduction of the Business Rates Retention Scheme from 1 April 2013, Local Authorities are liable for successful appeals against business rates in their proportionate share. Therefore, a provision has been recognised for the best estimate of successful appeals up to 31 March 2014.

25. Usable Reserves

Movements in the City's usable reserves are detailed in the Movement in Reserves Statement on page 11 and Notes 7 and 8.

26. Unusable Reserves

	Note	31 March 2014 £m	31 March 2013 Restated £m
Revaluation Reserve	A	(151.9)	(99.0)
Capital Adjustment Account	B	(1,589.8)	(1,361.9)
Pensions Reserve	C	893.7	774.2
Collection Fund Adjustment Account	D	14.8	(0.6)
Accumulated Absences Account	E	2.9	3.2
Total Unusable Reserves		**(830.3)**	**(684.1)**

A. Revaluation Reserve

The Revaluation Reserve contains the gains arising from increases in the value of Property, Plant and Equipment. The balance is reduced when assets with accumulated gains are:

- revalued downwards or impaired and the gains are lost
- used in the provision of services and the gains are consumed through depreciation, or
- disposed of and the gains are realised.

The Reserve contains only revaluation gains accumulated since 1 April 2007, the date that the Reserve was created. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account (see note B).

	2013/14 £m	2013/14 £m	2012/13 £m
Balance at 1 April		(99.0)	(80.4)
Upward revaluation of assets	(60.7)		(22.3)
Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	1.6		1.6
Surplus on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services		(59.1)	(20.7)
Difference between fair value depreciation and historical cost depreciation	1.7		1.4
Assets reclassified as investments	3.1		
Accumulated losses on assets sold or scrapped	1.4		0.7
Amount written off to the Capital Adjustment Account		6.2	2.1
Balance at 31 March		**(151.9)**	**(99.0)**

B. Capital Adjustment Account

The Capital Adjustment Account includes entries for the financing of capital expenditure and other capital transactions. The account contains the amount of capital expenditure financed from revenue, capital receipts and other sources. It is reduced by the amounts provided for depreciation and for the write-down of revenue expenditure funded from capital under statute and adjustments for disposals of fixed assets.

The Account contains accumulated gains and losses on Investment Properties.

The Account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains.

	2013/14		2012/13
	£m	£m	£m
Balance at 1 April		(1,361.9)	(1,364.7)
Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:			
Charges for depreciation and impairment of non-current assets	20.4		20.6
Revaluation gains on Property, Plant and Equipment	(25.9)		(5.8)
Amortisation of intangible assets	0.2		0.2
Revenue expenditure funded from capital under statute	0.4		2.3
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Account	72.2		59.8
	67.3		77.1
Adjusting amounts written out of the Revaluation Reserve	(6.2)		(2.1)
Net written out amount of the cost of non-current assets consumed in the year		61.1	75.0
Capital financing applied in the year:			
Use of the Capital Receipts Reserve to finance new capital expenditure	(89.8)		(10.3)
Use of the Major Repairs Reserve to finance new capital expenditure	(0.2)		(1.3)
Capital grants,contributions and donations credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(7.3)		(7.4)
Application of grants to capital financing from the Capital Grants Unapplied Account	(1.7)		(0.7)
Capital expenditure charged against the City Fund and HRA balances	(84.7)		(1.8)
		(183.7)	(21.5)
Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement		(105.9)	(51.3)
Museum of London finance lease and loan principle		0.6	0.6
Balance at 31 March		**(1,589.8)**	**(1,361.9)**

C. Pension Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding benefits in accordance with statutory provisions. Post-employment benefits in the Comprehensive Income and Expenditure Statement are recognised as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as employer's contributions are paid to pension funds. The debit balance on the Pensions Reserve therefore shows a substantial shortfall between the benefits earned by past and current employees and the resources set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid. The negative pension reserve matches the estimated liabilities on the City of London, Police and Judges Pension Schemes as determined by independent actuaries using the projected unit method and in accordance with IAS19 (see notes 46 to 48).

	2013/14 £m	2012/13 Restated £m
Balance at 1 April	774.2	734.2
Actuarial (gains) or losses on pension assets and liabilities	91.9	11.3
Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	60.0	58.1
Employer's pension contributions less direct payments to pensioners payable in the year	(32.4)	(29.4)
Balance at 31 March	**893.7**	**774.2**

D. Collection Fund Adjustment Account

The Collection Fund Adjustment Account manages the differences arising from the recognition of national business rates and council tax income in the Comprehensive Income and Expenditure Statement as it falls due from business rate and council tax payers compared with the statutory arrangements for paying across amounts to the City Fund from the Collection Fund.

	2013/14 £m	2012/13 £m
Balance at 1 April	(0.6)	(0.5)
Amount by which national business rates and council tax income credited to the Comprehensive Income and Expenditure Statement is different from national business rates and council tax income calculated for the year in accordance with statutory requirements	15.4	(0.1)
Balance at 31 March	**14.8**	**(0.6)**

E. Accumulated Absences Account

The Accumulated Absences Account absorbs the differences that would otherwise arise on the City Fund unallocated reserve from accruing for compensated absences earned but not taken in the year, e.g. annual leave entitlement carried forward at 31 March. Statutory arrangements require that the impact on the City Fund unallocated reserve is neutralised by transfers to or from the Account.

	2013/14		2012/13
	£m	£m	£m
Balance at 1 April		3.2	2.2
Settlement or cancellation of accrual made at the end of the preceding year	(3.2)		(2.2)
Amounts accrued at the end of the current year	2.9		3.2
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from the remuneration chargeable in the year in accordance with statutory requirements		(0.3)	1.0
Balance at 31 March		**2.9**	**3.2**

27. Cash Flow Statement – Interest Received

The cash flows from operating activities include the following item:

	2013/14 £m	2012/13 £m
Interest received	(5.5)	(10.4)

28. Cash Flow Statement – Investing Activities

	2013/14 £m	2012/13 £m
Purchase of property, plant and equipment, investment property and intangible assets	183.8	20.4
Movement in short-term and long-term investments	(56.1)	72.6
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(80.9)	(82.1)
Income from finance lease	(0.5)	(0.5)
Other receipts from investing activities	(19.1)	(2.6)
Net cash outflows from investing activities	**27.2**	**7.8**

29. Cash Flow Statement – Financing Activities

	2013/14 £m	2012/13 £m
Billing Authorities - Council Tax and NNDR Adjustments	(9.4)	33.1
Difference between cash collected on behalf of the Mayor of London under the Community Infrastructure Levy and the amount paid to the Greater London Authority	(2.4)	(1.0)
Difference between cash collected on behalf of the Mayor of London under Crossrail planning obligations (Section 106 Agreements) and the amount paid to Transport for London	(1.1)	(2.8)
Reduction in finance lease liability	0.1	0.0
Net cash inflows from financing activities	**(12.8)**	**29.3**

30. Analyses used for Resource Allocation Decisions

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is that specified by the Service Reporting Code of Practice. However, in making decisions about resource allocation, the City's Policy and Resources Committee considers expenditure analysed across Service Committees amongst other factors. These analyses are prepared on a different basis from the accounting policies used in the financial statements. In particular:

- the cost of retirement benefits is based on cash flows (payments of employer's pensions contributions) rather than the current service cost of benefits accrued in the year
- notional interest charges, reflecting the cost to the City of having resources tied up in fixed assets that could otherwise have been invested or applied to the provision of another service, are included in costs reported to some Service Committees but excluded from the Comprehensive Income and Expenditure Statement
- a number of other adjustments, such as the reversal of depreciation and impairment charges to the Capital Adjustment Account, capital expenditure funded from revenue and transfers to or from reserves, are included in budgets reported to Committees. These items are excluded from the Comprehensive Income and Expenditure Statement and included in the Movement in Reserves Statement.

The income and expenditure of the City's Committees are as follows:

Committee Income and Expenditure 2013/14	Police £m	Barbican Centre £m	Community & Children's Services £m	Planning & Transportation £m	Port Health & Environmental Services £m	Other £m	Total £m
Fees, charges & other service income	(4.5)	(15.5)	(17.1)	(18.8)	(11.4)	(75.2)	(142.5)
Interest & investment income	0.0	0.0	(0.1)	0.0	0.0	(5.4)	(5.5)
Government grants and contributions	(42.6)	(2.2)	(12.2)	(4.0)	(0.5)	(9.3)	(70.8)
Transfers from reserves	(0.1)	0.0	(0.7)	(2.1)	0.0	(2.6)	(5.5)
Reversal of capital charges	(1.8)	0.0	16.6	0.0	0.0	(12.2)	2.6
Total Income	(49.0)	(17.7)	(13.5)	(24.9)	(11.9)	(104.7)	(221.7)
Employee expenses	87.8	15.4	10.0	8.5	10.1	22.4	154.2
Other service expenses	21.5	25.5	26.3	16.1	13.8	59.1	162.3
Transfers to reserves	0.8	0.0	3.6	5.4	0.0	3.7	13.5
Capital Charges							
Depreciation, amortisation and impairment	1.8	3.0	(16.6)	6.2	(0.9)	1.2	(5.3)
Notional interest charges	0.0	0.0	0.0	0.1	0.5	2.1	2.7
Revenue contributions to capital expenditure	0.0	0.0	0.0	0.0	0.0	84.6	84.6
	111.9	43.9	23.3	36.3	23.5	173.1	412.0
City Fund Requirement - Net Expenditure/(Income)	**62.9**	**26.2**	**9.8**	**11.4**	**11.6**	**68.4**	**190.3**

Committee Income and Expenditure 2012/13	Police £m	Barbican Centre £m	Community & Children's Services £m	Planning & Transportation £m	Port Health & Environmental Services £m	Other £m	Total £m
Fees, charges & other service income	(2.4)	(19.7)	(15.6)	(18.0)	(10.9)	(75.2)	(141.8)
Interest & investment income	0.0	0.0	0.1	0.0	0.0	(10.5)	(10.4)
Government grants and contributions	(39.3)	(2.2)	(11.2)	(4.9)	(0.3)	(9.4)	(67.3)
Transfers from reserves	0.0	0.0	(0.8)	(1.8)	(0.1)	(3.4)	(6.1)
Reversal of capital charges	(2.9)	0.0	2.0	0.0	0.0	(16.8)	(17.7)
Total Income	(44.6)	(21.9)	(25.5)	(24.7)	(11.3)	(115.3)	(243.3)
Employee expenses	84.0	13.7	7.4	8.4	9.3	21.6	144.4
Other service expenses	19.0	29.6	25.4	19.7	15.6	58.3	167.6
Transfers to reserves	1.4	0.0	3.9	4.1	0.0	11.2	20.6
Capital Charges							
Depreciation, amortisation and impairment	2.9	2.6	(0.6)	5.4	1.3	3.4	15.0
Notional interest charges	0.0	0.0	0.0	0.1	0.4	2.2	2.7
Revenue contributions to capital expenditure	0.0	0.0	0.0	0.0	0.0	1.8	1.8
	107.3	45.9	36.1	37.7	26.6	98.5	352.1
City Fund Requirement - Net Expenditure/(Income)	**62.7**	**24.0**	**10.6**	**13.0**	**15.3**	**(16.8)**	**108.8**

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Reconciliation of Committee Income and Expenditure to Cost of Services in the Comprehensive Income and Expenditure Statement

This reconciliation shows how the figures in the analysis of Committee income and expenditure relate to the amounts included in the Comprehensive Income and Expenditure Statement.

	2013/14 £m	2012/13 Restated £m
Net expenditure in the Committee Analysis	190.3	108.8
Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the Analysis	(7.1)	(3.4)
Amounts included in the Analysis not included in the cost of services in the Comprehensive Income and Expenditure Statement	(57.7)	45.5
Cost of Services in the Comprehensive Income and Expenditure Statement	**125.5**	**150.9**

Reconciliation to Subjective Analysis

This reconciliation shows how the figures in the analysis of Committee income and expenditure relate to a subjective analysis of the Surplus or Deficit on the Provision of Services included in the Comprehensive Income and Expenditure Statement.

2013/14	Committee Analysis £m	Amounts not reported for decision making £m	Amounts not included in Cost of Services £m	**Cost of Services £m**	Corporate Amounts £m	**Total £m**
Fees, charges and other service income	(142.5)	0.0	53.0	**(89.5)**	(53.0)	**(142.5)**
Interest and investment income	(5.5)	0.0	5.5	**0.0**	(116.3)	**(116.3)**
National Business Rates	0.0	0.0	0.0	**0.0**	(213.8)	**(213.8)**
City Offset	0.0	0.0	0.0	**0.0**	(10.5)	**(10.5)**
City Premium	0.0	0.0	0.0	**0.0**	(5.7)	**(5.7)**
Income from council tax	0.0	0.0	0.0	**0.0**	(5.7)	**(5.7)**
Government grants, contributions and donations	(70.8)	0.0	1.1	**(69.7)**	(88.8)	**(158.5)**
Transfers from reserves	(5.5)	0.0	5.5	**0.0**	0.0	**0.0**
Reversal of capital charges	2.6	0.0	(2.6)	**0.0**	0.0	**0.0**
City funding for refcus	0.0	0.0	0.0	**0.0**	0.0	**0.0**
Total Income	**(221.7)**	**0.0**	**62.5**	**(159.2)**	**(493.8)**	**(653.0)**
Employee expenses	154.2	(7.1)	(1.5)	**145.6**	1.5	**147.1**
Other service expenses	161.5	0.0	(16.5)	**145.0**	21.7	**166.7**
Transfers to reserves	13.5	0.0	(13.5)	**0.0**	0.0	**0.0**
Depreciation, amortisation and impairment	(5.3)	0.0	(0.6)	**(5.9)**	0.6	**(5.3)**
Notional interest charges	2.7	0.0	(2.7)	**0.0**	0.0	**0.0**
Revenue contributions to capital expenditure	84.6	0.0	(84.6)	**0.0**	0.0	**0.0**
Interest Payments	0.0	0.0	0.0	**0.0**	34.1	**34.1**
Precepts & Levies	0.5	0.0	(0.5)	**0.0**	0.5	**0.5**
National Business Rates Tariff Payment to Government	0.0	0.0	0.0	**0.0**	200.3	**200.3**
Payments to the Government's housing capital receipts pool	0.3	0.0	(0.3)	**0.0**	0.3	**0.3**
Gain or Loss on Disposal of Fixed Assets	0.0	0.0	0.0	**0.0**	(8.7)	**(8.7)**
Total Expenditure	**412.0**	**(7.1)**	**(120.2)**	**284.7**	**250.3**	**535.0**
Surplus or deficit on the provision of services	**190.3**	**(7.1)**	**(57.7)**	**125.5**	**(243.5)**	**(118.0)**

2012/13 Restated	Committee Analysis £m	Amounts not reported for decision making £m	Amounts not included in Cost of Services £m	**Cost of Services £m**	Corporate Amounts £m	**Total £m**
Fees, charges and other service income	(141.8)	0.0	54.0	**(87.8)**	(115.6)	**(203.4)**
Interest and investment income	(10.4)	0.0	10.4	**0.0**	(10.4)	**(10.4)**
City Offset	0.0	0.0	0.0	**0.0**	(10.3)	**(10.3)**
City Premium	0.0	0.0	0.0	**0.0**	(6.6)	**(6.6)**
Income from council tax	0.0	0.0	0.0	**0.0**	(5.7)	**(5.7)**
Government grants and contributions	(67.3)	0.0	1.9	**(65.4)**	(101.6)	**(167.0)**
Transfers from reserves	(6.1)	0.0	6.1	**0.0**	0.0	**0.0**
Reversal of capital charges	(17.7)	0.0	17.7	**0.0**	0.0	**0.0**
City funding for refcus	0.0	0.0	0.0	**0.0**	0.0	**0.0**
Total Income	**(243.3)**	**0.0**	**90.1**	**(153.2)**	**(250.2)**	**(403.4)**
Employee expenses	144.4	(3.4)	(1.4)	**139.6**	1.5	**141.1**
Other service expenses	167.8	0.0	(16.9)	**150.9**	27.3	**178.2**
Transfers to reserves	20.6	0.0	(20.6)	**0.0**	0.0	**0.0**
Depreciation, amortisation and impairment	15.0	0.0	(0.6)	**14.4**	0.6	**15.0**
Notional interest charges	2.7	0.0	(2.7)	**0.0**	0.0	**0.0**
Revenue contributions to capital expenditure	1.8	0.0	(1.8)	**0.0**	0.0	**0.0**
Interest Payments	0.0	0.0	0.0	**0.0**	33.1	**33.1**
Precepts & Levies	(0.4)	0.0	(0.4)	**(0.8)**	0.4	**(0.4)**
Payments to the Government's housing capital receipts pool	0.2	0.0	(0.2)	**0.0**	0.2	**0.2**
Gain or Loss on Disposal of Fixed Assets	0.0	0.0	0.0	**0.0**	(22.0)	**(22.0)**
Total Expenditure	**352.1**	**(3.4)**	**(44.6)**	**304.1**	**41.1**	**345.2**
Surplus or deficit on the provision of services	**108.8**	**(3.4)**	**45.5**	**150.9**	**(209.1)**	**(58.2)**

31. Acquired Operations

On 1 April 2013 public health services were transferred from primary care trusts (PCTs) to local authorities. To discharge their new public health responsibilities, local authorities were provided with a ring-fenced public health grant. The City's grant allocation for 2013/14 was £1.651m of which £0.3m has been carried forward to 2014/15 in an earmarked public health reserve.

32. Trading Operations

	2013/14 £m	2012/13 £m
Spitalfields Market		
Turnover	(5.9)	(8.8)
Expenditure	5.2	6.1
Surplus	(0.7)	(2.7)

Spitalfields Market is a horticultural market serving wholesalers, retailers and caterers from London and a wide area in the Home Counties. The net surplus for 2012/13 included a one-off VAT refund of £2.9m.

33. Agency Services

The City of London carries out certain work on an agency basis for which it is fully reimbursed. Revenue and capital work costing £2.5m (2012/13: £1.4m) and £2.4m (2012/13: £0.7m) respectively was undertaken on behalf of Transport for London. These sums were fully reimbursed.

34. Members' Allowances

Members do not receive any remuneration from the City of London for undertaking their duties. However, Members may claim travelling expenses in respect of activities outside the City and receive allowances in accordance with a scale when attending a conference or activity on behalf of the City of London Corporation. These costs, totalling £10,100 (2012/13:£8,600) across all of the City's activities, were met from the endowment funds of the City of London Corporation and not charged to the City Fund.

35. Remuneration of Senior Employees

Tables 1 to 3 set out the information required in accordance with Regulation 7 of the Accounts and Audit (England) Regulations 2011 for 2013/14 and 2012/13 respectively.

The number of officers whose remuneration, excluding employer's pension contributions, were £50,000 or more grouped in rising bands of £5,000 is set out in Table 1. Officers have been classified between those employees charged wholly to the City Fund, including Police officers, and those employees charged partly to the City Fund and partly to other funds of the City Corporation. The numbers include those officers required to be separately disclosed and set out in Tables 2 and 3.

Table 1 – Remuneration in bands

Salary Range £	Wholly charged to City Fund				Partially Charged to City Fund	
	2013/14	2012/13	2013/14	2012/13	2013/14	2012/13
	Police Officers		Other			
50 - 54,999	114	142	50	64	61	62
55 - 59,999	62	66	32	31	38	44
60 - 64,999	55	58	18	18	25	28
65 - 69,999	24	26	15	9	22	21
70 - 74,999	13	6	2	3	8	7
75 - 79,999	1	0	2	1	6	6
80 - 84,999	1	3	3	4	0	1
85 - 89,999	1	3	3	2	0	3
90 - 94,999	1	2	3	2	6	7
95 - 99,999	1	2	3	0	2	3
100 - 104,999	1	0	1	4	5	1
105 - 109,999	1	1	1	2	1	3
110 - 114,999	0	0	0	0	0	1
115 - 119,999	0	0	0	0	1	2
120 - 124,999	0	0	1	0	2	2
125 - 129,999	0	1	1	1	2	1
130 - 134,999	0	0	1	1	1	1
140 - 144,999	1	0	1	1	1	1
175 - 179,999	1	1	0	0	1	1
185 - 189,999	0	0	1	1	0	0
205 - 209,999	0	0	0	0	1	0

Where there are no officers in a band, that band has not been included in the table.

Table 2 - 2013/14 remuneration for those senior employees and relevant police officers required to be disclosed individually

Post Title	Name	Notes	Proportion charged to Local or Police Authority Activities where less than 100% %	Salary (including fees & allowances) £000	Bonus £000	Expenses £000	Benefits in Kind £000	Other Payments (Police Officers only) £000	Total Remuneration excluding pension contributions 2013/14 £000	Pension Contributions £000	Total Remuneration including Pension Contributions 2013/14 £000
Salary is £150,000 or more a year											
Town Clerk and Chief Executive	J. Barradell	i	60%	125	0	0	0	0	125	22	147
Chamberlain	C. Bilsland	i	65%	114	3	0	0	0	117	1	118
Police Commissioner	A. Leppard			165	0	0	0	13	178	33	211
Managing Director Barbican Centre	N. Kenyon			180	5	0	0	0	185	32	217
Salary is between £50,000 and £150,000											
Director of Built Environment	-			139	4	0	0	0	143	25	168
Director of Community & Children's Services	-			124	0	0	0	0	124	22	146
Director of Culture, Heritage & Libraries	-	i	65%	68	1	0	0	0	69	12	81
City Planning Officer	-			128	1	0	0	0	129	1	130
Deputy Town Clerk	-	i	60%	74	0	0	0	0	74	13	87
Director of Markets & Consumer Protection	-	i	65%	64	0	0	0	0	64	11	75
Director of Open Spaces	-	i	25%	25	0	0	4	0	29	5	34
Comptroller & City Solicitor	-	i	60%	81	0	0	0	0	81	14	95
City Surveyor	-	i	30%	42	1	0	0	0	43	0	43
				1,329	**15**	**0**	**4**	**13**	**1,361**	**191**	**1,552**

Table 3 - 2012/13 remuneration for those senior employees and relevant police officers required to be disclosed individually

Post Title	Name	Notes	Proportion charged to Local or Police Authority Activities where less than 100% %	Salary (including fees & allowances) £000	Bonus £000	Expenses £000	Benefits in Kind £000	Other Payments (Police Officers only) £000	Total Remuneration excluding pension contributions 2012/13 £000	Pension Contributions £000	Total Remuneration including Pension Contributions 2012/13 £000
Salary is £150,000 or more a year											
Town Clerk and Chief Executive (started 10/9/2012)	J. Barradell	i	60%	67	0	0	0	0	67	12	79
Town Clerk and Chief Executive (left 16/9/2012)	C. Duffield	i	60%	63	0	0	0	0	63	0	63
Chamberlain	C. Bilsland	i	65%	113	3	0	0	0	116	0	116
Police Commissioner	A. Leppard			164	0	1	0	11	176	39	215
Managing Director Barbican Centre	N. Kenyon			178	9	0	0	0	187	33	220
Salary is between £50,000 and £150,000											
Director of Built Environment	-			139	5	0	0	0	144	25	169
Director of Community & Children's Services (left 6/1/2013)	-			96	6	0	0	0	102	18	120
Director of Culture, Heritage and Libraries	-	i	65%	66	0	0	0	0	66	12	78
City Planning Officer	-			127	4	0	0	0	131	0	131
Director of Markets and Consumer Protection	-	i	65%	64	3	0	0	0	67	12	79
Director of Open Spaces	-	i	25%	23	1	0	4	0	28	5	33
Deputy Town Clerk	-	i	60%	72	0	0	0	0	72	13	85
Comptroller & City Solicitor	-	i	60%	78	0	0	0	0	78	14	92
City Surveyor	-	i	30%	41	1	0	0	0	42	0	42
				1,291	**32**	**1**	**4**	**11**	**1,339**	**183**	**1,522**

Notes to Senior Officers and Relevant Police Officers Remuneration Disclosures

(i) These officers provide services for the City of London Corporation's local authority and non-local authority activities. The remuneration included in the table above relates to the proportion charged to local authority and police activities. The annualised salary for each of these officers is as follows:

	2013/14 Annualised Salary £000	2012/13 Annualised Salary £000
Town Clerk and Chief Executive	208	217
Chamberlain	175	174
Director of Culture, Heritage & Libraries	105	102
Director of Markets & Consumer Protection	123	98
Director of Open Spaces	98	92
Deputy Town Clerk	100	120
Comptroller & City Solicitor	135	130
City Surveyor	140	137

36. Exit Packages

Exit Package Cost Band	Number of Compulsory Redundancies		Number of Other Departures Agreed		Total Number of Exit Packages by Cost Band		Total Cost of Exit Packages in Each Band	
	2013/14	2012/13	2013/14	2012/13	2013/14	2012/13	2013/14	2012/13
£	FTE No.	FTE No.	FTE No.	FTE No.	FTE No.	FTE No.	£000	£000
£0 - £20,000	4.0	5.6	2.0	5.4	6.0	11.0	92.0	113.0
£20,001 - £40,000	3.0	0.0	1.0	2.0	4.0	2.0	110.0	47.0
£40,001 - £60,000	3.0	0.0	0.0	1.0	3.0	1.0	151.0	41.0
£60,001 - £80,000	1.0	0.0	0.0	0.0	1.0	0.0	71.0	0.0
£80,001 - £100,000	1.0	1.0	0.0	0.0	1.0	1.0	85.0	100.0
£100,001 - £150,000	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
£150,001 - £170,000	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total	12.0	6.6	3.0	8.4	15.0	15.0	509	301

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37. Audit and Inspection Fees

The following costs have been incurred in relation to the audit of the Statement of Accounts, certification of grant claims and statutory inspections and to non-audit services provided by the City's external auditors, Deloitte LLP.

	2013/14 £m	2012/13 £m
External audit services carried out by the appointed auditor under the Audit Commission's Code of Audit Practice in accordance with section 5 of the Audit Commission Act 1998.	0.10	0.10
Certification of grant claims and returns by the appointed auditor under section 28 of the Audit Commission Act 1998.	0.02	0.02
Fees payable in respect of other services provided during the year	0.03	0.05
	0.15	**0.17**

The fees for other services payable in both 2012/13 and 2013/14 related to property advisory services.

Audit Fees of £0.02m (2012/13 £0.02m) in respect of the City of London Pension Fund are not included in the above table and have been met by the Pension Fund.

38. Dedicated Schools Grant

In 2013/14, the City of London received a specific grant from the Department for Education, the Dedicated Schools Grant (DSG), of £2.48m (2012/13: £2.33m). DSG is ring-fenced and can only be applied to meet expenditure properly included in the Schools Budget as defined in the School Finance (England) Regulations 2011. The Schools Budget includes elements for a range of education services provided on an authority wide basis and for the Individual School Budget for maintained schools.

Details of the deployment of DSG receivable for 2013/14 are as follows:

	Schools Budget Funded by Dedicated Schools Grant		
	Central Expenditure £m	Individual School Budget £m	Total £m
Final DSG for 2013/14 before Academy recoupment			(2.48)
Academy Figure recouped for 2013/14			0.00
Total DSG after Academy recoupment for 2013/14			(2.48)
Brought forward from 2012/13			(0.68)
Carry forward to 2013/14 agreed in advance			0.00
Agreed initial budgeted distribution in 2013/14	1.40	1.76	(3.16)
In year adjustments	0.00	0.00	0.00
Final budgeted distribution in 2013/14	1.40	1.76	(3.16)
Less actual central expenditure	(0.53)		(0.53)
Less actual ISB deployed to schools		(1.76)	(1.76)
Local authority contribution for 2013/14	0.00	0.00	0.00
Carry forward to 2014/15	**0.87**	**0.00**	**0.87**

39. Non Distributed Costs

Non distributed costs comprise the City Fund's share of past service costs in relation to the City of London Pension Scheme.

40. Grant Income credited to the Comprehensive Income and Expenditure Statement

The following grants, contributions and donations have been credited to the Comprehensive Income and Expenditure Statement.

	2013/14 £m	2012/13 £m
Credited to Taxation and Non Specific Grant Income		
Revenue Grants		
National Non Domestic Rates Distribution	0.0	(62.0)
City Offset	(10.5)	(10.3)
Revenue Support Grant	(22.2)	(1.2)
Police Grant	(57.8)	(30.2)
Local Services Support Grant	0.0	(0.5)
Early Intervention Grant	0.0	(1.1)
Council Tax Freeze Grant	(0.1)	(0.1)
New Homes Bonus	(0.4)	(0.3)
Council Tax Localisation	(0.1)	0.0
Capitalisation and Provision Redistribution Grant	(0.1)	0.0
Other Non-Specific Government Grants	(0.3)	0.0
Capital Grants and contributions		
Home Office	(0.8)	(1.1)
Transport for London	(2.3)	(0.7)
Section 106/278 Contributions	(4.0)	(4.4)
Other capital grants and contributions	(0.7)	0.1
Total	**(99.3)**	**(111.8)**
Credited to Services		
Revenue Grants (Government)		
Home Office		
Counter Terrorism	(8.4)	(8.6)
Police Pensions	(15.4)	(12.3)
National Fraud Intelligence Bureau	(3.2)	(2.5)
Neighbourhood Policy Fund	0.0	(1.6)
National Cyber Security Programme	(2.2)	(1.6)
National Lead Force for Fraud	(2.8)	(1.5)
Regional Capability on Economic Crime	(0.4)	(1.0)
South East Lead Force	0.0	(1.1)
Other	(0.9)	(1.2)
Department for Work and Pensions		
Housing and Council Tax Benefit	(6.0)	(6.0)
HM Courts and Tribunals Service	(4.9)	(4.8)
Department for Education		
Dedicated Schools Grant	(2.3)	(2.1)
Other	(0.1)	(0.1)
Department for Communities and Local Government		
Cost of Collection Allowance	(1.7)	(1.7)
Other	(0.1)	(0.1)
Department for Health		
Public Health	(1.7)	0.0
Other	(0.4)	0.0
Transport for London	(4.1)	(2.9)
Intellectual Property Office	(0.8)	0.0
Greater London Authority	(0.6)	0.0
Department for International Development	(1.1)	0.0
Other revenue grants (Government)	(2.0)	(3.4)
Non Government revenue grants and contributions		
S106/S278 contributions	(1.5)	(1.7)
UK Payments Adminstration Ltd	(2.6)	(2.3)
Association of British Insurers	(2.4)	(2.4)
Other	(3.8)	(3.9)
Capital Grants and contributions (funding revenue expenditure under statute)		
Section 106 contributions	0.0	(2.1)
Other	(0.4)	(0.2)
Total	**(69.8)**	**(65.1)**

41. Grants and Contributions Received in Advance

A number of grants and contributions have yet to be recognised as income as they have conditions attached to them which if they are not met will require the monies to be returned to the provider. The balances at the year-end are as follows:

Long Term

	2013/14 £m	2012/13 £m
Capital Grants and Contributions Receipts in Advance		
S106/S278 Capital Contributions	71.4	64.3
Home Office	0.3	0.0
Other	0.1	0.2
Total	**71.8**	**64.5**

Short Term

	2013/14 £m	2012/13 £m
Revenue Grants Receipts in Advance		
Department for Education	0.9	0.7
Skills Funding Agency	0.9	0.4
Home Office	0.0	1.3
Department for Environment, Food and Rural Affairs	0.1	0.2
Other	0.1	0.1
Total	**2.0**	**2.7**

42. Related Party Transactions

The code of practice on local authority accounting requires the City of London to disclose information on material "related party transactions" in accordance with IAS24.

Standing Orders

The City of London has adopted the following Standing Orders in relation to declarations of personal and beneficial interests:

"If a matter for decision is under consideration by the Court, or any Committee thereof, in which a Member has a personal interest, he must declare the existence and nature of his interest in accordance with the Code of Conduct.

If a matter for decision relating to the City of London Corporation's Housing or Barbican Residential Estates is under consideration by the Court, or any Committee thereof, which relates to land in which a Member has a beneficial interest he:

(a) must declare the existence and nature of his interest;

(b) may speak but not vote thereon"

Disclosure

Members are required to disclose their interests and these can be viewed online at www.cityoflondon.gov.uk.

Members and Chief Officers have been requested to disclose related party transactions of £10,000 or more in 2013/14 including instances where their close family has made transactions with the City of London.

During 2013/14 the following transactions were disclosed;

- one Member declared an interest in the London Symphony Orchestra which was paid £2,266,000 for performances at the Barbican Centre. Premises and services were provided to the Orchestra for which £198,000 was received;
- a Member declared that he was the Vice Chair of London Councils and another declared that he was an Ex-Officio Member. London Councils was paid £331,000 for various subscriptions and services, and £28,000 was received from London Councils relating to unspent match funding;
- a Member is a Trustee of City Arts Trust. Payments to and receipts from this charity for services were £350,000 and £28,000 respectively;
- a Member sits on the Guild Church Council of St. Lawrence Jewry which paid the City Fund £28,000 for maintenance services;
- a Member declared an interest in the Local Government Association which was paid £20,000 for subscriptions and conference fees;
- a Member is a senior adviser to PWC LLP which was paid £287,000 for consultancy services;
- a Member is an employee of the Keepmoat Group which provided building services at a cost of £54,000; and
- six Members and one Chief Officer are directors of the 'Lord Mayors Show Ltd' which was paid £30,000 for participation in the Lord Mayor's Show.

During 2012/13 the following transactions were disclosed;

- one Member declared an interest in a not for profit organisation that both provided services to the City and received services from the City. Payments to and receipts from this organisation were £2,681,000 and £156,000 respectively.
- grants totalling £715,000 were received from a charity in which one Member declared an interest. The same charity was paid £55,000 by the City for the provision of services.
- one Member disclosed an interest in another public sector organisation. Payments to and receipts from this organisation for services were £1,086,000 and £904,000 respectively.
- interests were declared in private companies providing services to the City by two Members. There were two companies and payments totalled £1,407,000.
- two Members and one Chief Officer disclosed interests in not for profit organisations to whom the City made payments for services. There were four organisations and total payments were £505,000.
- two Members declared interests in not for profit organisations to whom the City provided services. There were two organisations and total receipts were £34,000; and
- leases with the City were disclosed by two Members. There were two leases and the Members were the lessees. The total receipts by the City were £25,000.

All transactions complied with the City of London's procedures and there were no outstanding balances at year end.

Related Party Transactions with the Museum of London

The Museum of London is financed by the City of London and the Greater London Authority with the latter being the major funder and is subject to common control by central government. The City of London's contribution in 2013/14 was £5.3m (2012/13: £5.2m). Half of the appointments to the Board are made by the City of London. However, the City of London does not exercise control of the Museum. Amounts due from the Museum of London at 31 March 2014 are shown in notes 20 and 21.

Related Party Transactions with City's Cash and Bridge House Estates

During the year, the City Fund purchased investment properties from City's Cash and Bridge House Estates to secure immediate rent income providing a significantly higher return than interest on cash balances. The purchases also allowed for some logical location and ownership rationalisations within the City Fund Estate. The City Fund purchased two properties from City's Cash totalling £45.3m and four properties from Bridge House Estates totalling £61.4m. To ensure the integrity of each of the funds, all six properties were independently valued by an external firm of chartered surveyors in accordance with the RICS Valuation Professional Standards (the 'Red Book'). There were no significant transactions between the City Fund and the other main funds of the City Corporation during 2013/14.

There were no outstanding balances at year end.

Related Party Transactions Disclosed Elsewhere in the Accounts

The UK government has significant influence over the general operations of the City Fund. It is responsible for providing the statutory framework within which the City Fund operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the City Fund has with other parties (e.g. council tax bills, housing benefits). Grants from government departments are shown in Note 40. Amounts due to and from central government departments at 31 March 2014 are shown in notes 21 and 23 respectively.

Disclosures are made in respect of other public bodies which are subject to common control by central government in other parts of the accounts as follows:

Precepts from other Authorities

Pension Fund

43. Leases

Finance Leases

City as Lessee

Seven property agreements have been classified as finance leases – five relating to operational properties and two in respect of investment properties. In addition, as part of the City of London contract for its cleansing services, the vehicles owned by the contractor but which are used exclusively on the City of London contract have been classified as finance leases.

The assets acquired under these leases are carried as Property, Plant and Equipment and Investment Properties in the Balance Sheet at the following net amounts:

	31 March 2014 £m	31 March 2013 £m
Property, Plant and Equipment		
Other Land and Buildings	2.3	4.3
Vehicles, Plant and Equipment	0.2	0.4
Investment Properties	2.2	1.8
	4.7	**6.5**

The rental payments for each property lease are immaterial, the highest being £600 per annum. Consequently, no liabilities are recognised in the balance sheet and the rental payments are met in full from revenue over the terms of the leases rather than being apportioned between finance charges (interest) and reductions in the outstanding liabilities.

For the vehicles acquired under a finance lease the City will make payments over the term of the contract to meet the costs of the long term liability and the finance costs payable.

The lease is carried under other long term liabilities on the balance sheet:

	31 March 2014 £m	31 March 2013 £m
Long Term Liabilities	0.4	0.5

There are no commitments in respect of finance leases entered into before the year end but whose term has yet to commence.

City as Lessor

A long term lease was granted to the Museum of London in 1979 for its premises at London Wall. The lease has a remaining term of 58 years. The lease includes provision for the City Corporation to recover its capital costs incurred on the construction of the building by way of a loan to the Museum. The substance of this loan arrangement is effectively a finance lease.

The City has a gross investment in the lease relating to the minimum lease payments expected to be received over the remaining term. There is no residual value anticipated for the property when the lease comes to an end. The minimum lease payments comprise settlement of the long-term debtor for the interest in the property acquired by the lessee and finance income that will be earned by the City in future years whilst the debt remains outstanding. The gross investment is made up of the following amounts:

	31 March 2014 £m	31 March 2013 £m
Finance lease debtor (net present value of minimum lease payments)		
current	0.5	0.5
non-current	8.6	9.1
Unearned finance income	1.3	3.6
Gross investment in the lease	**10.4**	**13.2**

The gross investment in the lease and the minimum lease payments receivable will be received over the following periods:

	Gross Investment in Lease		Minimum Lease Payments	
	31 March 2014 £m	31 March 2013 £m	31 March 2014 £m	31 March 2013 Restated £m
Not later than one year	0.7	0.8	0.7	0.8
Later than one year and not later than five years	2.9	3.4	2.9	3.4
Later than five years	6.8	9.0	6.8	9.0
	10.4	**13.2**	**10.4**	**13.2**

The minimum lease payments receivable are not contingent on events taking place after the lease was entered into, such as adjustments following rent reviews.

Operating Leases

City as Lessee

The future minimum lease payments due under non-cancellable leases in future years are:

	31 March 2014 £m	31 March 2013 Restated £m
Not later than one year	1.5	1.2
Later than one year and not later than five years	3.0	3.1
Later than five years	19.5	18.5
	24.0	**22.8**

The expenditure charged to the provision of services in the Comprehensive Income and Expenditure Statement during the year in relation to these leases was £1.5m (2012/13: £1.2m).

City as Lessor

The City has granted leases in respect of a number of properties, principally Investment Properties, which are treated as operating leases. The future minimum lease payments receivable under non-cancellable leases in future years are:

	31 March 2014 £m	31 March 2013 £m
Not later than one year	44	41
Later than one year and not later than five years	137	125
Later than five years	2,119	2,101
	2,300	**2,267**

The minimum lease payments receivable do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews.

44. Impairment Losses and Reversals

Losses on revaluation amount to £2.4m in 2013/14 (2012/13: £3.7m), of which £1.6m (2012/13: £1.6m) has been offset against the balances on the revaluation reserve and the remainder of £0.8m (2012/13: £2.1m) has been reflected in the Comprehensive Income and Expenditure Statement. The majority of these losses reflect market related movements. However, a small element, £0.1m, relates to an impairment of Barbican Centre assets where the costs of enhancements have exceeded the increase in value and this has been charged to Culture and Related Services in the Comprehensive Income and Expenditure Statement. In addition, reversals of previous impairment losses amounting to £26.6m (2012/13: £7.9m) have been credited to the Comprehensive Income and Expenditure Statement, mainly in respect of dwellings. Impairment losses and reversals have been charged or credited to the following lines in the Comprehensive Income and Expenditure Account:

	2013/14		2012/13	
	Losses £m	Reversals £m	Losses £m	Reversals £m
Police Services	0.0	(0.8)	0.0	0.0
Cultural and Related Services				
Barbican Centre	0.1	0.0	0.0	0.0
Other Cultural and Related Services	0.0	0.0	0.0	(1.3)
Environmental and Regulatory Services	0.0	(1.0)	0.0	(0.5)
Highways and Transport Services	0.7	(0.6)	0.0	0.0
Housing Services				
Housing Revenue Account	0.0	(19.1)	1.8	(6.1)
Other Housing Services	0.0	(0.3)	0.3	0.0
Central Services				
Court Services	0.0	(4.8)	0.0	0.0
	0.8	(26.6)	2.1	(7.9)

45. Pension Schemes

As part of the terms and conditions of employment of its employees, the City of London Corporation makes contributions towards the cost of post-employment benefits. Employees are members of the following pension schemes:

- The City of London Pension Scheme
- The Police Pension Schemes (1987 and 2006)
- The Judges Pension Scheme
- The Teachers' Pension Scheme

These schemes provide defined benefits to members (retirement lump sums and pensions), earned as employees working for the City of London Corporation. Notes 46 to 50 provide further information on each of the above schemes.

46. City of London Pension Scheme

The City of London Pension Scheme (the "Scheme") is operated under the regulatory framework for the Local Government Pension Scheme with policy determined in accordance with the Pension Fund Regulations. It is a funded defined benefit final salary scheme, meaning that the employers and employees pay contributions into a fund calculated at a level intended to balance the pension liabilities with investment assets.

The City of London Corporation administers the Scheme on behalf of its participating employers. The Corporation's Establishment Committee is responsible for personnel and administration matters, whilst its Financial Investment Board is responsible for appointing fund managers and monitoring performance. The principal risks to the authority of the scheme are the mortality rate assumptions, statutory changes to the scheme, structural changes to the scheme (i.e. large scale withdrawals from the scheme), changes to inflation, bond yields and the performance of the equity investments held by the scheme.

The estimated net deficit on the Scheme is the responsibility of the City of London Corporation as a whole, and therefore cannot be attributed precisely between its three funds (City Fund, City's Cash and Bridge House Estates). However, an apportionment of the deficit and inclusion in the respective balance sheets presents a fairer view of each of the funds' financial positions than if the net deficit were to be excluded. Accordingly an apportionment has been made which is based on employer's annual contributions to the funds.

Disclosures in relation to City of London Corporation and the City Fund's share of the overall scheme which satisfy the requirements of a defined benefit pension scheme are set out in this note. This information is not used to determine the employer's pension contribution rate. This is calculated at the triennial valuation and updated by any subsequent interim valuations.

Assets and Liabilities in Relation to Retirement Benefits

a. Reconciliation of present value of the scheme liabilities

	CITY OF LONDON CORPORATION		CITY FUND SHARE 49%	
	31 March 2014 £m	31 March 2013 £m	31 March 2014 £m	31 March 2013 £m
1 April	(988.7)	(905.6)	(484.4)	(443.7)
Current Service Cost	(24.8)	(22.8)	(12.2)	(11.2)
Interest Cost	(43.8)	(41.1)	(21.5)	(20.1)
Actuarials Gains/losses arising from demographic assumptions	(37.1)	0.0	(18.2)	0.0
Actuarials gains/losses arising from changes in financial assumptions	(11.6)	(42.8)	(5.7)	(21.0)
Other Actuarial Gains/Losses	10.7	(0.1)	5.2	0.0
Past Service Cost, including curtailments	(0.5)	(0.3)	(0.2)	(0.1)
Liabilities extinguished on settlements	3.7	0.0	1.8	0.0
Benefits paid	33.8	30.7	16.6	15.0
Contributions from scheme particpants	(7.3)	(7.3)	(3.6)	(3.6)
Unfunded Pension Payments	0.6	0.6	0.3	0.3
31 March	**(1,065.0)**	**(988.7)**	**(521.9)**	**(484.4)**

Liabilities are discounted to their value at current prices, using a discount rate of 4.4% (based on the annualised yield at the 18 year point on the Merrill Lynch AA rated corporate bond curve).

b. Reconciliation of fair value of the scheme assets

	CITY OF LONDON CORPORATION		CITY FUND SHARE 49%	
	31 March 2014 £m	31 March 2013 £m	31 March 2014 £m	31 March 2013 £m
1 April	646.9	555.0	317.0	272.0
Interest on Assets	28.9	25.4	14.1	12.4
Return on Assets less interest	(5.7)	72.8	(2.8)	35.6
Other actuarial gains/(losses)	4.8	0.0	2.4	0.0
Administration expenses	(0.5)	(0.4)	(0.2)	(0.2)
Contributions by Employer	18.5	18.1	9.1	8.9
Contributions by Scheme Participants	7.3	7.3	3.6	3.6
Benefits Paid	(34.4)	(31.3)	(16.9)	(15.3)
Settlement Prices Received/(Paid)	(2.3)	0.0	(1.1)	0.0
31 March	**663.5**	**646.9**	**325.2**	**317.0**

In previous financial years, the expected return on assets represented the long term future expected investment return for each asset class. Following changes to IAS 19 for the 2013/14 financial year, this has been replaced by the net interest cost, which will effectively set the expected return equal to the discount rate.

Scheme assets consist of the following categories, by proportion of the total assets held:

	31 March 2014 %	31 March 2013 %
Equity Investments	83	79
Gilts	11	16
Cash	5	1
Bonds	1	4
	100	**100**

c. Overall net deficit

	CITY OF LONDON CORPORATION		CITY FUND SHARE 49%	
	31 March 2014 £m	**31 March 2013 £m**	**31 March 2014 £m**	**31 March 2013 £m**
1 April	(341.8)	(350.6)	(167.4)	(171.7)
change in liabilities	(76.3)	(83.1)	(37.5)	(40.7)
change in assets	16.6	91.9	8.2	45.0
31 March	**(401.5)**	**(341.8)**	**(196.7)**	**(167.4)**

Basis for Estimating Assets and Liabilities

The liabilities have been valued by the City of London's independent consulting actuaries (Barnett Waddingham) using the projected unit method, based upon the latest full valuation of the scheme as at 31 March 2013 and updated to the balance sheet date. The main assumptions used in the calculations are as follows.

	2013/14	**2012/13**
Mortality assumptions:		
Life expectancy in years from age 65		
Retiring today		
Men	22.9	19.2
Women	25.2	23.2
Retiring in 20 years		
Men	24.6	21.1
Women	27.1	25.1
Rate of Inflation - RPI	3.6%	3.4%
Rate of Inflation - CPI	2.8%	2.6%
Salary Increases	4.3%	4.8%
Pension Increases	2.8%	2.6%
Discount Rate	4.4%	4.5%
Take-up of option to convert annual pension into retirement lump sum	75.0%	50.0%

Impact on defined benefit obligation from changes to actuarial assumptions

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out above. The following table, prepared on an actuarial projected unit basis, shows the impact on the City's defined benefit obligation from changes to various actuarial assumptions. The sensitivity analyses have been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all the other assumptions remain constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be interrelated.

Change in Assumptions at 31 March 2014

	CITY OF LONDON CORPORATION		CITY FUND	
	Increase in Assumption £m	**Decrease in Assumption £m**	**Increase in Assumption £m**	**Decrease in Assumption £m**
0.1% change in rate for discounting scheme liabilities	(18.3)	18.7	(9.0)	9.2
0.1% change in rate of increase in salaries	2.7	(2.6)	1.3	(1.3)
0.1% change in rate of increase in pensions	16.3	(16.0)	8.0	(7.8)
One year change in rate of mortality assumption	(37.7)	38.0	(18.5)	18.6

Impact on the City Fund's Cash Flows

The objectives of the scheme are to keep employers' contributions at as constant a rate as possible. The Corporation has agreed a deficit recovery period of 20 years from 2014/15 with the scheme's actuary. Funding levels are monitored on an annual basis. The next triennial valuation is due to be completed 31 March 2016.

The scheme will need to take account of the national changes to the scheme under the Public Pensions Services Act 2013. The Act provides for scheme regulations to be made within a common framework, to establish new career average revalued earnings schemes to pay pensions and other benefits.

The liabilities show the estimated underlying commitments that the City Fund has in the long run to pay post-employment (retirement) benefits. The net liability of £196.7m has a substantial impact on the net worth of the City Fund as recorded in the Balance Sheet. However, statutory arrangements for funding the deficit mean that the financial position of the City Fund remains sound. The deficit will be made good by increased contributions over the remaining working life of employees, as assessed by the scheme actuary.

The total employer contributions expected to be made to the scheme for the City of London Corporation across all its funds in the year to 31 March 2015 are £17.8m (estimated City Fund Share £8.7m).

The scheme actuary has estimated that the weighted average duration of the defined benefit obligation for scheme members is 18 years.

47. The Police Pension Scheme

There are two Police Pension Schemes - the 1987 Scheme and the 2006 Scheme. Except where otherwise stated, the "Police Pension Scheme" is used generically to cover both schemes. The Police Pension Scheme is defined benefit and unfunded. It is administered by the City of London in accordance with Home Office regulations and is not a multi-employer scheme. The Scheme is funded on a pay as you go basis, with the employer contributing a percentage of police pay into the Pension Fund and the Home Office meeting the balance. At the year end the Police Pension Fund Account is balanced to nil by either receiving a contribution from the City Fund equal to the amount by which the amounts payable from the Pension Fund for the year exceed the amounts receivable or, by paying to the City Fund the amount by which sums receivable by the Fund for the year exceed the amounts payable. Where the City Fund makes a transfer in to the Pension Fund, the Home Office will pay an equivalent top-up grant to the City. Where the City Fund receives a transfer from the Pension Fund, the City must pay the amount to the Home Office. The last full valuation of the Police Pension Scheme was at 31 March 2007 by the Government Actuary's Department and the actuarial valuation at 31 March 2012 is currently in progress.

Liabilities in Relation to Retirement Benefits

As the scheme is unfunded, it has no assets.

Reconciliation of present value of the scheme liabilities

	2006 Scheme £m	**1987 Scheme £m**	**2006 Scheme £m**	**1987 Scheme £m**
1 April	(10.5)	(594.7)	(7.6)	(553.5)
Current Service Cost	(1.2)	(12.7)	(1.0)	(12.5)
Interest Cost	(0.5)	(26.3)	(0.4)	(25.0)
Actuarials Gains/losses arising from demographic assumptions	(0.4)	(30.0)	0.0	0.0
Actuarials gains/losses arising from changes in financial assumptions	(0.3)	(24.0)	(0.9)	(24.8)
Other Actuarial Gains/Losses	(0.5)	(17.5)	0.0	0.0
Benefits paid	0.0	26.8	0.0	23.8
Contributions from scheme particpants	(0.6)	(3.3)	(0.6)	(3.2)
Injury Benefits Paid	0.0	0.5	0.0	0.5
31 March	**(14.0)**	**(681.2)**	**(10.5)**	**(594.7)**

Basis for Estimating Liabilities

The liabilities have been valued by the City of London's independent consulting actuaries (Barnett Waddingham) using the projected unit method, based upon the last full valuation of the scheme updated to the balance sheet date. The main assumptions used in the calculations are as follows.

Mortality assumptions:	**2013/14**	**2012/13**
Life expectancy in years from age 65		
Retiring today		
Men	22.9	21.6
Women	25.2	24.2
Retiring in 20 years		
Men	24.6	23.5
Women	27.1	26.0
Rate of Inflation - RPI	3.6%	3.4%
Rate of Inflation - CPI	2.8%	2.6%
Salary Increases	4.6%	4.9%
Pension Increases	2.8%	2.6%
Discount Rate	4.4%	4.5%

Impact on defined benefit obligation from changes to actuarial assumptions

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out above. The following table, prepared on an actuarial projected unit basis, shows the impact on the City's defined benefit obligation from changes to various actuarial assumptions. The sensitivity analyses have been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all the other assumptions remain constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be interrelated.

Change in Assumptions at 31 March 2014

	Increase in Assumption		**Decrease in Assumption**	
	£'m 2006 Scheme	**£m 1987 Scheme**	**£m 2006 Scheme**	**£m 1987 Scheme**
0.1% change in rate for discounting scheme liabilities	(0.2)	(11.6)	0.2	11.8
0.1% change in rate of increase in salaries	0.1	1.4	(0.1)	(1.4)
0.1% change in rate of increase in pensions	0.2	10.5	(0.2)	(10.4)
One year change in rate of mortality assumption	(0.5)	(24.3)	0.5	24.5

Impact on the City Fund's Cash Flows

The liabilities show the estimated underlying commitments that the City Fund has in the long run to pay post-employment (retirement) benefits. The net liability of £695.2m has a substantial impact on the net worth of the City Fund as recorded in the Balance Sheet. However, statutory arrangements for funding the deficit mean that the financial position of the City Fund remains sound. Future contributions are expected to be met by an annually assessed grant from the Home Office.

The total employer contributions expected to be made to the schemes in the year to 31 March 2015 are £7.3m and the expected top up grant from the Government is £15.4m.

The scheme actuary has estimated that the weighted average combined duration of the defined benefit obligation for the schemes is 18 years.

48. Judges Pension Scheme

The Judges Pension Scheme is defined benefit and unfunded. The scheme is subject to the provisions of the Judicial Pensions and Retirement Act 1993. The Treasury is responsible for payment of Judges' pensions and the City of London reimburses them in accordance with regulations made under the Act.

Liabilities in Relation to Retirement Benefits

As the scheme is unfunded, it has no assets.

Reconciliation of present value of the scheme liabilities

	31 March 2014 £m	**31 March 2013 £m**
1 April	(1.6)	(1.3)
Current Service Cost	(0.1)	0.0
Interest Cost	0.0	(0.1)
Actuarials gains/losses arising from changes in financial assumptions	0.1	(0.2)
Other Actuarial Gains/Losses	(0.2)	(0.1)
Benefits paid	0.0	0.1
Contributions from scheme particpants	0.0	0.0
31 March	**(1.8)**	**(1.6)**

Impact on defined benefit obligation from changes to actuarial assumptions

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out above. The following table, prepared on an actuarial projected unit basis, shows the impact on the City's defined benefit obligation from changes to various actuarial assumptions. The sensitivity analyses have been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all the other assumptions remain constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be interrelated.

Change in Assumptions at 31 March 2014

	Increase in Assumption	Decrease in Assumption
	£m	£m
0.1% change in rate for discounting scheme liabilities	(0.02)	0.02
0.1% change in rate of increase in salaries	0.00	0.00
0.1% change in rate of increase in pensions	0.02	(0.02)
One year change in rate of mortality assumption	(0.06)	0.06

Impact on the City Fund's Cash Flows

The liabilities show the estimated underlying commitments that the City Fund has in the long run to pay post-employment (retirement) benefits. The net liability of £1.8m has an impact on the net worth of the City Fund as recorded in the Balance Sheet. However, as set out in note 8, the City has set aside funds in an earmarked reserve to assist with meeting its share of liabilities.

The scheme actuary has estimated that the weighted average combined duration of the defined benefit obligation for the scheme is 11 years.

49. The Teachers' Pension Scheme

Teachers employed by the City of London Corporation are members of the Teachers' Pension Scheme administered by the Teachers Pensions Agency on behalf of the Department for Education (DfE) as a multi-employer defined benefit scheme. As it is not possible to identify the assets and liabilities at individual employer level, the pension arrangements are treated as a defined contribution scheme.

In 2013/14 the City of London's contribution to the Teachers' Pension Scheme was £0.1m and the employer's contribution rate set by the DfE was 14.1% (2012/13: £0.1m and 14.1%).

In addition, the City of London is responsible for all pension payments relating to added years that it has awarded, together with the related increases. In 2013/14 these amounted to £0.01m representing 2% of pensionable pay (2012/13: £0.01m and 2%).

50. Transactions Relating to Post-employment Benefits within the Financial Statements

The Teachers' Pension Scheme is accounted for as if it is a defined contribution scheme and no liability for future payments of benefits is recognised in the Balance Sheet. The Children's and Education Services line in the Comprehensive Income and Expenditure Statement is charged with the employer's contributions payable to Teachers' Pension Scheme in the year.

Retirement benefits from schemes accounted for on a defined benefit basis (City of London, Police and Judges) are recognised in the Net Cost of Services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge against council tax is based on cash payable in the year, so the real cost of retirement benefits is reversed out of the City Fund and Housing Revenue Account via the Movement in Reserves Statement.

	Police Pension Schemes		Judges Pension Scheme		City Fund Scheme		Total	
	2013/14 £m	2012/13 £m	2013/14 £m	2012/13 £m	2013/14 £m	2012/13 £m	2013/14 £m	2012/13 £m
Comprehensive Income and Expenditure Statement								
Cost of Services:								
Current service cost	13.9	13.5	0.1	0.0	12.2	11.2	26.2	24.7
Past service costs	0.0	0.0	0.0	0.0	0.2	0.1	0.2	0.1
(gain)/loss from settlements	0.0	0.0	0.0	0.0	(0.7)	0.0	(0.7)	0.0
Other Operating Income								
adminstration expenses	0.0	0.0	0.0	0.0	0.2	0.2	0.2	0.2
Financing and Investment Income and Expenditure								
Interest cost	26.8	25.4	0.0	0.1	7.4	7.7	34.2	33.2
Total Retirement Benefit Charged to the Surplus or Deficit on the Provision of Services	40.7	38.9	0.1	0.1	19.3	19.2	60.1	58.2
Other Retirement Benefit Charged to the Comprehensive Income and Expenditure Statement								
Remeasurement of the net defined benefit liability:								
Return on plan assets	0.0	0.0	0.0	0.0	2.8	(35.6)	2.8	(35.6)
Actuarial (gains) and losses - changes in demographic assumptions	30.4	0.0	0.0	0.0	18.2	0.0	48.6	0.0
Actuarial (gains) and losses - changes in financial assumptions	24.3	25.7	(0.1)	0.2	5.7	21.0	29.9	46.9
Actuarial (gains) and losses - Other	18.0	0.0	0.2	0.1	(7.6)	0.0	10.6	0.1
Total Retirement Benefit Charged/(Credited) to the Comprehensive Income and Expenditure Statement	113.4	64.6	0.2	0.4	38.4	4.6	152.0	69.6
Movement in Reserves Statement								
Reversal of net charges/credits for retirement benefits in accordance with the Code	(113.4)	(64.6)	(0.2)	(0.4)	(38.4)	(4.6)	(152.0)	(69.6)
Actual amount charged against the City Fund Unallocated Reserve	23.4	20.5	0.0	0.1	9.1	8.9	32.5	29.5

The cumulative amount of actuarial gains and losses recognised in Other Comprehensive Income and Expenditure in the actuarial gains or losses on pensions assets and liabilities line was at 31 March 2014 a loss of £91.9m and at 31 March 2013 was a loss of £11.3m.

The amount included in the Balance Sheet arising from the City Fund's estimated obligation in respect of the defined benefit plans is as follows:

	31 March 2014 £m	31 March 2013 £m	31 March 2012 £m
Present Value of the defined benefit obligation			
City of London Pension Scheme	(518.6)	(481.4)	(440.7)
Police Pension Schemes	(693.3)	(603.0)	(558.7)
Judges Pension Scheme	(1.8)	(1.6)	(1.2)
Fair Value of plan assets			
City of London Pension Scheme	325.2	317.0	272.0
Present value of unfunded obligation			
City of London Pension Scheme	(3.3)	(3.0)	(3.1)
Police Pension Schemes	(1.9)	(2.2)	(2.5)
Net liability on balance sheet	(893.7)	(774.2)	(734.2)

There are no outstanding or pre-paid employee contributions at the balance sheet date.

51. Trust Funds

In its capacity as a local authority, the City of London acts as a custodian trustee for two trust funds. In neither case do the funds represent assets to the City Fund and therefore they have not been included in the Balance Sheet.

2013/14	Income £m	Expenditure £m	Assets £m	Liabilities £m
Keats House *Established in 1996, the objective of the Trust is "to preserve and maintain and restore for the education and benefit of the public Keats House as a museum and live memorial to John Keats and as a literary meeting place and centre".*	(0.348)	0.342	0.250	(0.049)
The City of London Corporation Combined Education Charity *Established in 2011 through the amalgamation of the Higher Education Research and Special Expenses Fund, the Archibald Dawnay Scholarships, the Robert Blair Fellowship and the Alan Partridge Smith Bequest. The objective of the Trust is to further the education of persons attending or proposing to attend secondary, further or higher educational institutions by the provision of grants or financial assistance. Also to provide grants for staff at maintained schools & Academies in the boroughs of London to undertake studies to further their development as teachers.*	(0.040)	0.032	1.061	(0.017)
	(0.388)	0.374	1.311	(0.066)

2012/13	Income £m	Expenditure £m	Assets £m	Liabilities £m
Keats House	(0.419)	0.419	0.071	(0.012)
The City of London Corporation Combined Education Charity	(0.032)	0.028	1.196	(0.027)
	(0.451)	0.447	1.267	(0.039)

The HRA Income and Expenditure Statement shows the economic cost in the year of providing housing services in accordance with generally accepted accounting practices, rather than the amount to be funded from rents and government grants. Authorities charge rents to cover expenditure in accordance with regulations; this may be different from the accounting cost. The increase or decrease in the year, on the basis on which rents are raised, is shown in the Movement on the Housing Revenue Account Statement.

Income and Expenditure Statement

2012/13 Restated £m		Notes	2013/14 £m	2013/14 £m
	Expenditure			
3.7	Repairs and maintenance		4.5	
5.9	Supervision and management		6.3	
2.3	Depreciation of non-current assets		2.5	
(4.3)	Revaluation gain on HRA dwellings		(19.1)	
0.1	Movement in the allowance for bad debts	1	0.0	
7.7	**Total Expenditure**			(5.8)
	Income			
(8.9)	Dwelling rents		(9.5)	
(1.6)	Non-dwelling rents		(1.6)	
(2.8)	Charges for services and facilities		(2.8)	
(0.2)	Contributions towards expenditure		(0.2)	
(13.5)	**Total Income**			(14.1)
(5.8)				(19.9)
0.1	HRA share of Corporate and Democratic Core			0.0
(5.7)	**Net Expenditure/(Income) of HRA Services as included in the Comprehensive Income and Expenditure Statement cost of services**			(19.9)
(0.1)	Interest and investment income			(0.1)
(5.8)	**Deficit/(Surplus) for the year on HRA Services**			**(20.0)**

Movement on the HRA Statement

2012/13 Restated £m		Notes	2013/14 £m	2013/14 £m
(4.5)	Balance on the HRA at the end of the previous year			(6.0)
(5.8)	Deficit/(Surplus) for the year on the HRA Income and Expenditure Statement		(20.0)	
4.3	Adjustments between accounting basis and funding basis under statute	2	19.1	
(1.5)	Increase in year on the HRA			(0.9)
(6.0)	**Balance on the HRA at the end of the current year**			**(6.9)**

1. Provision for Bad and Doubtful Debts

	2013/14 £m	2012/13 £m
Provision at 1 April	0.39	0.27
Bad Debts written off	(0.01)	(0.03)
Increase/(Decrease) in Provision	(0.08)	0.15
Provision at 31 March	0.30	0.39

2. Adjustments between Accounting Basis and Funding Basis under Statute

Note 7 on pages 37 to 42 provides further analysis of the adjustments between the accounting basis and funding basis under statute.

3. Housing Stock

As at 31 March 2014 the City of London's HRA rental stock was 1,900 dwellings. The HRA also includes costs and service charge income relating to properties sold on long leases of which there were 888 as at 31 March 2014 (2013: 874).

	31 March 2014 No.	31 March 2013 No.
Houses and Bungalows	27	27
Flats	1,873	1,867
Total	1,900	1,894

	31 March 2014 No.	31 March 2013 No.
Stock at 1 April	1,894	1,890
Sales	(14)	(1)
Buy Back	0	0
New Build	20	5
Stock at 31 March	1,900	1,894

4. Arrears of Rent, Service and Other Charges

As at 31 March 2014 the total arrears for rent, service charges and other charges were £0.81m (31 March 2013: £1.02m) as follows:

	31 March 2014 £m	31 March 2013 £m
Former residential tenants	0.09	0.06
Current residential tenants	0.17	0.19
Commercial tenants	0.08	0.12
Service charges	0.38	0.56
Other charges	0.09	0.09
Total arrears	0.81	1.02

5. HRA Fixed Assets

Movements on Balances 2013/14	**Council Dwellings £m**	**Other Land & Buildings £m**	**Vehicles, Plant and Equipment £m**	**Assets under construction £m**	**Total £m**
Cost or valuation					
at 1 April 2013	146.4	32.4	0.2	0.4	**179.4**
Additions	1.0	0.0	0.0	1.4	**2.4**
Transfers	0.2	0.0	0.0	(0.2)	**0.0**
Revaluation increases/(decreases) recognised in the Revaluation Reserve	10.8	0.1	0.0	0.0	**10.9**
Revaluation decreases recognised in the Surplus/Deficit on the Provision of Services	18.4	0.0	0.0	0.0	**18.4**
Derecognition - disposals	(0.9)	0.0	0.0	0.0	**(0.9)**
at 31 March 2014	**175.9**	**32.5**	**0.2**	**1.6**	**210.2**
Accumulated Depreciation and Impairment					
at 1 April 2013	(0.1)	(0.3)	(0.2)	0.0	**(0.6)**
Depreciation Charge	(2.1)	(0.4)	0.0	0.0	**(2.5)**
Depreciation written out to the Revaluation Reserve	1.4	0.1	0.0	0.0	**1.5**
Depreciation written out to the Surplus/Deficit on the Provision of Services	0.7	0.0	0.0	0.0	**0.7**
at 31 March 2014	**(0.1)**	**(0.6)**	**(0.2)**	**0.0**	**(0.9)**
Net Book Value					
at 1 April 2013	**146.3**	**32.1**	**0.0**	**0.4**	**178.8**
at 31 March 2014	**175.8**	**31.9**	**0.0**	**1.6**	**209.3**

Movements on Balances 2012/13	**Council Dwellings £m**	**Other Land & Buildings £m**	**Vehicles, Plant and Equipment £m**	**Assets under construction £m**	**Total £m**
Cost or valuation					
at 1 April 2012	141.0	24.8	0.2	1.1	**167.1**
Additions	1.3	1.6	0.0	0.2	**3.1**
Transfers	0.7	0.2	0.0	(0.9)	**0.0**
Revaluation increases/(decreases) recognised in the Revaluation Reserve	0.9	5.8	0.0	0.0	**6.7**
Revaluation decreases recognised in the Surplus/Deficit on the Provision of Services	2.6	0.0	0.0	0.0	**2.6**
Derecognition - disposals	(0.1)	0.0	0.0	0.0	**(0.1)**
at 31 March 2013	**146.4**	**32.4**	**0.2**	**0.4**	**179.4**
Accumulated Depreciation and Impairment					
at 1 April 2012	0.0	(0.3)	(0.2)	0.0	**(0.5)**
Depreciation Charge	(1.9)	(0.2)	0.0	0.0	**(2.1)**
Depreciation written out to the Revaluation Reserve	0.2	0.2	0.0	0.0	**0.4**
Depreciation written out to the Surplus/Deficit on the Provision of Services	1.7	0.0	0.0	0.0	**1.7**
Impairment Loss recognised in the Surplus/Deficit on the Provision of Services	(0.1)	0.0	0.0	0.0	**(0.1)**
at 31 March 2013	**(0.1)**	**(0.3)**	**(0.2)**	**0.0**	**(0.6)**
Net Book Value					
at 1 April 2012	**141.0**	**24.5**	**0.0**	**1.1**	**166.6**
at 31 March 2013	**146.3**	**32.1**	**0.0**	**0.4**	**178.8**

In accordance with Government guidelines, dwellings have been valued at their 'existing use with vacant possession' and then reduced to reflect 'existing use for social housing'. Under guidance issued in 2010/11, the applicable social housing 'adjustment factor' is 75% +/- 5%. The vacant possession value at 1 April 2013 is estimated to be £488m (1 April 2012: £470m) which has been reduced by 70% to £146m (1 April 2012: £141m) to reflect social housing use. The reduction of £342m (1 April 2012: £329m) is a measure of the economic cost of providing council housing at less than open market rents. Other land and buildings are assessed at existing use value.

6. Major Repairs Reserve

	2013/14 £m	2012/13 £m
Balance 1 April	(2.8)	(1.8)
Transfer from HRA equal to depreciation		
dwellings	(2.1)	(1.9)
non dwellings	(0.3)	(0.3)
Capital expenditure (dwellings)	0.3	1.2
Balance 31 March	(4.9)	(2.8)

The reserve is used to finance capital expenditure and the balance is included with other capital reserves in the City Fund Balance Sheet.

7. HRA Capital Expenditure

Expenditure for capital purposes and methods of financing are set out below.

	2013/14 £m	2012/13 £m
Expenditure in year		
Fixed assets		
Assets under construction	1.03	0.26
Dwellings	1.40	1.25
Other	0.00	1.66
Revenue expenditure funded from capital under statute	0.08	0.24
	2.51	3.41
Methods of financing		
Capital Receipts	0.00	0.00
Major Repairs Reserve	0.28	1.28
Reimbursements	2.23	2.13
	2.51	3.41

8. Interest Charges

Interest charges met by the Housing Revenue Account are charged by the City Fund in accordance with the Item 8 Credit and Item 8 Debit (General) determination made by the Secretary of State under part II of schedule 4 to the Local Government and Housing Act 1989.

The Collection Fund is an agent's statement that reflects the statutory obligation for billing authorities to maintain a separate Collection Fund. The statement shows the transactions of the billing authority (the City) in relation to the collection from taxpayers and the distribution to the Government, the Greater London Authority (GLA) and the City Fund of council tax and non-domestic rates.

REVENUE ACCOUNT

2012/13				Notes	2013/14		
Council Tax £m	Business Rates £m	Total £m			Council Tax £m	Business Rates £m	Total £m
			INCOME				
(6.0)		(6.0)	Council Tax Receivable		(6.0)		(6.0)
(0.2)	(0.4)	(0.6)	Transfer from City Fund (Reliefs)		(0.2)		(0.2)
	(757.7)	(757.7)	National Business Rates	1		(791.2)	(791.2)
			National Business Rates transitional protection payments			(1.5)	(1.5)
	(30.9)	(30.9)	GLA Business Rate Supplement			(31.0)	(31.0)
	(6.6)	(6.6)	City Business Rate Premium			(6.7)	(6.7)
(6.2)	(795.6)	(801.8)	**TOTAL INCOME**		(6.2)	(830.4)	(836.6)
			EXPENDITURE				
			Council Tax Precepts and Demands				
5.2		5.2	City	2	5.1		5.1
0.5		0.5	GLA		0.5		0.5
			National Business Rates Precepts and Demands	2			
			City			215.0	215.0
			GLA			143.3	143.3
			Central Government			358.4	358.4
	741.4	741.4	Contribution to the National Non-Domestic Rates Pool	2			
	30.7	30.7	Business Rate Supplement collected on behalf of GLA			31.0	31.0
	6.6	6.6	City Business Rate Premium			5.7	5.7
	10.3	10.3	City Offset	5		10.5	10.5
			Impairment of debts for Business Rates				
			write offs			1.0	1.0
	4.1	4.1	National				
	0.2	0.2	GLA Business Rate Supplement				
	0.7	0.7	allowance for impairment			0.8	0.8
			Impairment of appeals for Business Rates				
			allowance for impairment				
			National			113.7	113.7
			Premium			1.0	1.0
	1.6	1.6	Cost of Collection Allowance for National Business Rates			1.7	1.7
0.4		0.4	Contributions towards previous year's estimated Collection Fund Surplus - Council Tax		0.5		0.5
6.1	795.6	801.7	Total Expenditure		6.1	882.1	888.2
(0.1)	0.0	(0.1)	Surplus for Year		(0.1)	51.7	51.6
(0.6)	0.0	(0.6)	Balance 1 April		(0.7)	0.0	(0.7)
(0.7)	0.0	(0.7)	Balance 31 March		(0.8)	51.7	50.9

1. Income from Business Rates

The Local Government Finance Act 1988 replaced the Locally Determined Non-Domestic Rate with a National Non-Domestic Rate (NNDR) set by the Government. In addition to the NNDR, there is a discounted rate for small businesses known as the Small Business Non-Domestic Rate (SBNDR). In 2013/14 the City of London set a non-domestic rating multiplier of 0.475 (47.5p in the £) and a small business non-domestic rating multiplier of 0.466 (46.6p in the £). This comprises the NNDR and SBNDR multipliers of 0.471 and 0.462 respectively, plus a premium of 0.4p in the £ to provide additional funding to enable the City to continue to support Police, security activity and contingency planning at an enhanced level.

In addition, for those business premises which have a rateable value of more than £55,000, the Greater London Authority (GLA) is levying a business rate supplement (BRS) multiplier of 2p in the £ for the 2013-14 financial year to finance the Crossrail project. The City collects the BRS on an agency basis on behalf of the GLA.

	2013/14 £m	2012/13 £m
National Business Rates	(843.4)	(808.5)
Government transition scheme	1.5	1.9
Non-domestic rates income after transition scheme	(841.9)	(806.6)
Less: Voids	34.8	37.0
Mandatory and discretionary relief	11.2	10.7
Partly occupied allowance	4.7	1.2
Net income from national business rates	**(791.2)**	**(757.7)**

The total rateable value of the City at 31 March 2014 was £1,866m (31 March 2013: £1,850m).

2. Business Rates Retention

Prior to 1 April 2013 national non-domestic rates were paid into a national pool which central Government redistributed on a formula basis between local authorities. In 2013/14, the local government finance regime was revised with the introduction of the retained business rates scheme. The main aim of the scheme is to give local authorities a greater incentive to grow businesses in their area by retaining a proportion of the national rates received. The City's share is 30% with central Government receiving 50% and the GLA 20%.

The business rates shares payable for 2013/14 were estimated before the start of the financial year and were charged to the Collection Fund in year.

As part of the scheme a baseline funding level was set for each authority identifying the estimated level of retained business rates plus or minus a top up or tariff amount to ensure that all authorities received their baseline amount. The City's baseline funding level for 2013/14 was £14.6m. Therefore, of the £215m paid from the Collection Fund to the City Fund in 2013/14, a tariff of £200.4m was payable to central Government.

National business rates surpluses or deficits are shared in subsequent financial years in the specified proportions.

3. Calculation of Council Tax

The Local Government Finance Act 1992 introduced the Council Tax from 1 April 1993, replacing the Community Charge. The Act prescribes the detailed calculations that the City of London, as a billing authority, has to make to determine the Council Tax amounts. The City of London set a basic amount of £857.31 for a Band D property for 2013/14 calculated as follows:

	£m	£m
City of London's Original Budget		116.9
Less:		
Share of national business rates	(14.6)	
Non-Domestic rates premium	(6.5)	
Government grants	(79.7)	
City's Offset	(10.5)	
Estimated Collection Fund surplus	(0.5)	
		(111.8)
Estimated amounts to be raised from Council Tax		5.1
Divided by:		
Council Tax base for the City area (number of Band D equivalent properties)		No: 5,974.16
Basic amount for Band D Property		£ 857.31

To this £857.31 is added £86.08 in respect of the precept from the Greater London Authority to arrive at the total Council Tax of £943.39 for a Band D property in 2013/14. Prescribed proportions are applied to this basic amount to determine the Council Tax amounts for each of the bands as follows:

BAND	Proportion	Council Tax £
A	6/9	628.93
B	7/9	733.75
C	8/9	838.57
D	9/9	943.39
E	11/9	1,153.03
F	13/9	1,362.67
G	15/9	1,572.32
H	18/9	1,886.78

4. Tax Bases 2013/14

The table below shows the number of chargeable dwellings in each valuation band converted to an equivalent number of Band D dwellings. The totals for each area are described as "aggregate relevant amounts". These amounts, multiplied by the collection rate of 95%, produce the tax base for each of the areas shown.

BAND	MIDDLE TEMPLE	INNER TEMPLE	CITY AREA EXCLUDING TEMPLES	TOTAL CITY AREA
A	0.00	0.00	5.17	5.17
B	0.00	0.00	155.79	155.79
C	0.00	0.00	483.69	483.69
D	0.00	0.00	623.38	623.38
E	7.94	3.42	2,141.21	2,152.57
F	37.27	22.03	1,230.52	1,289.82
G	25.92	55.75	1,275.00	1,356.67
H	0.00	4.00	217.50	221.50
AGGREGATE RELEVANT AMOUNTS	71.13	85.20	6,132.26	6,288.59
COLLECTION RATE	95%	95%	95%	95%
TAX BASES	67.57	80.94	5,825.65	5,974.16

5. City Offset

To reflect the unique characteristics of the square mile, the Government allows the City to retain an amount from the NNDR paid by City businesses.

This is an extract from a more detailed published statement, a copy of which is available on request from the Chamberlain of London.

The City of London Pension Fund is a funded defined benefits scheme. With the exception of serving police officers, teachers and judges who have their own schemes, all City of London staff are eligible for membership of the Local Government Pension Scheme (LGPS).

The Fund is administered internally by the City of London. The Fund's investments are managed externally by several fund managers with differing mandates determined by the City of London.

Accounting Policies

i. The pension fund statements have been prepared in accordance with the LGPS (Benefits, Membership and Contributions) Regulations 2007 (as amended), the LGPS (Administration) Regulations 2008 (as amended), the LGPS (Management and Investment of Funds) Regulations 2009, and with the guidelines set out in the Code of Practice on Local Authority Accounting in the United Kingdom 2013/14 having regard to the Statement of Recommended Practice, Financial Reports of Pension Schemes (revised May 2007).

ii. The pension fund accounts are accounted for on an accruals basis for income and expenditure, with the exception of transfer values in and out, which are accounted for on a cash basis.

iii. The fund's financial statements do not take account of liabilities to pay pensions and other benefits after the period end.

iv. Equities traded through the Stock Exchange Electronic Trading Service (SETS), are valued on the basis of the latest bid-market price. Other quoted investments are also valued on the basis of the bid-market value quoted on the relevant stock market.

v. Unquoted securities in the form of private equity holdings are valued by the individual investment managers at the year end in accordance with generally accepted guidelines. The ability to realise these private equity holdings is limited until they reach maturity, and thus their values are difficult to establish as they are not readily traded and have been included on an estimated basis.

vi. The value of fixed interest investments in the Scheme's investment portfolio excludes interest earned but not paid over at the Scheme year end. This interest is included separately within accrued investment income.

vii. Acquisition costs are included in the purchase costs of investments.

viii. Assets and liabilities in overseas currencies are translated into sterling at the exchange rates ruling at the balance sheet date. Transactions during the year are translated at rates applying at the transaction dates.

ix. The cost of administration is charged directly to the fund.

x. Income due from equities is accounted for on the date stocks are quoted ex-dividend.

xi. Income from overseas investments is recorded net of any withholding tax where this cannot be recovered.

xii. Income from fixed interest and index-linked securities, cash and short-term deposits is accounted for on an accruals basis.

xiii. Income from other investments is accounted for on an accruals basis.

xiv. The change in market value of investments during the year comprises all increases and decreases in the market value of investments held at any time during the year, including profit and losses realised on sales of investments and unrealised changes in market value.

xv. When foreign exchange contracts are in place in respect of assets and liabilities in foreign currencies, the contract rate is used. Other assets and liabilities in foreign currencies are expressed in sterling at the rates of exchange ruling at year end. Income from overseas investments is translated into sterling at an average rate for the period.

xvi. Surpluses and deficits arising on conversion are dealt with as part of the change in market values of the investments.

xvii. Normal contributions, both from members and employers, are accounted for in the payroll month to which they relate at rates as specified in the rates and adjustments certificate. Additional contributions from employers are accounted for in accordance with the agreement under which they are paid, or in the absence of such agreement, when received.

xviii. Under the rules of the Scheme, members receive a lump sum retirement grant in addition to their annual pension. Lump sum retirement grants are accounted for from the date of retirement. Where a member can choose to take a greater retirement grant in return for a reduced pension these lump sums are accounted for on an accruals basis from the date the option is exercised.

xix. Transfer values represent the capital sums either receivable in respect of members from other pension schemes of previous employers or payable to the pension schemes of new employers for members who have left the scheme. They take account of transfers where the trustees of the receiving scheme have agreed to accept the liabilities in respect of the transferring members before year end, and where the amount of the transfer can be determined with reasonable certainty. There were no group transfers in respect of staff in 2013/14.

xx. Administration and investment management expenses are accounted for on an accruals basis. Expenses are recognised net of any recoverable VAT.

xxi. Receipts to meet the augmentation costs of early retirements are included as other income.

Actuarial Valuation

In accordance with statutory regulations a triennial valuation of the Pension Fund was completed by the City's independent consulting actuaries, Barnett Waddingham LLP, as at 31 March 2007 and again as at 31 March 2010 using the projected unit method. The changes in employer contribution rates as a result of the March 2007 and March 2010 valuations were effective from 1 April 2008 and 1 April 2010 respectively.

A further triennial valuation as at 31 March 2013 has been completed by the independent consulting actuaries, and the resultant employers' contribution rates will be effective for the three financial years commencing 2014/15.

The main funding assumptions which follow were incorporated into the funding model used in the 2010 and 2013 valuations:

Financial Assumptions	March 2010 % p.a.	Real % p.a.	March 2013 % p.a.	Real % p.a.
Discount Rate	6.9	3.4	6.0	2.5
Retail Price Inflation	3.5	0.0	3.5	0.0
Consumer Price Inflation	3.0	(0.5)	2.7	(0.8)
Pension Increases	3.0	(0.5)	3.0	0.5
Pay Increases (Long Term)	3.0	1.5	4.2	0.7

The valuations at 31 March 2010 and 31 March 2013 revealed that the relationship between the values placed on the assets held by the fund and the liabilities accrued in respect of pensionable service at that date were as follows:

Past Service Liabilities	**March 2010 £m**	**March 2013 £m**
Active Members	277.1	278.8
Deferred pensioners	92.3	158.1
Pensioners	271.9	392.7
Total	**641.3**	**829.6**
Assets	(549.3)	(701.8)
Deficit	**92.0**	**127.8**
Funding Level	**86%**	**85%**

Based on the above data the derivation of the basic rate of employer's contribution is set out below:

	March 2010 Contribution rate %	**March 2013 Contribution rate %**
Future service funding rate	12.4	11.5
Past service adjustment	4.8	5.5
Total contribution rate	**17.2**	**17.0**

The past service adjustment assumes that the deficit is recovered over a 20 year period in the March 2010 and March 2013 valuations.

Having considered the basic rate of employer's contributions above the City of London Corporation set contribution rates applicable to its employees of 17.5% for each of the financial years 2011/12 to 2016/17.

Of the employers' contributions receivable in 2013/14 amounting to £19.3m, the amounts attributable to "deficit funding" are as follows:

		Future Funding £m	Past-service Deficit Funding £m	Total Contributions £m
Scheduled Bodies	City of London	12.2	5.8	18.0
	Museum of London	0.6	0.3	0.9
Admitted Bodies	Irish Society	0.0	0.0	0.0
	Guildhall Club	0.0	0.0	0.0
	City Academy -Southwark	0.2	0.0	0.2
	Other	0.2	0.0	0.2
	Brookwood			
	E&J Smithfield			
	ETDE			
	Enterprise			
	Fusion Lifestyle			
	Agilisys			
		13.2	**6.1**	**19.3**

In the following tables and notes, the Admitted Bodies found in the "Other" category above are to be considered to be the same companies.

Fund Account for the year ended 31 March 2014

2012/13 £m		Notes	2013/14 £m
	Contributions and benefits		
(26.8)	Contributions receivable	2	(27.2)
(3.5)	Transfers in		(3.2)
(0.3)	Other Income		(0.5)
(30.6)			(30.9)
35.4	Benefits Payable	3	36.7
1.0	Payments to and on account of leavers	4	2.1
0.5	Administrative Expenses	5	0.5
0.0	Other Expenses	6	0.0
36.9			39.3
6.3	Net deductions		8.4
	Returns on investments		
(20.3)	Income from Investments	7	(19.5)
(84.2)	Change in market value of investment (realised and unrealised)		(30.2)
3.5	Investment Management Expenses	8	3.7
(101.0)	Net Returns on Investment		(46.0)
(94.7)	**Net increase in the fund during the year**		(37.6)
(614.6)	Opening net assets of the scheme		(709.3)
(709.3)	**Closing net assets of the scheme**		**(746.9)**

Net Assets Statement as at 31 March 2014

2012/13 £m		Notes	2013/14 £m
(718.7)	Investment assets	9-13	(729.1)
	Current Assets	15	
0.0	Cash and cash equivalents		(17.9)
(0.1)	Debtors		0.0
	Current liabilities	16	
9.5	Overdrawn cash balances		0.0
0.0	Creditors		0.1
(709.3)	**Net assets**		**(746.9)**

The Net Assets Statement does not take account of liabilities to pay pensions and other benefits after the period end.

1. Membership of the Fund

	2013/14				2012/13		
	Current Contributors No.	Beneficiaries In Receipt of Pension No.	Deferred Benefits No.	Total No.	Financial Statements Total No.	Adjustments No.	Revised Total No.
CITY OF LONDON	3,671	3,330	3,457	10,458	9,945	124	10,069
SCHEDULED BODIES:							
Museum of London	206	199	540	945	913	3	916
Magistrates Court	0	21	18	39	39	0	39
Probation Committee	0	3	0	3	3	0	3
	206	223	558	987	955	3	958
ADMITTED BODIES:							
Irish Society	6	9	2	17	16	0	16
City Arts Trust	0	1	0	1	1	0	1
Parking Committee for London	0	3	9	12	12	0	12
Guildhall Club	5	4	3	12	11	1	12
City Academy - Southwark	58	1	76	135	109	19	128
Sir John Cass (Brookwood)	2	0	0	2	2	0	2
Enterprise	9	3	3	15	13	2	15
E & J	0	0	1	1	0	0	0
Agilysis	25	0	1	26	1	0	1
EDTE	2	0	0	2	2	0	2
Fusion	0	0	0	0	1	0	1
1SC	0	0	1	1	0	0	0
	107	21	96	224	168	22	190
GRAND TOTAL	**3,984**	**3,574**	**4,111**	**11,669**	**11,068**	**149**	**11,217**

2. Contributions

		2013/14 £m	2012/13 £m
Employers:			
Scheduled bodies	City of London	(17.96)	(17.61)
	Museum of London	(0.83)	(0.96)
Admitted bodies	Irish Society	(0.03)	(0.03)
	Guildhall Club	(0.03)	(0.03)
	City Academy - Southwark	(0.23)	(0.19)
	Other	(0.20)	(0.07)
		(19.28)	(18.89)
Employees of:			
Scheduled bodies	City of London	(7.33)	(7.28)
	Museum of London	(0.43)	(0.46)
Admitted bodies	Irish Society	(0.01)	(0.01)
	Guildhall Club	(0.01)	(0.01)
	City Academy - Southwark	(0.08)	(0.12)
	Other	(0.06)	(0.01)
		(7.92)	(7.89)
Total Contributions		**(27.20)**	**(26.78)**

A.V.C.'s are Additional Voluntary Contributions and are managed externally and independently from the rest of the Pension Fund. They are paid by members to the Corporation and are then paid directly to the Fund Managers – Prudential, Equitable and Standard Life Investments. A.V.Cs of £0.47m were paid in 2013/14 (2012/13: £0.58m).

In accordance with regulation 5(2) (c) of the Pension Scheme (Management and Investment of Funds) Regulations 1998, these AVCs are not included in the statements of the Pension Fund Accounts.

3. Benefits

Total Benefits Paid	2013/14 £m	2012/13 £m
Retired Employees		
pensions	26.2	24.8
lump sums	6.7	7.2
Lump sum on death	0.9	0.6
Widows' or Widowers' pensions	2.8	2.7
Children's pensions	0.1	0.1
	36.7	**35.4**

Benefits Paid Comprises	2013/14 £m	2012/13 £m
Scheduled Bodies	36.3	35.2
Admitted Bodies	0.4	0.2
	36.7	**35.4**

4. Payments to and on account of leavers

	2013/14 £m	2012/13 £m
Individual Transfers Out	**2.1**	**1.0**

5. Administrative expenses

	2013/14 £m	2012/13 £m
Central administration	0.4	0.4
Computer costs	0.1	0.1
	0.5	**0.5**

6. Audit Fees

Audit fees of £22,900 have been charged to the Pension Fund (2012/13: £35,000). The Audit Commission made a rebate to the Pension Fund of £2,874 in respect of the 2012/13 audit at the start of 2014/15. An accrual was raised to reflect this in 2013/14.

7. Income from investments

	2013/14 £m	2012/13 £m
Fixed Interest :		
UK Government	(4.5)	(3.0)
UK Other	0.2	(0.5)
Overseas Government	(0.9)	(0.9)
UK pooled units	(0.1)	(0.1)
Overseas pooled units	(0.1)	0.0
UK equities	(8.7)	(6.3)
Overseas equities	(6.3)	(10.5)
Withholding tax on overseas equities	1.0	1.0
Interest on Cash Instruments	(0.1)	0.0
	(19.5)	**(20.3)**

8. Investment Management Expenses

Investment management expenses of £3.67m (2012-13 £3.48m) together with actuary fees of £0.03m (2012-13 £0.02m).

9. Investment Assets

The table below shows the movement in Market Values by asset type between 1 April 2013 and 31 March 2014.

	Market Value at 01/04/2013 £m	Purchases at Cost £m	Sales Proceeds £m	Net (gain)/loss £m	Market Value at 31/03/2014 £m
Managed Investments					
Fixed interest securities:					
UK public sector	(79.1)	(28.6)	22.3	4.4	(81.0)
UK other	(6.7)	(0.1)	6.9	(0.1)	0.0
UK Total	(85.8)	(28.7)	29.2	4.3	(81.0)
North America Public Sector	(29.0)	(22.8)	18.0	4.2	(29.6)
Europe Public Sector	(6.6)	(7.6)	7.1	0.1	(7.0)
Overseas Total	(35.6)	(30.4)	25.1	4.3	(36.6)
Pooled Units					
UK	(1.4)	(161.0)	6.8	4.4	(151.2)
Global	0.0	(379.1)	6.6	(6.1)	(378.6)
	(1.4)	(540.1)	13.4	(1.7)	(529.8)
Listed Equities:					
UK	(161.2)	(228.3)	368.3	(11.5)	(32.7)
Europe	(116.8)	(141.2)	256.7	(11.8)	(13.1)
North America	(208.4)	(216.5)	428.9	(8.0)	(4.0)
Japan	(16.3)	(21.6)	35.6	0.8	(1.5)
Pacific (Ex-Japan)	(30.6)	(22.1)	37.2	3.0	(12.5)
Emerging Markets	(10.1)	(6.2)	13.1	0.4	(2.8)
Other	(9.6)	(1.0)	10.4	0.2	0.0
Overseas Total	(391.8)	(408.6)	781.9	(15.4)	(33.9)
Private Equity	(9.8)	(1.9)	1.4	(0.3)	(10.6)
Managed Funds - Other	(30.4)	(159.0)	190.3	(2.8)	(1.9)
Total Managed investments	**(716.0)**	**(1,397.0)**	**1,409.6**	**(23.1)**	**(726.5)**
Accrued Income	(3.7)				(3.1)
Investment Fees Creditors	1.0				0.5
Total Investment assets	**(718.7)**				**(729.1)**

The table below shows the movement in Market Values by asset type between 1 April 2012 and 31 March 2013.

	Market Value at 01/04/2012 £m	Purchases at Cost £m	Sales Proceeds £m	Net (gain)/loss £m	Market Value at 31/03/2013 £m
Managed Investments					
Fixed interest securities:					
UK public sector	(73.4)	(54.8)	47.3	1.8	(79.1)
UK other	(7.0)	0.0	1.0	(0.7)	(6.7)
UK Total	(80.4)	(54.8)	48.3	1.1	(85.8)
North America Public Sector	(26.5)	(39.7)	38.1	(0.9)	(29.0)
Europe Public Sector	(6.2)	(6.4)	5.9	0.1	(6.6)
Overseas Total	(32.7)	(46.1)	44.0	(0.8)	(35.6)
Pooled Units					
UK	(1.3)	0.0	0.0	(0.1)	(1.4)
Listed Equities:					
UK	(130.8)	(46.1)	36.2	(20.5)	(161.2)
Europe	(99.9)	(30.6)	37.4	(23.7)	(116.8)
North America	(170.9)	(49.2)	37.8	(26.1)	(208.4)
Japan	(15.0)	(2.3)	3.2	(2.2)	(16.3)
Pacific (Ex-Japan)	(20.0)	(15.5)	9.9	(5.0)	(30.6)
Emerging Markets	(10.3)	(1.6)	5.9	(4.1)	(10.1)
Other	(6.5)	0.0	0.0	(3.1)	(9.6)
Overseas Total	(322.6)	(99.2)	94.2	(64.2)	(391.8)
Private Equity	(8.6)	(1.2)	0.6	(0.6)	(9.8)
Managed Funds - Other	(35.0)	(110.9)	114.6	0.9	(30.4)
Total Managed investments	**(611.4)**	**(358.3)**	**337.9**	**(84.2)**	**(716.0)**
Accrued Income	(3.2)				(3.7)
Investment Fees Creditors	0.8				1.0
Total Investment assets	**(613.8)**				**(718.7)**

10. Fair Value of Financial Instruments

a. Classification of Financial Instruments

	31 March 2014 £m	31 March 2013 £m
Financial Assets		
Fixed Interest Securities	(117.6)	(121.4)
Equities	(66.5)	(553.0)
Pooled Investments	(529.8)	(1.4)
Private Equity/Infrastructure	(10.6)	(9.8)
Derivative Contracts	(0.1)	(0.3)
Cash	(1.9)	(30.1)
Debtors	(3.1)	(3.7)
	(729.6)	(719.7)
Financial Liabilities		
Derivative Contracts	0.0	0.0
Creditors	0.5	1.0
	0.5	1.0
	(729.1)	**(718.7)**

b. Net (Gains) and Losses on Financial Instruments

	31 March 2014 £m	31 March 2013 £m
Financial Assets		
Fair value through profit and loss	(30.2)	(84.2)
Financial Liabilities		
Fair value through profit and loss	0.0	0.0
	(30.2)	**(84.2)**

c. Fair Value

	31 March 2014 £m Fair Value	31 March 2014 £m Carrying Value	31 March 2013 £m Fair Value	31 March 2013 £m Carrying Value
Financial Assets				
Fair value through profit and loss	(724.6)	(719.4)	(685.6)	(685.6)
Loans and receivables	(5.0)	(5.0)	(34.1)	(34.1)
	(729.6)	**(724.4)**	**(719.7)**	**(719.7)**
Financial Liabilities				
Fair value through profit and loss	0.0	0.0	0.0	0.0
Loans and payables	0.5	0.5	1.0	1.0
	0.5	**0.5**	**1.0**	**1.0**

d. Valuation of Financial Instruments Carried at Fair Value

The valuation of financial instruments has been classified into three levels, according to the quality and reliability of information used to determine fair values.

Level 1

Financial instruments at level 1 are those where the fair values are derived from unadjusted quoted prices in active markets for identical assets or liabilities. Products classified as level 1 comprise quoted equities, quoted fixed securities, quoted index linked securities and unit trusts.

Listed investments are shown at bid prices. The bid value of the investment is based on the bid market quotation of the relevant stock exchange.

Level 2

Financial instruments at level 2 are those where quoted market prices are not available for example, where an instrument is traded in a market that is not considered to be active, or where valuation techniques are used to determine fair value and where these techniques use inputs that are based significantly on observable market data e.g. fixed interest securities.

Level 3

Financial instruments at level 3 are those where at least one input that could have a significant effect on the instrument's valuation is not based on observable market data.

Such instruments would include unquoted equity investments and hedge funds which are valued using various valuation techniques that require significant judgement in determining appropriate assumptions.

The values of the investment in private equity are based on valuations provided by the general partners to the private equity funds in which City of London Pension Fund has invested.

These valuations are prepared in accordance with the International Private Equity and Venture Capital Valuation Guidelines, which follow the valuation principles of

IFRS and US GAAP. Valuations are usually undertaken annually at the end of December. Cash flow adjustments are used to roll forward the valuations to 31 March as appropriate.

The values of the investment in hedge funds are based on the net asset value provided by the fund manager. Assurances over the valuation are gained from the independent audit of the value.

The following table provides an analysis of the financial assets and liabilities of the pension fund grouped into Levels 1 to 3, based on the level at which the fair value is observable.

Values as at 31 March 2014

	Quoted Market Price Level 1 £m	Using Observable Inputs Level 2 £m	With Significant Unobservable Inputs Level 3 £m	Total £m
Financial Assets				
Fair value through profit and loss	(714.0)	0.0	(10.6)	(724.6)
Loans and receivables	(5.0)	0.0	0.0	(5.0)
	(719.0)	**0.0**	**(10.6)**	**(729.6)**
Financial Liabilities				
Fair value through profit and loss	0.5	0.0	0.0	0.5
Loans and payables	0.0	0.0	0.0	0.0
	0.5	**0.0**	**0.0**	**0.5**
Net Financial Assets	**(718.5)**	**0.0**	**(10.6)**	**(729.1)**

Values as at 31 March 2013

	Quoted Market Price Level 1 £m	Using Observable Inputs Level 2 £m	With Significant Unobservable Inputs Level 3 £m	Total £m
Financial Assets				
Fair value through profit and loss	(675.8)	0.0	(9.8)	(685.6)
Loans and receivables	(34.1)	0.0	0.0	(34.1)
	(709.9)	**0.0**	**(9.8)**	**(719.7)**
Financial Liabilities				
Fair value through profit and loss	0.0	0.0	0.0	0.0
Loans and payables	1.0	0.0	0.0	1.0
	1.0	**0.0**	**0.0**	**1.0**
Net Financial Assets	**(708.9)**	**0.0**	**(9.8)**	**(718.7)**

11. Movements in Investment Assets

Movements in Investment Assets 2013/14

	Value at 01/04/2013 £m	Purchases at Cost £m	Sales Proceeds £m	Net (gain)/loss £m	Value at 31/03/2014 £m
Artemis	(134.8)	(153.6)	220.6	(6.7)	(74.5)
LSV	(69.2)	(18.3)	90.2	(2.7)	0.0
Pyrford	(189.8)	(87.9)	86.5	6.6	(184.6)
Southeastern	(185.8)	(168.5)	284.1	(9.8)	(80.0)
Wellington	(126.4)	(117.6)	169.0	(3.9)	(78.9)
Carnegie	0.0	(79.3)	1.2	(1.0)	(79.1)
GMO	0.0	(79.3)	1.2	1.4	(76.7)
Veritas	0.0	(79.3)	1.2	(0.6)	(78.7)
Standard Life (GARS Fund)	0.0	(60.0)	0.0	(2.4)	(62.4)
BNY (Temporary)	(0.2)	(551.3)	554.2	(3.7)	(1.0)
Standard Life	(6.8)	(1.5)	1.0	(0.4)	(7.7)
Yorkshire Fund Managers	(1.6)	(0.3)	0.4	(0.1)	(1.6)
Environmental Technologies	(1.4)	(0.1)	0.0	0.2	(1.3)
Total Investments	**(716.0)**	**(1,397.0)**	**1,409.6**	**(23.1)**	**(726.5)**
Accrued Income	(3.7)				(3.1)
Investment Fees Creditors	1.0				0.5
Closing Balance	**(718.7)**				**(729.1)**

Movements in Investment Assets 2012/13

	Value at 01/04/2012 £m	Purchases at Cost £m	Sales Proceeds £m	Net (gain)/loss £m	Value at 31/03/2013 £m
Artemis	(113.7)	(65.5)	60.2	(15.8)	(134.8)
LSV	(58.4)	(16.3)	13.9	(8.4)	(69.2)
Pyrford	(176.8)	(150.9)	145.1	(7.2)	(189.8)
Southeastern	(150.2)	(97.0)	94.1	(32.7)	(185.8)
Wellington	(103.4)	(27.8)	24.4	(19.6)	(126.4)
ABN (Temporary)	(0.3)	0.0	0.0	0.1	(0.2)
Barings English Growth Fund	(0.1)	0.0	0.0	0.1	0.0
Standard Life	(5.8)	(1.0)	0.5	(0.5)	(6.8)
Yorkshire Fund Managers	(1.7)	0.0	0.1	0.0	(1.6)
Environmental Technologies	(1.0)	(0.2)	0.0	(0.2)	(1.4)
Total Investments	**(611.4)**	**(358.7)**	**338.3**	**(84.2)**	**(716.0)**
Accrued Income	(3.2)				(3.7)
Investment Fees Creditors	0.8				1.0
Closing Balance	**(613.8)**				**(718.7)**

12. Risk and Risk Management

The Pension Fund has as its main priority the security of its investments enabling it to meet its liabilities by paying any benefits due to its members. It is therefore important to manage the overall investment risk and in so doing to minimise the possibilities of a decreasing market value of its assets.

The fund's investments are actively managed by five main external fund managers who are charged with the responsibility to increase asset values, whilst maintaining market risk to acceptable levels. They achieve this mainly through diversification of stock portfolios across several geographical locations and various industrial sectors and asset classes. The managers' investing practices are controlled by pre-defined levels of tolerance.

Concentration risk is also controlled and monitored with a maximum proportion cap over the levels held in individual stocks as a set percentage of each manager's overall portfolio of stocks.

As part of each of the external fund managers' investing there is also a strict adherence to the principles of liquidity risk management in order to ensure cash flow requirements are met as and when they fall due.

All of the investing policies and practices are reviewed regularly after thorough consideration of economic and market conditions, and overall care is taken to identify, manage and control exposure to equity and bond price movements.

13. Sensitivity Analysis

By taking the data available from the past three financial years, and making considered predictions of expected returns, in consultation with State Street Analytics, which is the firm the City of London uses for performance measurement, the following movements in market price risk would have been reasonably possible as at 31 March 2014.

Potential Market Movements

Asset Type	% Change
Equities	
UK	9.79%
Overseas	12.46%
Bonds	
UK	1.27%
Overseas	5.43%
Multi-Asset	4.43%
Cash	0.02%

The potential percentage allowance for changes in asset values are within a one-standard deviation tolerance. Taking these changes, the potential increase/decrease in the market prices of the fund's assets are derived, and provide a range of possible net asset values which would be available to meet the fund's liabilities.

Price Risk 31 March 2014

Asset Type	Value £m	Change %	Value on Increase £m	Value on Decrease £m
Equities				
UK	185.5	9.79	203.6	167.3
Overseas	359.3	12.46	404.1	314.6
	544.8			
Bonds				
UK	81.0	1.27	82.1	80.0
Overseas	36.6	5.43	38.5	34.6
Multi-Asset	62.1	4.43	64.9	59.4
Cash	2.0	0.02	2.0	2.0
Total Assets	**726.5**			

The percentage change for equities includes a grouping of listed and private equities and the equity funds categorised elsewhere as pooled unit trusts. The percentage change for bonds includes a grouping of government and corporate fixed interest securities. Separate consideration of the individual asset types is not available.

Currency Risk

This represents the risk of foreign exchange rate movements affecting the value of the various asset classes held in non-sterling currencies. The following table summarises the position as at 31 March 2014.

Currency	Value £m	Change %	Value on Increase £m	Value on Decrease £m
North America Investments	256.1	7.6	275.6	236.6
Europe Ex UK Investments	140.8	6.0	149.3	132.3
Asia Pacific Investments	41.4	7.2	44.4	38.5
Emerging Investments	19.7	6.4	20.9	18.4
Global Ex UK Investments	458.0		490.2	425.8
Overseas Total	**458.0**		**490.2**	**425.8**
UK Investments & Cash	268.5	-		
Overall	**726.5**			

The following analyses show a comparison of the same sensitivities but for the year ending 31 March 2013.

Potential Market Movements

Asset Type	% Change
Equities	
UK	10.00%
Overseas	12.70%
Bonds	2.50%
Cash	0.00%

Price Risk 31 March 2013

Asset Type	Value £m	Change %	Value on Increase £m	Value on Decrease £m
Equities				
UK	176.9	10.00	194.6	159.2
Overseas	387.3	12.70	436.5	338.1
Bonds				
UK	85.8			
Overseas	35.6			
Total Bonds	121.4	2.50	124.5	118.4
Cash	30.4	-	30.4	30.4
Total Assets	**716.0**		**786.0**	**646.1**

Currency Risk

Currency	Value £m	Change %	Value on Increase £m	Value on Decrease £m
North America Investments	238.1	8.3	257.9	218.4
Europe Ex UK Investments	127.7	7.2	136.9	118.5
Asia Pacific Investments	47.0	7.4	50.4	43.5
Emerging Investments	10.1	6.4	10.7	9.4
Global Ex UK Investments	422.9		455.9	389.8
Overseas Total	**422.9**		**455.9**	**389.8**
UK Investments & Cash	293.1	-		
Overall	**716.0**			

14. Independent Custodian

The independent custodian, Bank of New York Mellon, is responsible for its own compliance with prevailing legislation, providing monthly accounting data summarising details of all investment transactions during the period, settlement of all investment transactions, collection of income and tax reclaims.

15. Current assets

Current assets represent cash balances of £17.9m.

16. Current liabilities

Current liabilities represent accruals for investment management expenses and custodian fees.

17. Statement of Investment Principles

The City of London has prepared a Statement of Investment Principles, which governs decisions relating to investments and this is included in the more detailed publication available from the Chamberlain.

18. Funded Obligation of the Overall Pension Fund

The actuarial present value of promised retirement benefits (the Funded Obligation) amounts to £1,147.7m as at 31 March 2014 (£1,072.1m as at 31 March 2013). The Funded Obligation consists of £1,053.3m in respect of Vested Obligation and £94.4m of Non-Vested Obligation. These figures have been prepared by the fund actuary (Barnett Waddingham LLP) in accordance with IAS26. In calculating the disclosed numbers, the actuary has adopted methods and assumptions that are consistent with IAS19. The figures presented are prepared only for the purposes of IAS19. In particular, they are not relevant for calculations undertaken for funding purposes or for other statutory purposes under UK pensions legislation.

Police Pension Fund Account for the year ended 31 March 2014

2012/13 £m		2013/14 £m	2013/14 £m
	Contributions receivable		
	- from employer		
(7.6)	normal	(7.5)	
(3.8)	- from members	(4.0)	
(11.4)			(11.5)
(0.3)	Transfers in from other Police Authorities	(0.2)	
	Benefits payable		
18.5	- pensions	19.5	
5.3	- commutations and lump sum retirement	6.2	
23.8			25.7
	Payments to and on account of leavers		
0.2	- Transfers out to other Police Authorities		1.2
12.3	Sub-total: Net amount payable for the year before transfer from Police Authority		15.4
(12.3)	Additional contribution from Police Authority		(15.4)
0.0	**Net amount payable/receivable for the year**		**0.0**

Net Assets Statement as at 31 March

2012/13 £m		2013/14 £m
0.0	Current assets	0.1
0.0	Current liabilities	(0.1)
0.0		**0.0**

i. The Police Pension Fund was established under the Police Pension Fund Regulations 2007 (SI 2007 No. 1932).

ii. It is a defined benefits scheme, administered internally by the City of London and all City of London police officers are eligible for membership of the pension scheme.

iii. The fund's financial statements have been prepared using the accounting policies adopted for the City Fund financial statements set out on pages 15 to 30. The fund's financial statements do not take account of liabilities to pay pensions and other benefits after the period end. Information on the long-term pension obligations can be found in the City Fund financial statements (see note 47).

iv. Under the rules of the scheme, members may elect to commute a proportion of their pension in favour of a lump sum. Where a member has taken a commutation option, these lump sums are accounted for on an accruals basis from the date the option is exercised.

v. Transfer values represent the capital sums in respect of members' pension rights either received from or paid to other pension schemes in respect of members who have joined or left the service.

vi. The scheme is unfunded and consequently has no investment assets. Benefits payable are funded by contributions from employers and employees and any difference between benefits payable and contributions receivable is met by a top-up grant from the Home Office.

vii. Employees' and employer's contribution levels are based on percentages of pensionable pay set nationally by the Home Office and are subject to triennial revaluation by the Government Actuary's Department.

viii. The account is prepared on an accruals basis and normal contributions, both from the members and the employer, are accounted for in the payroll month to which they relate.

ADOPTION OF THE CITY FUND AND PENSION FUNDS ACCOUNTS

The City Fund Accounts and Pension Fund Accounts were approved on behalf of the Finance Committee by:

Chairman of the Finance Committee

Deputy Chairman of the Finance Committee

Date:

Date:

Accruals – the accounting treatment, where income and expenditure is recorded when it is earned or incurred, not when money is paid or received.

Actuarial gains and losses - for a defined benefit pension, changes in actuarial deficits or surpluses that arise because:

events have not coincided with the actuarial assumptions made for the last valuation (known as experience gains and losses) or

the actuarial assumptions have changed.

Actuary - a person who assesses risks and costs, in particular those relating to life assurance and investment policies, using a combination of statistical and mathematical techniques.

Bid Price – the price a buyer is willing to pay.

Bridge House Estates - a charitable Trust relating to the maintenance and support of five City of London owned bridges and the making of grants for the benefit of Greater London, particularly for the provision of transport, and access to it, for the elderly and disabled. The Trust is accounted for separately and does not form part of the City Fund statements although references are made to Bridge House Estates in certain parts of the statements.

Capital adjustment account - records the resources set aside to finance capital expenditure partly offset by the consumption of fixed assets based on historic costs (e.g. historic cost depreciation, historic cost impairment losses caused by consumption of economic benefits and revenue expenditure funded from capital under statute over the period that the City benefits from the expenditure).

Capital charge - a charge to service revenue accounts to reflect the cost of fixed assets used in the provision of services.

Capital expenditure - expenditure on the acquisition of a fixed asset or expenditure that adds to and not merely maintains the value of an existing fixed asset.

Capital receipts - the proceeds from the sale of a fixed asset such as land or council houses. Capital receipts can only be used for capital purposes e.g. funding capital expenditure or repaying debt.

City's Cash - the City of London's endowment fund that is accounted for separately and does not form part of the City Fund statements, although references are made to City's Cash in certain parts of the statements. The fund is now used to finance activities mainly for the benefit of London as a whole but also of relevance nationwide. These services include the work of the Lord Mayor in promoting UK trade overseas, numerous green spaces and work in surrounding boroughs supporting education, training and employment opportunities.

Creditors – individuals or organisations to which the City Fund owes money at the end of the financial year.

Collection Fund - statutory account showing transactions in relation to the collection of Council Tax, payments to the Greater London Authority and the administration of the National Non-Domestic Rate.

Community assets - assets that the City of London intends to hold in perpetuity, that have no determinable useful life, and that may have restrictions on their disposal. Examples of community assets are parks and gardens or historic buildings.

Current asset - an asset held which will be consumed or cease to have value within the next accounting period; examples are stock and debtors.

Current liability - an amount which will become payable or could be called in within the next accounting period; examples are creditors and cash overdrawn.

Current service cost (pensions) - the increase in the present value of a defined benefit scheme's liabilities expected to arise from employee service in the current period.

Curtailment (pensions) - for a defined benefit scheme, an event that reduces the expected years of future service of present employees or reduces for a number of employees the accrual of defined benefits for some or all of their future service. Curtailments include:

termination of employees' services earlier than expected, for example as a result of discontinuing an activity, and

termination of, or amendment to, the terms of a defined benefit scheme so that some or all future service by current employees will no longer qualify for benefits or will qualify only for reduced benefits.

Debtors – individuals or organisations that owe the City Fund money at the end of the financial year.

Deferred capital receipts - these result mainly from loans to the Museum of London plus outstanding loans in respect of past sales of council dwellings to tenants who were unable to obtain a building society loan or other external means of financing. Their indebtedness is reflected in the balance sheet under long term debtors. This account shows the amount to be paid on deferred terms and is reduced each year by repayments made.

Defined benefit scheme - a pension or other retirement benefit scheme other than a defined contribution scheme. Usually, the scheme rules define the benefits independently of the contributions payable, and the benefits are not directly related to the investments of the scheme. The scheme may be funded or unfunded.

Defined contribution scheme - a pension or other retirement benefit scheme into which an employer pays regular contributions fixed as an amount or as a percentage of pay and has no legal or constructive obligation to pay further contributions if the scheme does not have sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

Depreciation - the loss in value of an asset due to age, wear and tear, deterioration or obsolescence.

Direct revenue financing - expenditure on the provision or improvement of capital assets met directly from revenue account.

Donated assets - assets transferred at nil value or acquired at less than fair value.

Expected rate of return on pensions assets - for a funded defined benefit scheme, the average rate of return, including both income and changes in fair value but net of scheme expenses, expected over the remaining life of the related obligation on the actual assets held by the scheme.

Experience gains or losses – in pensions accounting, the element of actuarial gains and losses that relates to differences between the actual events as they have turned out and the assumptions that were made as at the date of the earlier actuarial valuation.

Fair value – Fair value is generally defined as the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's-length transaction.

Heritage assets - a tangible asset with historical, artistic, scientific, technological, geophysical or environmental qualities that is held and maintained principally for its contribution to knowledge and culture.

Impairment - a reduction in the value of a fixed asset below its carrying amount on the balance sheet.

Infrastructure assets - fixed assets that are inalienable, expenditure on which is recoverable only by continued use of the asset created. Examples are highways, footpaths, bridges and sewers.

Intangible assets –a non-physical item where access to future economic benefits is controlled by the local authority. An example is computer software.

Pensions interest cost - for a defined benefit scheme, the expected increase during the period in the present value of the scheme liabilities because the benefits are one period closer to settlement.

Investment properties - interest in land or buildings that are held for investment potential.

Levies - these are charges incurred by the City of London to meet London-wide services. They include payments to the London Boroughs Grants Committee, the Environment Agency and the London Planning Advisory Committee.

National Non-Domestic Rate (NNDR) - a flat rate in the pound set by the Government and levied on businesses who occupy offices and buildings within the City. The income is collected by the City of London and is passed on to Central Government.

Net current replacement cost - the cost of replacing a particular asset in its existing condition and in its existing use.

Net realisable value - the open market value of an asset in its existing use (or open market value in the case of non-operational assets) less the expenses to be incurred in realising the asset.

Non-operational assets - fixed assets held but not directly occupied, used or consumed in the delivery of service. Examples are investment properties.

Past service cost (pensions) - for a defined benefit scheme, the increase in the present value of the scheme liabilities related to employee service in prior periods arising in the current period as a result of the introduction of, or improvement to, retirement benefits.

Projected unit method - an accrued benefits valuation method in which the scheme liabilities make allowance for projected earnings. An accrued benefits valuation method is a valuation method in which the scheme liabilities at the valuation date relate to:

the benefits for pensioners and deferred pensioners (i.e. individuals who have ceased to be active members but are entitled to benefits payable at a later date) and their dependants, allowing where appropriate for future increases; and

the accrued benefits for members in service on the valuation date. The accrued benefits are the benefits for service up to a given point in time, whether vested rights or not. Guidance on the projected unit method is given in the Guidance Note GN26 issued by the Faculty and Institute of Actuaries.

Provision - an amount set aside in the accounts for liabilities of uncertain timing or amount that have been incurred. Provisions are made when:

the City of London has a present obligation (legal or constructive) as a result of a past event;

it is probable that a transfer of economic benefits will be required to settle the obligation; and

a reliable estimate can be made of the amount of the obligation.

Reserves – Reserves are reported in two categories in the Balance Sheet of local authorities:

Usable reserves – surpluses of income over expenditure and amounts set aside outside the definition of a provision and which can be applied to the provision of services. Certain reserves are allocated for specific purposes and are described as earmarked reserves.

Unusable reserves – those that cannot be used to provide services. This category of reserves include adjustment accounts which deal with situations where statutory requirements result in income and expenditure being recognised against the City Fund or HRA balance on a different basis from that expected by accounting standards.

Revaluation Reserve - represents increases in valuations of assets since 1 April less amounts written off due to the 'additional depreciation' (including impairment due to consumption of economic benefit) arising because fixed assets are carried at a revalued amount rather than historic cost. It can also include reductions in values to investment properties where the reductions are not considered to be permanent.

Revenue expenditure - the day to day running costs relating to the accounting period irrespective of whether or not the amounts due have been paid. Examples are salaries, wages, repairs, maintenance and supplies.

Revenue expenditure funded from capital under statute - Legislation allows some expenditure to be classified as capital for funding purposes when it does not result in the expenditure being carried on the Balance Sheet as a fixed asset. The purpose of this is to enable it to be funded from capital resources rather than be charged to revenue and impact on council tax. These items are generally grant payments and expenditure on property not owned by the authority.

Scheme liabilities - the liabilities of a defined benefits pension scheme for outgoings due after the valuation date. Scheme liabilities measured using the projected unit method reflect the benefits that the employer is committed to provide for service up to the valuation date.

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Deloitte.

City of London Corporation – City Fund

Final Report to the Audit and Risk Management Committee on the audit for the year ended 31 March 2014

the Distinctive audit

14 July 2014

Contents

"I am delighted to present our final report on the findings from our 2013/14 external audit."

Heather Bygrave, Engagement Lead Partner

A reminder of our audit plan:

- Materiality: £4.5m (revised from estimate of £4.8m in our audit planning report).
- Threshold for reporting misstatements: £225k.
- Significant risks over valuation of investment properties, the Project BE property transfer, fraud in recognition of grant income and management override of controls.
- We have taken a fully substantive audit approach.

The big picture

The Big Picture

We have not identified any matters to date which would prevent us from issuing an unmodified audit report

Statement of accounts

- The key judgement areas were in relation to the valuation of properties, the valuation of pension liabilities and the estimation of provisions for business rates appeals.
- We also provide comments on the Crossrail commitment. The position is unchanged from that anticipated in our planning report to the Committee.
- We have not identified any matters to date which would prevent us from issuing a clean opinion on the financial statements but, as anticipated, a number of areas of our work are in progress at the time of issue of this report.

Audit work on the financial statements

- Valuation of investment properties - We focused on the key assumptions made, and the reasonableness of the valuations arrived at, by the City's valuers. We concluded satisfactorily on their reasonableness.
- Grant income recognition - We focused on the judgements made by officers in determining the basis of recognition for individual grants. We have not identified any exceptions to date. There are a small number of selections where we are waiting for information to complete our testing.
- Transfer of properties from other funds – The Property Investment Board received a report on the rationale for the transaction. Our review of valuation reports concluded that the transaction had been made and recorded at fair value.
- Management override of controls - Auditing standards presume that there is always a risk of management override of controls. We did not identify any areas of concern from our work to date. In our testing of journals, there are a small number of selections where we are waiting for information.
- In response to our audit challenge, officers have made changes to the calculation of the provision for the impact of appeals by business rate payers which has had the effect of increasing the charge to the Collection Fund from £58m to £114m. This has impacted on a number of lines in the financial statements, although the impact on the City Fund balance is limited to £0.1m due to the safety net mechanism and timing of entries. We also identified a misclassification of £0.6m within net current assets. We understand these will be corrected in the version of the draft financial statements submitted to the Audit and Risk Management Committee for approval. We will provide an oral update on any uncorrected misstatements at the meeting following our review of the updated financial statements and finalisation of other work.
- We have not identified any material control deficiencies from our work to date. We will provide an update at the meeting and include other matters in the final updated version of this report.

Value for money conclusion

- We expect to issue an unmodified value for money conclusion. We provide an explanation of our conclusion on the risk to the financial resilience of the City Fund posed by budget deficits in the later years of the Medium Term Financial Strategy.

Officers have again faced the challenge of finalising the financial statements at the same time as responding to audit queries.

We received the full draft financial statements on 30 June 2014. We have substantially completed our work on the significant risks identified in our plan, although there are certain sample items where information is needed to be able to complete our work.

Our work on areas of normal audit risk is ongoing, including the completion of certain internal review processes. We expect this work to be substantially complete by the time of the Committee's meeting on 22 July 2014 and will provide an oral update at that time.

Under the Audit Commission Act 1998, we issue a certificate 'when the audit of the accounts has been concluded'. The audit certificate can be issued as soon as all the work required to meet auditors' responsibilities under sections 2 and 3 of the Code has been completed. One of these is to issue an opinion on the City Fund's Whole of Government Accounts (WGA) return. The deadline for the audited return is 5 October. We will commence our work once the draft financial statements have been finalised. We anticipate the issue of the certificate will also be delayed by the completion of the pension scheme annual report. These matters will not delay issue of our audit report.

Significant audit risks

This section explains the nature of significant risks, how these risks have been addressed by our audit work and our conclusions. We also explain related presentational and disclosure matters within the financial statements.

Valuation of investment properties

The valuations arrived at by the City's valuers were reasonable in material respects.

Nature of risk

The City has a substantial portfolio of investment properties which are subject to annual revaluation. Some of the properties require the application of specialist valuation assumptions. The current and recent economic volatility has affected property values, generally, and the City has recorded significant gains and losses over the last 3 years.

All properties are valued in accordance with the Royal Institution of Chartered Surveyors Valuation and Appraisal Standards. The portfolio has been valued by four external firms of valuers at 31 March 2014.

A summary of the portfolio is shown below:

At 1 April 2013 £m	Additions £m	Transfers £m	Disposals £m	Revaluations £m	At 31 March 2014 £m
794	167	16	(67)	106	1,016

The key judgement area(s), its impact on the financial statements and our audit challenge

We involve real estate specialists from Deloitte as part of the engagement team to assist us.

Our work included:

- assessing the overall performance of the City Fund investment and strategic property portfolios against published data on overall property market movements, for the period from March 2013 to March 2014 and sought and challenged reasons for over- or under-performance against the wider market for individual properties;
- undertaking a desktop analysis to assess a selection of properties, comparing the key assumptions adopted against publicly available benchmarks and information;
- considering the approach and methodology of the valuers, together with the instructions from the City.

We noted that the process followed in preparation of the valuations appears to be reasonable, subject to tests on the completeness and accuracy of information provided to the valuer.

The Investment Property Databank ("IPD") index reports changes in capital values of various property types. Reported movements in Central London in the year to 31 March 2014 are summarised in the table below:

Property Type	Change in Capital Value
Central and Inner London offices	+21%
City offices	+16.2%
Central London standard shops	+6.4%

With like-for-like portfolio movements of 10.5% the City Fund investment property portfolio has increased in value broadly in line with the wider London property market.

We believe the internal and external valuations produced for the City Fund as at 31 March 2014 are a reasonable reflection of their market value. However, going forwards, the City should monitor the valuations of:

- Fleetbank House in the context of market appetite to risk going forward, since in the current market investors are overlooking the future over-rent at lease expiry in 2023 in pricing terms. However, should investment interest in the City decline in future periods, the appetite for such risk may decrease and hence the value could fall; and
- developments in progress (St Alphage House, International House, 100 Cheapside and 12 – 14 New Fetter Lane) are monitored in the coming year, since these valuations are likely to see the greatest degree of value change going forward.

Transfer of properties to the City Fund

We identified this as an audit risk as it is a significant, unusual transaction between different funds under common control.

Nature of risk

The Resource Allocation Sub Committee previously allocated £110m of City Fund's cash reserves to property in order to secure a better rate of financial return. The Corporation executed the remainder of this plan through the transfer of properties from City's Cash and Bridge House Estates with value of £104m (excluding stamp duty).

The transaction required compliance with relevant statutory requirements by the City Fund and transferors and appropriate governance arrangements.

The transaction has a significant impact on the current year financial statements and will require appropriate disclosure in the financial statements and explanation in the Explanatory Foreword.

The key judgement area(s), its impact on the financial statements and our audit challenge

We reviewed the report to the Property Investment Board to confirm our understanding of the business rationale for the transaction. We also inspected the approvals for the transaction.

An area of particular focus in evaluating the Corporation's arrangements for securing compliance with relevant statutory requirements applying to the City Fund and the transferors was the value at which the properties were transferred. The Corporation engaged external valuers to provide advice. In view of the size of the transaction, we utilised internal valuation specialists from Deloitte Real Estate, to assist us in our review of the work of the valuer and challenge key assumptions in the valuation.

Our work included:

- Reviewing the qualifications and experience of the valuer and the instructions provided to them by the City;
- Challenge of the explanations for exceptional movements in the valuation between the previous year end and the transaction date; and
- A more detailed consideration and challenge of the assumptions used in the valuation of a selection of properties.

There were no concerns arising from our work. The valuation of the properties rose by 12.7% from the valuation at 31 March 2013 (as recorded in the transferors' balance sheets) to the transaction value recorded in December 2013, with full year increase of 13.0%. This was only marginally ahead of the wider investment portfolio and broadly in line with the wider London market.

We performed a focused review of the disclosures around this transaction focusing on the commentary provided in the Explanatory Foreword and the disclosures provided in the related parties note. We concluded that there was sufficient and appropriate disclosure to give a true and fair view.

Grant income recognition

We focused on the judgements made by officers in determining the basis of recognition for individual grants. We did not identify any exceptions from our work to date.

Nature of risk

The City received grants and contributions totalling £169.1m.

Accounting for grant income can be complex as the timing for recognising income in the accounts will depend on the scheme rules for each grant. Under the Code, income from grants is recognised as soon as all conditions have been met.

We have retained this as a risk in view of the size of this income stream and some of the complexities around recognition of individual grants.

The significant risk in relation to management override, its impact on the financial statements and our audit challenge

We noted that the Corporate Accountancy Unit had sent out instructions to staff involved in the preparation of the accounts highlighting the accounting requirements for grants.

We also carried out extended testing to check that recognition of income in 2013/14 properly reflects any conditions within the grant offer letter and accompanying documentation.

Our work did not identify any exceptions from our work to date. There are certain selections where we await information, principally to test the amount recognised in situations where conditions are assessed to be present.

We will provide an oral update at the meeting on 22 July 2014 on the status of this work.

Management override of controls

We did not identify any issues in relation to management bias from our work to date.

Nature of risk

Standards on auditing include a presumption of a risk of management override of key controls which cannot be rebutted by the auditor. This recognises that management may be able to override controls that are in place to prevent inaccurate or even fraudulent financial reporting.

The significant risk in relation to management override, its impact on the financial statements and our audit challenge

Our audit work is designed to test management override of controls and key estimates.

We have summarised our findings above on the key estimates around grant income recognition, investment property valuation and the value at which properties were transferred to the City Fund.

Other audit work completed to address the significant risk

Specific areas of work are:

Journals

In testing journals, we analysed the whole population of journals to identify those which had features which could be indicators of possible fraud and to focused our testing on these. We have not identified any issues from this work to date but are waiting for information on certain selections.

Accounting estimates

In addition to the key estimates discussed above, we have tested the basis for other estimates used in the financial statements and have not identified any evidence of management bias from our work to date. We discuss other areas of significant judgement, which we do not consider give rise to a significant risk of material misstatement, in the next section.

Significant transactions

We did not identify any significant transactions outside the normal course of business or transactions where the business rationale was not clear. We discuss the transfer of properties to the City Fund earlier in this report.

Other matters in your financial statements

Other matters in your financial statements

We comment on other key areas of judgement and other matters which do not represent significant audit risks

The Crossrail commitment

- The notes to the financial statements since 2008/9 have disclosed a commitment made by the City to contribute £200 million towards the cost of Crossrail. The wording in the 2014 draft financial statements is as follows:

  "The City of London Corporation has agreed with Government that £200m will be provided from City Fund towards the costs of constructing Crossrail. The payment of this amount is dependent on the achievement of a number of conditions, primarily the completion of certain works in relation to Crossrail stations. Whilst it is now looking quite likely that the conditions will be met, there is still some 2 years to go before the works are due to complete. Therefore a liability has not been recognised in the financial statements pending performance of the conditions but will be recognised when it becomes payable. At this stage it is anticipated that the contribution will be made in 2016. The financing strategy for the contribution is based on the accumulation of annual rental income from specific investment properties and capital receipts from the sale of assets. The City Surveyor is in the process of identifying the most advantageous properties to sell".
- During our audit of the 2008/9 financial statements we discussed with officers their assessment of the accounting treatment for this item. We concurred with officers that the agreement with the Government, contained within an exchange of letters between the Corporation and the Secretary of State, is an "executory contract" (contracts under which both parties are still to perform to an equal degree the actions promised by and required of them under the contract). As such it falls outside the scope of International Accounting Standard 37 Provisions, Contingent Liabilities and Contingent Assets (unless onerous).
- As a result, in past financial statements, whilst the transaction has been disclosed as a commitment, a liability has not yet been recognised on the balance sheet pending performance of the undertakings made by the Secretary of State, which include completion of certain works in relation to Crossrail stations.
- We have reviewed the position of the relevant works at 31 March 2014, all of which were incomplete at that date. We therefore agree there should be no change to the past treatment in the 2013/14 accounts with disclosure only as a significant commitment.

Other matters in your financial statements (continued)

We comment on other key areas of judgement and other matters which do not represent significant audit risks

Valuation of properties

- We noted in our planning report that the Code had been updated to provide clarification on the frequency of revaluation of property, plant and equipment. The Code requires that items within a class of property, plant and equipment are revalued simultaneously to avoid selective revaluation of assets and the reporting of amounts in the financial statements that are a mixture of costs and values as at different dates. However, the Code allows valuations to be carried out on a rolling basis, but only if revaluation of the class of assets is completed within a short period and provided that revaluations are kept up to date (e.g. by the use of indices).
- The area of concern for the City Fund related to the “Other land and buildings” class where revaluations have in the past been carried out on a rolling basis. Assets in other classes are either revalued on an annual basis or are carried at historical cost. The value of “Other land and buildings” at 31 March 2014 is £383m.
- We agreed with officers that the key concern was whether the design of the programme of valuations caused the carrying amount of operational properties to be consistent with their fair value at that date in material respects. Subsequent clarification was issued by CIPFA which confirmed this view.
- In the light of this, officers revised the design of the valuation programme. As a result £289m or 77% of properties by value at 1 April 2013 were subject to a full or desktop valuation at the balance sheet date. The remaining value of assets in the other land and buildings category not subject to formal valuation at the balance sheet date was £85m. Taking into account the comparatively small value not subject to formal valuation, the comparatively small general price change over the period (approximately 5%) and existing officer processes for bringing forward in the valuation programme any individual properties with unusual factors impacting on their valuation, we concluded that the design of the valuation programme was adequate to meet its objective.

Other matters in your financial statements (continued)

We comment on other key areas of judgement and other matters which do not represent significant audit risks

Pension liabilities

- Previously, the Local Government Pension Scheme has been accounted for by all participating funds and other employers as if it were a defined contribution plan. This means that pension costs were recognised in the Comprehensive Income and Expenditure Statement on the basis of contributions payable in the year and the cost of paying future pensions was not included in the balance sheet.
- The accounting treatment reflected an exemption where an authority is not able to identify its share of the underlying financial position and performance of the plan with sufficient reliability for accounting purposes as the plan exposes the participating authorities or other entities to actuarial risks associated with the current and former employees of other authorities or entities, with the result that there is no consistent and reliable basis for allocating the obligation, plan assets and cost to individual authorities/entities participating in the plan.
- Officers reviewed the accounting treatment this year and concluded that pensionable pay would form a consistent and reliable basis for apportioning pension costs and liabilities across the different funds participating in the scheme. The change is consistent with the direction of travel in financial reporting, including a Financial Reporting Review Panel case in October 2013 which concluded that the schedule of contributions is as a minimum funding requirement to be accounted for in accordance with IFRIC 14 'IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction'.
- We requested a paper from officers (a) confirming the basis on which contributions recovering the deficit will be charged across funds to demonstrate that this is consistent with the basis on which the deficit has been apportioned; and (b) the accounting in different scenarios going forwards to test that it is resilient. We will conclude once we have received this paper.
- The pension liability remains an area requiring significant judgment by officers in consultation with the actuary. We did not identify this as an area of significant audit risk this year as we concluded the pension accounting was of less significance to a user of the accounts as statutory mitigation entries mean that the City Fund is charged on the basis of contributions payable. This change has not significantly impacted on our approach or depth of work.
- We have raised queries with officers in relation to the police pension liability and are following up on these. Our provisional finding is that the assumptions used fell within a reasonable range, but at the prudent end of this range. Last year we concluded they were more centred. The principal area of difference between our benchmark assumption and what had been used in the calculation was in relation to inflation assumptions. We estimate the liability would have been £55m lower if our benchmark assumption were used. Our work on the local government pension scheme is ongoing, but as the assumptions made are substantially the same as for the police pension scheme, we do not anticipate the finding will be significantly different. We will update the committee orally at the meeting on any changes to our conclusions once our work in this area is complete.

Other matters in your financial statements (continued)

We comment on other key areas of judgement and other matters which do not represent significant audit risks

Localisation of business rates

- The Government introduced a business rates retention scheme from 1 April 2013. The intention behind the scheme is to provide a direct link between business rates growth and the amount of money councils have to spend on local people and local services.
- The scheme involves a system of tariffs and top-up payments to and from government to even out situations where business rates are not in proportion to current spending. The introduction of the scheme has required the City to make new or changed accounting entries and to determine separate surpluses for Council Tax, National Non Domestic Business Rates and Business Rates Supplement within the Collection Fund.
- We did not identify this as a significant audit risk, however, as CIPFA issued detailed guidance on the accounting implications for the localisation of business rates, including example entries, to assist with implementation.
- The accounting and estimation processes for appeals against rateable values required the exercise of judgement, but the impact on the Corporation would be below the audit materiality threshold due to a safety net which limits the City's losses.
- Our work identified two adjustments to the logic in the calculation of the provision for appeals. This resulted in an increase in the total provision for all preceptors from £58m to £114m and consequent changes to various balance sheet amounts and entries in the Collection Fund. Under the Regulations, the City Fund's interest in national business rates is limited to 30%. Additionally, the Regulations provide for central government to make safety net payments where the authority's income drops below more than 92.5% of its index linked spending baseline. Whilst the City will not enjoy a share in growth above the baseline, the mechanism sets a limit on the impact of a fall in net business rates income. There is therefore not a material change to the position on the City Fund balance as a result of the change in provision amount with an immediate impact on the reserve balance at 31 March 2014 of only £0.1m.
- We understand the adjustment to the appeals provision will be reflected in the version of the financial statements to be presented to the committee for approval. This will impact on a number of calculations which the City needs to make and a number of lines within the financial statements. We will update the committee on the outcome of our testing of the final entries at the meeting.

Value for Money conclusion

Value for money conclusion

We identified one risk in relation to financial resilience

Work performed

Under the Code of Audit Practice 2010 we are required to include in our audit report a conclusion on whether the City of London Corporation has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources in respect of the City Fund - this conclusion is known as "the VFM conclusion".

Our conclusion is based on the following two reporting criteria:

- **The organisation has proper arrangements in place for securing financial resilience. The focus of this criterion is on whether the organisation has robust systems and processes to manage financial risks and opportunities effectively, and to secure a stable financial position that enables it to continue to operate for the foreseeable future.**
- **The organisation has proper arrangements for challenging how it secures economy, efficiency and effectiveness. The focus of this criterion is on whether the organisation is prioritising its resources within tighter budgets, for example by achieving cost reductions and by improving efficiency and productivity.**

Risk assessment

Our preliminary assessment was that there were no risks in relation to our VFM responsibilities which required additional local work to be carried out and we therefore did not identify any risks or additional local work in our audit plan.

We have subsequently carried out a detailed risk assessment which also takes account of the latest refresh of the Medium Term Financial Strategy, as well as the outturn financial and performance information for 2013/14. The risk assessment has involved consideration of common risk factors identified by the Audit Commission, concluding on whether they represent actual risks for the purpose of our VFM conclusion on the City Fund. We undertook this work through review of relevant documentation, including committee papers and discussion with officers. We also considered whether there were other risks which might be specific to the City Fund. We did this principally through our consideration of what has been reported in the Annual Governance Statement, any concerns reported by regulators and other matters which have come to our attention from our work carried out in relation to our other Code responsibilities.

Conclusion from risk assessment

On the basis of our work, and taking into account additional guidance issued subsequently by the Audit Commission, we identified a risk in relation to the financial sustainability of the City Fund in the medium term in the light of the impact of the Spending Round 2013 and focused our work in this area. In particular, the timing of Government announcements and the scale of reduction in grant funding means that the City needed to agree a medium term financial strategy in February 2014 which included budget deficits for the final two years of the medium term financial strategy for local authority spending and a breach of the City Police reserve policy in early 2016/17.

Risk to financial sustainability in the medium term

In forming our view on this risk we considered the following:

- Following an analysis of the Spending Round 2013, the City forecast in February 2014 a deficit in the later years of the Medium Term Financial Strategy for local authority expenditure. It also forecasts deficits through the period for Police expenditure, to be met in the first two years by drawing on the Police reserve set aside for this purpose. The position reported in the Medium Term Financial Strategy at February 2014 is shown below. We understand that the estimate of the deficit for local authority expenditure in 2017/18 has subsequently risen to £11m (before management action, which we comment on below).

Value for money conclusion (continued)

We expect to issue an unmodified value for money conclusion

(Surplus)/Deficit £m	2014/15	2015/16	2016/17	2017/18
Non Police	(6.8)	0.2	4.7	8.9
Police	4.6	4.7	6.7	NA

- The City has a track record of responding to challenges posed by reductions in government funding and, before that, reductions in key sources of rental and investment income and has added to its reserves in successive years through to 2013. In 2014, revenue reserves were drawn on to finance the reinvestment of funds previously held in deposits into property investments in order to achieve higher returns. Excluding this, the underlying trend has been maintained with a contribution to revenue reserves before revenue contribution to capital of £9m.
- The City has also not needed to make significant changes to forecast surplus/deficit position for the non Police expenditure during the period covered by the preceding period medium term financial strategy in each of the last 3 years.
- The City has also continued its track record of spending within the City Fund revenue budget, recording an underspend of £3.7 million in 2013/14. The City will need to continue to make sure going forwards that it strikes an appropriate balance between prudent budgeting and forecasting which maintain continued financial resilience on the one hand and providing accurate information for decision making purposes on spending plans on the other.

	Unallocated reserve £m	Earmarked reserves £m £m	Total £m £m	Change over year £m £m	Underspend £m
2014	43.4	64.2	107.6	-68.6	3.7
2013	70.9	105.3	176.2	+18.5	6.5
2012	63.7	94.0	157.7	+17.6	13.7
2011	52.9	87.2	140.1	+9.9	4.4
2010	48.5	81.7	130.2	+4.4	7.9

- The police authority received positive feedback in the year from HMIC on its progress in responding to funding cuts.
- The City carried out a programme of service based reviews over the last year, the outcome of which is not yet reflected in the Medium Term Financial Strategy. Savings proposals generated through this process are progressing through member scrutiny, but together with other areas of the ongoing review programme which are in progress, and, for Police expenditure, with the reserve set aside for this purpose, are at the scale required to meet the currently forecast budget deficit. The process to date has included consideration of the risks and impacts of individual savings scheme and initial member challenge. The City has received the same scale of reductions to central government funding as the London Boroughs but the impact has been less marked. As a result, the programme has not required the same level of member choices over priorities.
- Whilst revenue reserves have fallen in 2013/14, the position at 31 March 2014, together with the surplus the City has budgeted to make in the current financial year on local authority expenditure, provides some cover in the event of slippage in the savings programme or unexpected charges or drops in income.

Conclusion

We concluded satisfactorily on this area of risk. We expect to issue an unmodified value for money conclusion.

Responsibility Statement

Purpose of our report and responsibility statement

Our report is designed to help you meet your governance duties

What we report

Our report is designed to help the Audit and Risk Management Committee and the Chamberlain and Finance Committee discharge their governance duties. It also represents one way in which we fulfil our obligations under ISA 260 to communicate with you regarding your oversight of the financial reporting process and your governance requirements. Our report includes:

- Results of our work on key audit judgements and our observations on the quality of your Annual Report;
- Our internal control observations; and
- Other insights we have identified from our audit.

What we don't report

- As you will be aware, our audit was not designed to identify all matters that may be relevant to the board.
- Also, there will be further information you need to discharge your governance responsibilities, such as matters reported on by management or by other specialist advisers.
- Finally, our views on internal controls and business risk assessment should not be taken as comprehensive or as an opinion on effectiveness since they have been based solely on the audit procedures performed in the audit of the financial statements and the other procedures performed in fulfilling our Plan.

The scope of our work

- Our observations are developed in the context of our audit of the financial statements.
- We described the scope of our work in our audit plan and the supplementary "Briefing on audit matters"

We welcome the opportunity to discuss our report with you and receive your feedback.

Deloitte LLP

Chartered Accountants

St Albans

14 July 2014

This report has been prepared for the members of the City of London Corporation, as a body, and we therefore accept responsibility to you alone for its contents. We accept no duty, responsibility or liability to any other parties, since this report has not been prepared, and is not intended, for any other purpose. Except where required by law or regulation, it should not be made available to any other parties without our prior written consent.

Appendices

Appendix 1: Fraud: responsibilities and representations

Required representati ons	We have asked the Corporation to confirm in writing that you have disclosed to us the results of your own assessment of the risk that the financial statements may be materially misstated as a result of fraud and that you have disclosed to us all information in relation to fraud or suspected fraud that you are aware of and that affects the entity or group.
Concerns	We have no concerns to report in relation to fraud from the work noted above or our audit procedures.
Audit work performed	In our planning we identified the risk of fraud in management override of controls and fraud in recognition of grant income as key audit risk for your organisation. During course of our audit, we have had discussions with internal audit, management and those charged governance. We discussed knowledge of actual or suspected cases of fraud, the assessment of fraud risk and arrangements for responding to the risk of fraud. There were no material issues raised in relation to fraud and no adjustments were required to our audit plan.

The primary responsibility for the prevention and detection of fraud rests with management and those charged with governance, 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 fraud or error.

Appendix 2: Independence and fees

As part of our obligations under International Standards on Auditing (UK and Ireland), the Listing Rules and the Companies Act, we are required to report to you on the matters listed below:

Independence confirmation	We confirm that we comply with APB Ethical Standards for Auditors and that, in our professional judgement, we are independent and our objectivity is not compromised.
Fees	Details of the fees charged by Deloitte for the period from 1 April 2013 to 31 March 2014 are summarised on the next page.
Non-audit services	Details of non audit services in the period from 1 April 2013 to the date of this report and provided on the next page. We continue to review our independence and ensure that appropriate safeguards are in place including, but not limited to, the rotation of senior partners and professional staff and the involvement of additional partners and professional staff to carry out reviews of the work performed and to otherwise advise as necessary. We provided an assessment of the impact of these on our independence and relevant safeguards in our planning report and there were no new engagements in the remainder of the financial year. We obtained pre-approval from the Audit Commission in line with the rules governing this.
Relationships	There are no relationships, including the provision of non-audit services, we have with the City, its members and senior officers and its affiliates, and other services provided to other known connected parties that we consider may reasonably be thought to bear on our objectivity and independence.

Appendix 2: Independence and fees (continued)

We summarise audit and non audit fees for the year

The professional fees earned or proposed by Deloitte for the period from 1 April 2013 to 31 March 2014 are as follows:

	Current year £000	Prior year £000
Audit of the City Fund	*120	104
Audit related assurance services		
Certification of grants and returns on behalf of the Audit Commission	22	24
Other non-audit services		
Lease advisory services	14	49
Tax advisory services - Research paper on financial transaction tax	18	-
Total fees	174	177
Audit of the City of London pension scheme	21	21

*The fee includes an amount of £8,657 which is additional to the original Audit Commission scale fee. This reflects the loss of synergies previously available from our role as auditor of the private and voluntary funds of the Corporation. The amount has been approved by the Audit Commission subsequent to the issue of our planning report. In addition, the return made to the Government in relation to pooled business rates no longer requires certification and a deduction has been made by the Audit Commission from the scale rate in respect of this. Our work on the Collection Fund drew on the work carried out for certification purposes. The Audit Commission has advised that auditors, where appropriate, should agree compensating adjustment to the audit scale rate locally and seek subsequent approval from the Commission. Our estimate of the additional cost, including the additional work to audit the provision for appeals, is £6,858.

In March 2014 the Audit Commission agreed a rebate to be distributed across local audit bodies. The announcement came following a meeting of the Audit Commission's Board, who met to discuss the strategy for managing any retained earnings prior to its closure at the end of March 2015. The decision was made as part of the Board's role in setting the Commission's strategy and objectives and for determining its budget and the way it carries out its functions. The rebate was set at 13.7 per cent of the 2012/13 annual audit fee. The rebate sent to City of London Corporation was £14,222 in respect of the City Fund and £2,874 in respect of the City Local Government Pension Scheme. These amounts are not reflected in the information above.

In addition to the above, the professional fees earned or proposed by Deloitte for services in the period from 1 April 2013 to 31 March 2014 in respect of other funds of the Corporation and other entities controlled by the Corporation are estimated as follows:

	£
Other non-audit services not covered above	
Lease advisory services	15
Total non-audit services excluding City Fund	**15**

Appendix 3: Draft management representation letter

We set out in draft the representations we request

Deloitte LLP
3 Victoria Square
Victoria Street
St Albans
AL1 3TF

Dear Sirs

This representation letter is provided in connection with your audit of the financial statements of the City of London Corporation (City Fund) for the year ended 31 March 2014 for the purpose of expressing an opinion as to whether the financial statements present fairly the financial position of City of London Corporation (City Fund) at 31 March 2014 and of the results of its operations, other comprehensive income and expenditure and its cash flows for the year then ended in accordance with applicable accounting framework and Accounts and Audit Regulations 2010.

We acknowledge our responsibilities for preparing financial statements for the City of London Corporation (City Fund) ("the local authority") which present fairly and for making accurate representations to you. For the avoidance of doubt, references to the local authority should be taken as applying equally to the City of London Pension Scheme and references to the financial statements of the local authority, includes information in those financial statements dealing with the City of London Pension Scheme.

We confirm, to the best of our knowledge and belief, the following representations.

Financial statements

1. We understand and have fulfilled our responsibilities for the preparation of the financial statements in accordance with the applicable financial reporting framework and the Accounts and Audit Regulations 2003 (as amended) which give a true and fair view.

2. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.

3. The measurement processes, including related assumptions and models used to determine accounting estimates in the context of the applicable financial reporting framework are appropriate and have been applied consistently.

4. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of IAS24 "Related party disclosures".

5. All events subsequent to the date of the financial statements and for which the applicable financial reporting framework requires adjustment of or disclosure have been adjusted or disclosed.

6. We confirm that the financial statements have been prepared on the going concern basis. We do not intend to liquidate the Corporation or cease trading as we consider we have realistic alternatives to doing so. We are not aware of any material uncertainties related to events or conditions that may cast significant doubt upon the Corporation's ability to continue as a going concern. We confirm the completeness of the information provided regarding events and conditions relating to going concern at the date of approval of the financial statements, including our plans for future actions.

7. The effects of uncorrected disclosure deficiencies are immaterial, both individually and in aggregate, to the financial statements as a whole. The uncorrected disclosures are included in the appendix to this letter.

8. Your testing identified an error where an accrual for expenditure before the year end of £43,000 had been incorrectly omitted from the balance sheet. We confirm our assessment that the accruals balance is not materially misstated in respect of this and any further errors which may be present in this balance.

Appendix 3: Draft management representation letter (continued)

We set out in draft the representations we request

9. We are not aware of events or changes in circumstances occurring during the period which indicate that the carrying amount of fixed assets may not be recoverable.

10. The Corporation has satisfactory title to all assets.

11. We have reconsidered the remaining useful lives of the fixed assets and confirm that the present rates of depreciation are appropriate to amortise the cost or revalued amount less residual value over the remaining useful lives.

Information provided

12. We have provided you with all relevant information and access.

13. All minutes of member and management meetings during and since the financial year have been made available to you.

14. All transactions have been recorded and are reflected in the financial statements and the underlying accounting records.

15. We acknowledge our responsibilities for the design, implementation and maintenance of internal control to prevent and detect fraud and error.

16. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

17. We are not aware of any fraud or suspected fraud that affects the entity and involves:
    (i). management;
    (ii). employees who have significant roles in internal control; or
    (iii). others where the fraud could have a material effect on the financial statements.

18. We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the entity's financial statements communicated by employees, former employees, analysts, regulators or others.

19. We are not aware of any instances of non-compliance, or suspected non-compliance, with laws, regulations, and contractual agreements whose effects should be considered when preparing financial statements.

20. We have disclosed to you the identity of the entity's related parties and all the related party relationships and transactions of which we are aware.

21. No claims in connection with litigation have been or are expected to be received.

22. We have recorded or disclosed, as appropriate, all liabilities, both actual and contingent.

23. We have no plans or intentions that may materially affect the carrying value or classification of assets and liabilities reflected in the financial statements.

24. We are not aware of any events or changes in circumstances occurring during the period which indicate that the carrying value of fixed assets may not be recoverable.

25. We have evaluated whether the restrictions, terms or conditions on grants have been fulfilled with and deferred income to the extent that they have not.

Appendix 3: Draft management representation letter (continued)

We set out in draft the representations we request

26. We confirm that:

- all retirement benefits and schemes, including UK, foreign, funded or unfunded, approved or unapproved, contractual or implicit have been identified and properly accounted for;
- all settlements and curtailments have been identified and properly accounted for;
- all events which relate to the determination of pension liabilities have been brought to the actuary's attention;
- the actuarial assumptions underlying the valuation of the scheme liabilities (including the discount rate used) accord with the City's best estimates of the future events that will affect the cost of retirement benefits and are consistent with our knowledge of the business.
- the actuary's calculations have been based on complete and up to date member data as far as appropriate regarding the adopted methodology; and
- the amounts included in the financial statements derived from the work of the actuary are appropriate.

We confirm that the above representations are made on the basis of adequate enquiries of management and staff (and where appropriate, inspection of evidence) sufficient to satisfy ourselves that we can properly make each of the above representations to you.

Yours faithfully

Deloitte.

City of London Corporation Pension Fund

Report to the Audit and Risk Management Committee on the Year Ended 31 March 2014 Pension Fund Audit

the Distinctive audit

14 July 2014

Contents

The big picture

The Big Picture

We have pleasure in setting out in this document our report to the Audit and Risk Management Committee of the City of London Corporation Pension Fund for the year ended 31 March 2014 for discussion at the meeting scheduled for 22 July 2014. This report summarises the principal matters that have arisen from our audit for the year ended 31 March 2014.

This summary is not intended to be exhaustive but highlights the most significant matters to which we would like to bring your attention. It should, therefore, be read in conjunction with the report and the appendices thereto.

Audit Scope

The scope of our audit is unchanged from the previous period and from the scope set out in our Planning Report dated 16 January 2014.

Our reporting responsibilities as auditor of the Fund are to:

- Form an opinion on the Corporation's financial statements which are prepared under CIPFA/ LASAAC Code of Practice on Local Authority Accounting in the United Kingdom ("the Code of Practice").
- Report to "those charged with governance" on certain additional matters, including any adjusted and unadjusted errors identified by our audit, our independence and any other issues we consider should be brought to their attention.

Significant representations

A copy of the representation letter to be signed on behalf of the Audit and Risk Management Committee has been included in Appendix 1 of this report. There are no new representations to highlight to those included for the 2013 audit.

Independence

We have identified no matters which would affect our independence as auditor. Our reporting requirements in respect of independence matters, including fees, are covered in Appendix 4.

"I am delighted to present our final report on the findings from our 2013/14 audit."

Heather Bygrave, Audit Partner

A reminder of our audit plan:

- Materiality: £4.5m (2012/13: £3.9m).
- Threshold for reporting misstatements: £0.225m (2012/13: £0.195m).
- Significant risks over contributions, benefits, investments and management override of controls.

The Big Picture (continued)

Status of the audit

At the date of this report, we have not received the Annual Report which is a key component of our reporting timetable agreed in our audit plan. The later timing for the issue of our audit report on the pension scheme annual report, caused by the delay in preparation of the annual report, will delay the issue of our audit certificate for the City Fund. This is discussed further in our separate paper for the City Fund.

We have substantially completed our remaining audit work in accordance with our Audit Plan, which was presented to you prior to the commencement of the audit, subject to the satisfactory completion of the matters set out below:

- Receipt of the Annual Report;
- Receipt of the 1 year performance summary from Pyford, Artemis and LSV to support our audit work for the Change in Market Value movements for the these investment managers;
- Awaiting explanation for the difference in the Change in Market Value balance on the Fund account (£30.2m) and the Net Assets Statement (£23.7m). Management are currently reviewing the reason for this difference and once resolved by management, we will audit this balance;
- Receipt of signed management representation letter (see appendix 1); and
- Update of post balance sheet event review.

We will update you in respect of any modifications to the findings or opinions contained in this report that arise on completion of these matters.

At the date of this report, and subject to the satisfactory completion of the outstanding matters referred to above, we expect to issue an unmodified audit opinion.

Significant audit risks

This section explains the nature of the significant risks we have identified, how these risks have been addressed by our audit work and our conclusions. We also explain related presentational and disclosure matters within the financial statements.

1. Completeness and accuracy of contributions

Significant audit risk

Nature of risk

Unlike the position in the private sector, we are not required to issue a separate statement on contributions for the Fund. Nevertheless, in view of the complexity arising from the participation of different employers within the Fund, we have included the identification, calculation and payment of contributions as an area of significant risk.

Impact on the financial statements and our audit challenge

Errors in processing contributions can lead to issues such as deducting incorrect amounts from active members' payroll, which can be costly to rectify and result in reputational damage.

Work completed to address the significant risk

We have performed the following testing to address the significant risks around contributions:

- reviewed the design and implementation of controls present in the Fund for ensuring contributions from all Scheduled and Admitted bodies are identified and calculated correctly;
- we performed sample tests of details to test whether each material income stream was calculated in accordance with the actuarial valuation and schedule of rates; and
- we developed an expectation based on changes in membership numbers and contribution rates to analytically review the contributions received in the year, the results of which fell within our tolerance level.

We note the following from our testing:

- Employer contributions for one member selected within our sample were overpaid in the current and prior years. The Employer rate was changed from 18.5% on April 2011 to 17.5% as part of the change in Fund Rules. A manual correction was made in the month of April 2011 as this member transferred department in this month and wasn't captured in the automatic update. It would appear from May 2011, the old rate of 18.5% continued to be applied until the member left in November 2013. After flagging this error to management they tested all salary changes in that month and found a total error of £55k overpayment in relation to this. We sample tested this population identified by management and tested completeness of the population with no further issues noted. Although this amount is not quantitatively material and falls below our reporting threshold, this represents a weakness in the system which is therefore qualitatively material and management are currently reviewing.

Deloitte view

Apart from the one member noted who's contributions were overpaid, we have formed a satisfactory conclusion in this area based on the results from the procedures performed.

2. Valuation of investments

Significant audit risk

Nature of risk

The Fund makes some use of investments in unquoted investments vehicles, such as private equity houses.

Although these funds are normally subject to external audit, up to date audited accounts were not available at the time that the Pension Fund accounts were compiled and audited. In such cases, year end fair values of investments in such funds will need to be estimated on the basis of unaudited information. In addition, market volatility raises questions about how to value these investments. It would normally be expected that the reasonableness of the Fund managers' valuation could be assessed by comparison with the funds' latest available audited accounts as adjusted for subsequent cash movements (investments and distributions) between the pooled investment vehicle and the investors. However, market volatility means such comparison may be inappropriate especially when there is a significant time period between the latest audited accounts and the Fund year end.

As these investments are more complex to value we have identified the Fund's investments in unquoted investment vehicles as a significant risk.

Impact on the financial statements and our audit challenge

Incorrect valuations of investments can lead to misstatements in the financial statements impacting investment decisions and future recovery plans.

Audit procedures completed to address the focus area

The following tests were performed to address the significant risk around investments:

- we have reviewed the design and implementation of controls present at the Fund for ensuring investments are valued correctly;
- we have obtained a further understanding of the valuation of investments. The value of unquoted investments vehicles represents less than 2% of the assets of the Fund as a whole. The majority of the investments held by the Fund being in investments which have a quoted value;
- we have reconciled the total value of the investments held by the Fund as reported in the investment report from the custodian, BNY Mellon to the value of investments reported in the Net Assets Statement;
- we have compared the valuations provided by BNY Mellon to the reports provided by the investment manager;
- we have engaged our internal financial instrument experts to ensure our testing approach was appropriate given the Fund's specific investment strategy and portfolio;
- we have performed a test of detail on a sample basis of quoted investment and compared the value reported by the BNY Mellon to the quoted price obtained from Bloomberg, DataStream or other third party sources; and
- we have performed a test of detail on a sample basis of the unquoted pooled investments to the valuations received from the external investment managers.

It was identified that the value per the investment manager reports was £0.6m lower than the value provided by the custodian. The differences largely arise over the level of accrued income that the custodian believes could be recognised as an asset where the investment manager doesn't consider there is sufficient certainty. The difference represents less than 0.01% of the overall assets of the Fund and is common throughout pension funds which have a similar custodial relationship. It is understood that this is a matter of judgment taken by management and the conclusion reached by management is considered satisfactory.

Deloitte view

No issues were identified during the completion the testing.

We confirm there are no matters we wish to bring to the attention of the Committee.

3. Accuracy of benefit calculations
Significant audit risk

Nature of risk

Changes were made to the Fund from April 2008 which introduced complexities into the calculation of both benefits in retirement and ill health and death benefits which are in addition to the annual increases required by the 1997 Regulation and Pension (Increases) Act 1971.

The risk noted was that benefits payable could be inaccurately recorded and that unauthorised payments could be made to non-existent members.

Impact on the financial statements and our audit challenge

Incorrect benefit calculations or making payments to members who are not eligible can lead to misstatements in the financial statements, financial loss, pensioner's being wrongly paid and reputational damage.

Work completed to address the focus area

The following tests were performed to address the significant risk around benefits:

- we reviewed the design and implementation of controls present at the Fund for ensuring the accuracy, completeness and validity of benefits through discussion with the pensions team and testing that controls were in force during the year under review;
- we obtained a schedule of benefits paid and selected a sample of benefits for detailed testing. The sample was tested through agreement to supporting documentation and review of the calculation, by reference to the qualifying service, Fund rules and benefit choices made by the member; and
- we developed an expectation based on the prior year balance, adjusted for changes in membership numbers and pension increases to analytically review the pension benefits paid in the year.

Deloitte view

We have formed a satisfactory conclusion in this area based on the results from the procedures performed. There are no matters to bring to the attention of the Committee.

4. Management override of controls

Presumed significant audit risk

Nature of risk

In accordance with ISA 240 (UK and Ireland) management override is always a significant risk. The primary risk areas surrounding the management override of internal controls are over the processing of journal entries and the key assumptions and estimates made by management.

Work completed to address the significant risk

Our audit work included:

- we reviewed the controls around the financial reporting process, including segregation of duties, existence of reporting manuals, reviews and processing and approval of journal entries;
- we have performed substantive testing on journal entries to confirm that they have a genuine, supportable rationale;
- we have reviewed ledgers for unusual items and on a test basis investigated the rationale of any such postings;
- we have reviewed significant management estimates and judgements such as year-end accruals and provisions and consider whether they are reasonable;
- we have made enquiries of those charged with governance as part of our planning and detailed audit processes; and
- we reviewed and challenged the financial statements and management judgements against the SORP, LGPS and UK pension regulations.

Deloitte view

There remains 4 journals outstanding which relate to postings of weekend journals to complete our audit work in this section.

Currently, there are no matters to bring to the attention of the Committee.

We have not identified any significant judgements or estimates used by management and there is no indication of significant bias.

Insight - Internal control and risk management

In this section we set out our comments regarding your internal control and risk management processes. We communicate any significant deficiencies in the internal control environment to the Audit & Risk Management Committee.

Accounting and internal controls

We highlight one observation from our audit procedures

We are required to provide a view, based on our audit procedures, on the effectiveness of your system of internal control relevant to risks that may affect financial reporting; and other risks arising from the entity's business model and the effectiveness of related internal controls.

Observation

As observed in the prior year, following the implementation of The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009 that applied from 1 April 2011, the Regulations require each pension Fund to have a separate bank account. This change is being adopted because it will enable pension Fund monies to be clearly ring-fenced from other monies of the local authority, and thus reflects a longstanding Audit Commission view on best practice.

We continue to note that whilst the Fund has set up the account in line with the required timeframe, it has not been used in line with the guidance as set out in the Regulations. The current process is such that all transactions are monitored within the pooled cash account as before, with a net monthly transfer to the pension Fund bank account following the close of monthly accounting to clear down the pooling account.

This means that at any point in time there may be pension Fund cash within the main corporation pooling account which is not line with the Regulations.

Recommendation

This is the third time this recommendation has been raised to the Committee. The cash balance at the yearend of £18m is three times greater than materiality and this issue needs to be rectified going forward. This will give the Fund greater clarity over the transactions undertaken by the scheme and demonstrate governance and compliance with regulations.

Management response

We have established a separate bank account for the pension fund. The desirability of placing individual financial transactions through the account was discussed at several Chamberlain's department meetings prior to implementation. We are currently experiencing problems in utilising the account for all cash transactions as all feeder systems such as payroll, payment of creditors, income collection, would require major reconfiguration to enable input directly into the account.

We believe that there is a workable solution that can be implemented and this is currently being investigated with the aim of implementing it by December 2014.

Consideration of fraud

Consideration of fraud

Misstatements in the financial statements can arise from either fraud or error. The distinguishing factor between fraud and error is whether the underlying action that results in the misstatement of the financial statements is intentional or unintentional. Two types of intentional misstatements are relevant to us as auditors – misstatements resulting from fraudulent financial reporting and misstatements resulting from misappropriation of assets.

The primary responsibility for the prevention and detection of fraud rests with management and those charged with governance, 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 fraud or error.

ISA (UK and Ireland) 240 – 'The auditor's responsibility to consider fraud in an audit of financial statements' requires us 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 the Fund and the internal control that management has established to mitigate these risks. It also requires us to presume there is a risk of fraud in respect of revenue recognition; however, considering the nature of the Fund and the revenue streams (mainly contributions and investment income) we have rebutted this risk.

We have made enquiries of management and others within the Fund as appropriate, regarding their knowledge of any actual, suspected or alleged fraud affecting the Fund. In addition, we are required to discuss the following with the Committee:

1. Whether the Committee have knowledge of any fraud, alleged or suspected fraud
2. The role that the Committee exercise in oversight of the:
    - assessment of the risks of fraud and
    - design and implementation of internal controls to prevent and detect fraud
3. The Committees' assessment of the risk that the financial statements may be materially misstated as a result of fraud.
4. Whether the Committee has disclosed to us all information in relation to any fraud, alleged or suspected fraud

Representations from the Committee in this area are included in the draft letter of representation included in Appendix 1 of this report.

Management override of controls

In addition to the procedures above we are required to design and perform audit procedures to respond to the risk of management's override of controls, which included:

- understanding and evaluating the financial reporting process and the controls over journal entries and other adjustments made in the preparation of the financial statements, we tested the appropriateness of a sample of such entries and adjustments.
- a review of accounting estimates for biases that could result in material misstatement due to fraud, including whether any differences between estimates best supported by evidence and those in the financial statements, even if individually reasonable, indicate a possible bias on the part of management. We also perform a retrospective review of management's judgements and assumptions relating to significant estimates reflected in last year's financial statements.
- 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 the Fund and its environment.

Responsibility Statement

Purpose of our report and responsibility statement

Our report is designed to help you meet your governance duties

What we report

Our report is designed to help the Audit & Risk Management Committee discharge their governance duties. It also represents one way in which we fulfil our obligations under ISA 260 to communicate with you regarding your oversight of the financial reporting process and your governance requirements. Our report includes:

- Any internal control observations; and
- Insights we may have identified from our audit.

What we don't report

- As you will be aware, our audit was not designed to identify all matters that may be relevant to the Committee.
- Also, there will be further information you need to discharge your governance responsibilities, such as matters reported on by management or by other specialist advisers.
- Finally, our views on internal controls and business risk assessment should not be taken as comprehensive or as an opinion on effectiveness since they have been based solely on the audit procedures performed in the audit of the financial statements.

The scope of our work

- Our observations are developed in the context of our audit of the financial statements.
- We described the scope of our work in our audit plan dated 16 January 2014.

We welcome the opportunity to discuss our report with you and receive your feedback.

Deloitte LLP.

Deloitte LLP

Chartered Accountants

St Albans

14 July 2014

This report has been prepared for the Audit and Risk Management Committee, as a body, and we therefore accept responsibility to you alone for its contents. We accept no duty, responsibility or liability to any other parties, since this report has not been prepared, and is not intended, for any other purpose. Except where required by law or regulation, it should not be made available to any other parties without our prior written consent.

Appendices

Appendix 1: Draft representation letter

Deloitte LLP
3 Victoria Square
Victoria Street
St Albans
AL1 3TF

Our Ref: ***DWB/GYW/2014*** ***Date:***

Dear Sirs

City of London Corporation Pension Fund (the "Fund")

This representation letter is provided in connection with your audit of the financial statements of the Fund for the year ended 31 March 2014 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view of the financial position of the Fund, in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2013/14, the financial transactions of the Pension Fund during the year ended 31 March 2014, and the amount and disposition of the Fund's asset and liabilities as at 31 March 2014, other than liabilities to pay pensions and other benefits after the end of the Fund year.

We acknowledge as members of City of London Corporation Pension Fund our responsibilities for ensuring that the financial statements are prepared which give a true and fair view, for keeping records in respect of active members of the Fund and for making accurate representations to you.

We confirm, to the best of our knowledge and belief, the following representations.

1. All the accounting records have been made available to you for the purpose of your audit and all the transactions undertaken by the Fund have been properly reflected and recorded in the accounting records. All other records and related information, including minutes of Officer and Committee member meetings, have been made available to you.

2. We acknowledge our responsibilities for the design, implementation and operation of internal control to prevent and detect fraud and error.

3. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

4. We are not aware of any significant facts relating to any frauds or suspected frauds affecting the Fund involving:
   (i). management;
   (ii). employees who have significant roles in internal control; or
   (iii). others where the fraud could have a material effect on the financial statements.

5. We have disclosed to you our knowledge of any allegations of fraud, or suspected fraud, affecting the Fund's financial statements communicated by members, former members, employers, regulators or others.

6. We are not aware of any actual or possible instances of non-compliance with laws and regulations, the effects of which should be considered when preparing financial statements.

Appendix 1: Draft representation letter (continued)

7. Where required, the value at which assets and liabilities are recorded in the net asset statement is, in the opinion of the Authority, the fair value. We are responsible for the reasonableness of any significant assumptions underlying the valuation, including consideration of whether they appropriately reflect our intent and ability to carry out specific courses of action on behalf of the Fund. Any significant changes in those values since the balance sheet date have been disclosed to you.

8. We confirm the completeness of the information provided regarding the identification of related parties, and the adequacy of related party disclosures in the financial statements.

   We have made enquiries of any key managers or other individuals who are in a position to influence, or who are accountable for the stewardship of the Fund and confirm that we have disclosed in the financial statements all transactions relevant to the Fund and we are not aware of any other such matters required to be disclosed in the financial statements, whether under Statement of Recommended Practice – Financial Reports of Pension Schemes (revised May 2007) ("Pensions SORP 2007"), Code of Audit Practice on Local Authority Accounting in the United Kingdom in 2013/14: based on International Financial Reporting Standards or other regulations.

9. We confirm that the financial statements have been prepared on the going concern basis. We do not intend to wind up the Fund. We are not aware of any material uncertainties related to events or conditions that may cast significant doubt upon the Fund's ability to continue as a going concern. We confirm the completeness of the information provided regarding events and conditions relating to going concern at the date of approval of the financial statements, including our plans for future actions.

10. You have been informed of all changes to the Fund rules during the year and up to the current date.

11. We have not commissioned advisory reports which may affect the conduct of your work in relation to the Fund's financial statements.

12. No claims in connection with litigation have been or are expected to be received.

13. We have no plans or intentions that may materially affect the carrying value or classification of assets and liabilities reflected in the financial statements.

14. There have been no events subsequent to 31 March 2014 which require adjustment of or disclosure in the financial statements or notes thereto.

15. There have been no irregularities involving management or employees who have a significant role in the accounting and internal control systems or that could have a material effect on the financial statements.

16. The pension Fund accounts and related notes are free from material misstatements, including omissions.

17. The Fund has complied with all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance. There has been no non-compliance with requirements of regulatory authorities that could have a material effect on the financial statements in the event of non-compliance.

18. The Fund has satisfactory title to all assets.

19. We have recorded or disclosed, as appropriate, all liabilities, both actual and contingent.

Appendix 1: Draft representation letter (continued)

20. No transactions have been made which are not in the interests of the members of the Fund during the Fund year or subsequently.

21. We confirm that:

- all retirement benefits and schemes, including UK, foreign, funded or unfunded, approved or unapproved, contractual or implicit have been identified and properly accounted for;
- all settlements and curtailments have been identified and properly accounted for;
- all events which relate to the determination of pension liabilities have been brought to the actuary's attention;
- the actuarial assumptions underlying the valuation of the scheme liabilities (including the discount rate used) accord with the directors' best estimates of the future events that will affect the cost of retirement benefits and are consistent with our knowledge of the business;
- the actuary's calculations have been based on complete and up to date member data as far as appropriate regarding the adopted methodology; and
- the amounts included in the financial statements derived from the work of the actuary are appropriate.

22. All trades in complex financial instruments are in accordance with our risk management policies, have been conducted on an arm's length basis and have been appropriately recorded in the accounting records, including consideration of whether the complex financial instruments are held for hedging, asset/liability management or investment purposes. None of the terms of the trades have been amended by any side agreement and no documentation relating to complex financial instruments (including any embedded derivatives and written options) and other financial instruments has been withheld.

23. We confirm that the Pension Fund Annual Report is compliant with the requirements of Regulations 34(1)(e) of the Local Government Pension Scheme (Administration) Regulations 2008 and related guidance.

24. We confirm that the information that is contained within the Pension Fund Annual Report and Accounts for the year to 31 March 2014 is complete, accurate and consistent with the information that is contained within the Accounts.

We confirm that the above representations are made on the basis of adequate enquiries of other officials of the Fund (and where appropriate, inspection of evidence) sufficient to satisfy ourselves that we can properly make each of the above representations to you.

Yours faithfully

Signed on behalf of City of London Corporation Pension Fund

Appendix 2: Audit adjustments
Unadjusted misstatements detail

Uncorrected misstatements

We report all individual identified uncorrected misstatements in excess of £225,000 (2013: £195,000) for the financial statements:

	Credit/ (charge) to current year fund account £'000	Increase/ (decrease) in net assets £'000	Increase/ (decrease) in prior year net assets £'000	Increase/ (decrease) in contributions £'000
Uncorrected misstatements				
None noted				

Disclosure misstatements

Auditing standards require us to highlight significant disclosure misstatements to enable those charged with governance to evaluate the impact of those matters on the financial statements.

- We note that the Change in Market Value balance on the Fund account (£30.2m) differs to the Net Assets Statement (£23.7m) by £6.5m. Management are currently reviewing the reason for this difference and once resolved by management, we will audit this balance.

We will provide an update at the meeting and include other matters in the final updated version of this report.

Appendix 3: Fraud: responsibilities and representations

Required representations	We have asked the Board to confirm in writing that you have disclosed to us the results of your own assessment of the risk that the financial statements may be materially misstated as a result of fraud and that you that affects the entity or group.
Audit work performed	In our planning we identified the risk of fraud in revenue recognition and management override of controls as a key audit risk for your organisation.
	During course of our audit, we have had discussions with management and those charged governance. In addition, we have reviewed management's own documented procedures regarding the fraud and error in the financial statements.
	We have reviewed the paper prepared by management for the Audit and Risk committee on the process for identifying, evaluating and managing the system of internal financial control.

The primary responsibility for the prevention and detection of fraud rests with management and those charged with governance, 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 fraud or error.

Appendix 4: Independence and fees

As part of our obligations under International Standards on Auditing (UK and Ireland) we are required to report to you on the matters listed below:

Independence confirmation

We confirm that we comply with APB Ethical Standards for Auditors and that, in our professional judgement, we are independent and our objectivity is not compromised.

Fees

Our fee for the audit of the 2014 accounts was £21,000 plus disbursements and VAT (2013: £21,000).

In March 2014 the Audit Commission agreed a rebate to be distributed across local audit bodies. The announcement came following a meeting of the Audit Commission's Board, who met to discuss the strategy for managing any retained earnings prior to its closure at the end of March 2015. The decision was made as part of the Board's role in setting the Commission's strategy and objectives and for determining its budget and the way it carries out its functions. The rebate was set at 13.7 per cent of the 2012/13 annual audit fee. The rebate sent to City of London Corporation Pension Fund was £2,874.

Non-audit services

In our opinion there are no inconsistencies between APB Revised Ethical Standards for Auditors and the Fund's policy for the supply of non-audit services or of any apparent breach of that policy. To confirm we have not performed any non-audit services in the year or previous year. We continue to review our independence and ensure that appropriate safeguards are in place including, but not limited to, the rotation of senior partners and professional staff and the involvement of additional partners and professional staff to carry out reviews of the work performed and to otherwise advise as necessary.

Relationships

We are required to provide written details of all relationships between us and the audited entity, its senior management and its affiliates, including all services provided by us and the DTTL network to the audited entity, its senior management and its affiliates that we consider may reasonably be thought to bear on our objectivity and independence and the related safeguards that have been put in place. We can confirm that we are not aware of any such relationships.

Committee(s):	Date(s):
Audit and Risk Management Committee Finance Committee	22 July 2014 22 July 2014
Subject: Bridge House Estates, City's Cash Trust Funds and Sundry Trust Funds Annual Reports and Financial Statements 2013/14	**Public**
Report of: The Chamberlain	**For Decision**

Summary

This report:

- attaches at Annex 1 the Annual Report and Financial Statements for Bridge House Estates for the year ended 31 March 2014 for approval;
- seeks approval to the Annual Reports and Financial Statements for the City's Cash Trust Funds for the year ended 31 March 2014, these are listed at Annex 2 and have been placed in the Members Reading Room;
- seeks approval to the Annual Report and Financial Statements for the Sundry Trust Funds for the year ended 31 March 2014, these are listed at Annex 3 and have also been placed in the Members' Reading Room; and
- attached at Annex 4, Moore Stephen's Management Letter for consideration.

The key points relating to Bridge House Estates are:

- inclusion for the first time of an estimated share of the net liability in the City of London Pension Scheme. The estimated Bridge House Estates share is 2% which was £8.0m at 31 March 2014 (£6.8m at 31 March 2013) ***(the £8.0m is shown in the Balance Sheet on page 35 and analysed further in note 14 on pages 52-57)***;
- a change in the accounting treatment for 'non-property' investments following the transfer on 31 January 2014 of four of the six equity funds to pooled investment vehicles. From 31 January 2014 the income generated by these funds remains within those funds to be reinvested, with Bridge House Estates drawing down income as required. As a consequence, incoming resources within the Statement of Financial Activities now

includes the gain or loss in fair value of all non-property investments rather than the dividend income. This has a part-year effect in 2013/14 but will have greater impact from 2014/15. Even relatively small movements in the markets from one year to the next will produce large values to be reported as operating gains or losses in the Statement of Financial Activities;

- taking account of the two points above, the Statement of Financial Activities indicates a net surplus of £1.6m was achieved in the year ***(the £1.6m surplus can be seen on the Statement of Financial Activities on page 34 and in note 15 on page 58)***;
- total Bridge House Estates net assets of £1,023.9m, an increase of £71.1m (7%) since last year. This favourable movement comprises net gains on property investments of £49.3m and managed investments of £21.2m, along with net incoming resources of £1.6m on general and designated funds, partially offset by the pension scheme deficit increasing, of which the Bridge House Estates share of the increase is £1.0m ***(the £1,023.9m is shown on the Balance Sheet on page 35 and analysed in more detail in note 15 on page 58)***;
- the outturn for the year was a better than budget position of £4.6m which will reduce by £4.3m to £0.3m (1%) if all budget carry forward requests are agreed ***(further details can be found in the main body of this report - paragraphs 16-19)***.

With regard to the City's Cash Trust Funds, these held total funds of £39.1m as at 31 March 2014, an increase of £3.3m (9%) from a year earlier.

The Sundry Trust Funds held total funds of £50.3m as at 31 March 2014, an increase of £3.6m (8%) from a year earlier.

Recommendations

The Audit and Risk Management Committee is requested to:

- consider the contents of Moore Stephens Management Letter; and
- recommend approval of the Annual Reports and Financial Statements for Bridge House Estates, City's Cash Trust Funds and the Sundry Trust Funds for the year ended 31 March 2014 to the Finance Committee.

The Finance Committee is requested to:

- consider the contents of Moore Stephens Management Letter;
- approve the Annual Reports and Financial Statements for Bridge House Estates, City's Cash Trust Funds and the Sundry Trust Funds taking account of any observations from the Audit and Risk Management Committee; and
- agree that the Annual Reports and Financial Statements are signed by the Chairman and Deputy Chairman of the Finance Committee on behalf of the Court of Common Council.

Main Report

Background

1. The 2013/14 Annual Report and Financial Statements for Bridge House Estates are attached at Annex 1. The document is prepared in accordance with the Statement of Recommended Practice (SORP) issued by the Charity Commission and with UK GAAP.

2. The 2013/14 Annual Reports and Financial Statements for City's Cash Trust Funds and the Sundry Trust Funds have been placed in the Members' Reading Room and are listed at Annexes 2 and 3 respectively.

3. Moore Stephens commenced its audit of the 2013/14 Annual Reports and Financial Statements of Bridge House Estates, City's Cash Trust Funds and the Sundry Trust Funds on 19 May 2014. The Audit Review Panel of the Chamberlain's and Bridgemasters' Accounts, which met on 7 July 2014, have certified that they have reviewed the processes adopted by Moore Stephens and that those processes were in accordance with the prescribed auditing standards.

Bridge House Estates

City of London Pension Scheme

4. City of London staff, excluding police officers, teachers and judges, are eligible to join the Local Government Pension Scheme – a statutory scheme administered in accordance with Government regulations.

5. Previously the Bridge House Estates share of the estimated net deficit on the City of London Pension Scheme had not been included in the balance sheet. This exclusion arose because the estimated net deficit is the

responsibility of the City of London as a whole, as one employer, rather than the specific responsibility of any of its three funds. Thus Bridge House Estates does not have an exclusive relationship with the City of London Pension Fund and the proportion of the Pension Fund relating to City of London employee members engaged on Bridge House Estates activities is not separately identifiable. Consequently, in accordance with FRS17, the pension arrangements have been treated as a defined contribution scheme in the Bridge House Estates accounts. This meant that only the employer's contributions to the scheme have previously been included in the accounts as they become payable.

6. However, although the Pension Fund net deficit cannot be attributed precisely between the City Fund, City's Cash and Bridge House Estates, it is now considered that an apportionment of that deficit and inclusion in the respective balance sheets presents a fairer view of the funds' financial positions than if the deficit were to continue to be excluded. Accordingly an apportionment has been made which is based on employer's annual contributions to the fund.

7. Amounts included for 2012/13 have also been restated from those published last year to include Bridge House Estates estimated proportion of the net Pension Fund deficit. The total net deficit in the City of London Pension Fund was £401m at 31 March 2014 (2012/13: £342m). Bridge House Estates estimated proportion of this deficit is £8m or 2% (2012/13: £6.8m or 2%).

8. Pension fund deficits (or surpluses) are relatively sensitive to movements in the underlying assumptions. The main reasons for the increase in the City of London Pension Fund deficit are a reduction in the discount rate used for calculating the present day value of future payments from the fund – with a decrease in the rate resulting in higher liabilities and vice-versa – together with an increase in longevity; partly offset by an increase in the fund's assets.

Non-Property Investments – Change in Accounting Treatment

9. On 31 January 2014, four of the six equity funds transferred to pooled investment vehicles. Consequently, income generated by these funds remains within those funds to be reinvested, with Bridge House Estates drawing down income as required. As a consequence, incoming resources within the Statement of Financial Activities now includes the gain or loss in fair value of all non-property investments rather than the dividend income.

10. In 2013/14 this change has a part year effect. Dividend income is £10.9m for the period from 1 April 2013 to 31 January 2014 and the gain in fair value from 31 January to 31 March is £1.6m. Both of these figures can be seen on the face of the Statement of Financial Activities under incoming resources (page 34 of the financial statements). The net gain on managed investments of £21.2m under the heading ‘other recognised gains and losses’ relates only to the period from 1 April to 31 January.

11. In subsequent years, the full effect of this change has the potential to dominate the net operating position. Even relatively small movements in the markets from one year to the next will produce large values to be reported as operating gains or losses in the Statement of Financial Activities.

Statement of Financial Activities

12. On page 34 of the financial statements, the Statement of Financial Activities for the year shows a net increase in funds of £71.1m (7%). This comprises net gains on property investments of £49.3m, managed investments of £21.2m, net incoming resources of £1.6m from service provision, partially offset by an increase in the pension scheme deficit of £1.0m.

Comparison with Previous Year

13. As set out in the table below, the net increase in funds of £71.1m compares with an increase in funds of £89.8m during the previous year.

	31/3/14 £m	**31/3/13 £m**
Gain on managed investments	21.2	49.6
Gain on property investments	49.3	31.1
Net gain on revenue activities	1.6	8.7
Gain/(loss) on defined benefit pension scheme	(1.0)	0.4
Net increase in funds	**71.1**	**89.8**

14. The net incoming resources of £1.6m were £7.1m lower than in 2012/13. The main reasons for this decreased position were:

- an increase in grant expenditure of £4.4m largely due to two additional one-off grant schemes; £3.2m for NEETS (young people Not in Employment, Education or Training) and £1.0m towards an employability initiative in partnership with Central London Forward;

- a reduction in investment income of £1.5m; a consequence of the transition and change in accounting treatment set out in paragraphs 9-11; and

- a reduction in interest receivable of £0.9m due to the net impact of lower interest rates and cash being transferred to stocks and shares.

Comparison with Budget

15. The financial statements and the budget are not directly comparable due to differences in the way in which the two documents are constructed. However, compared with a budgeted net deficit of £3.9m the outturn on a like for like basis is a surplus of £0.7m, a favourable movement of £4.6m as summarised in the table below.

Bridge House Estates Outturn 2013/14			
	Budget £m	Outturn £m	Variation (Better)/ Worse £m
1. Net Expenditure on Services	12.6	11.1	(1.5)
2. Bridges Repairs Fund Contribution	1.0	1.0	0.0
3. Interest on Balances	(0.3)	(0.6)	(0.3)
4. Estate Rent Income	(18.4)	(18.6)	(0.2)
5. Investment Income	(13.3)	(12.4)	0.9
6. Sub-Total	(18.4)	(19.5)	(1.1)
7. Charitable Grants	22.3	18.8	(3.5)
8. B.H.E Net Surplus	3.9	(0.7)	(4.6)

16. The favourable movement of £4.6m can also be analysed on a Committee basis as follows:

Bridge House Estates Net Expenditure					
			Variation (Better) / Worse		
	Budget	Actual	Total	Local Risk	Central Risk/ Support Services
Committee	£m	£m	£m	£m	£m
The City Bridge Trust	23.4	19.9	(3.5)	0.0	(3.5)
Culture, Heritage & Libraries	0.0	(1.1)	(1.1)	(1.1)	0.0
Finance	(9.6)	(9.0)	0.6	0.0	0.6
Planning and Transportation	3.8	3.6	(0.2)	(0.1)	(0.1)
Property Investment Board	(13.7)	(14.1)	(0.4)	(0.3)	(0.1)
Total BHE Requirement	3.9	(0.7)	(4.6)	(1.5)	(3.1)

17. The main items contributing to the increased surplus of £4.6m were:

- lower than budgeted grant expenditure of £3.5m which included £2.8m brought forward from 2012/13. A quinquennial review of the grants programme was completed in 2013/14 which enabled an up-to-date new programme to be launched, however this also meant resources had to be diverted from the day-to-day grants assessments. There was also a transitional period between the old programmes closing and the new programmes launching; and

- Tower Bridge Tourism – an increase in net income of £1.1m, largely due to the re-phasing of various pre-approved projects (£0.7m), coupled with an increase in income of £0.2m from hospitality events and £0.2m from ticket sales to the exhibition.

18. However, this surplus is likely to be largely offset by budget carry forwards. In accordance with the City's budget management arrangements, requests to carry forward unspent budgets totalling £4.3m are being considered by the Chamberlain in consultation with the Chairman and Deputy Chairman of the Resource Allocation Sub-Committee including the £3.5m for Bridge House Estates grants. If all such requests are approved, the favourable movement of £4.6m would effectively reduce to £0.3m (1% of incoming resources).

Bridge House Estates – Balance Sheet

19. The Balance Sheet is shown on page 35 of the financial statements and reflects the net increase in funds of £71.1m indicated in paragraph 13.

City's Cash Trust Funds

20. The City's Cash Trust Funds comprise seven open space charitable funds and the Sir Thomas Gresham Trust Fund as listed in Annex 2.

21. These Trusts ended the year with net incoming resources of £1.2m (2012/13: net incoming resources of £0.4m) which comprised the following:

    - Incoming resources of £22.1m:
        - funding from the City of London totalling £15.6m (2012/13: £14.7m) and;
        - income of £6.5m (2012/13: £6.4m) from investments and charitable and voluntary sources;
    - Resources expended of £20.9m:
        - charitable expenditure of £19.5m (2012/13: £19.4m) on the running of the open spaces and Gresham Almshouses; and
        - governance and support services costs of £1.4m (2012/13: £1.3m).

22. Managed investments, held mainly by Hampstead Heath, benefited from an unrealised net gain in market value of £2.1m (2012/13: net gain of £3.4m).

23. At 31 March 2014, City's Cash Trust Funds held total reserves of £39.1m (2012/13: £35.8m) an increase of £3.3m (9%) compared to a year earlier.

Sundry Trust Funds

24. The Sundry Trust Funds comprise the separate charitable funds listed at Annex 3. Excluding the Chamberlain's Banking Account and the Charities Pool, the remaining 19 Trusts:

    - received income of £3.5m (2012/13: £2.7m) of which £2.1m was from investments (2012/13: £1.7m);
    - had unrealised gains of £3.3m from managed investments (2012/13: £5.5m gains);

- incurred charitable expenditure of £3.0m (2012/13: £2.8m) including: £1.2m towards the running costs of Hampstead Heath (2012/13: £1.2m); £1.2m (2012/13: £1.2m) comprising 656 grants and 66 bursaries paid to individuals or organisations (2012/13: 635 grants and 68 bursaries); and £0.2m towards the running costs of the City of London Almshouses (2012/13: £0.3m);

- incurred governance and administration costs of £0.2m mainly due to the costs of the fund managers (2012/13: £0.2m); and

- held total funds of £50.3m as at 31 March 2014, an increase of £3.6m (8%) from a year earlier (2012/13: £5.2m increased funds).

Audit Opinion and Management Letter

25. Moore Stephens intends to give unqualified opinions on the Bridge House Estates, City's Cash Trust Funds and the Sundry Trust Funds financial statements subject to clarification of any residual points and to issue its 2013/14 management letters for Bridge House Estates, City's Cash Trust Funds and the Sundry Trust Funds as set out in Annex 4. Representatives from Moore Stephens will be in attendance at the Audit and Risk Management Committee to present their report and to clarify any points or issues.

26. Moore Stephens Management Letter will be distributed to all Members of the Court of Common Council in October when they receive the published copy of the 2013/14 Bridge House Estates Annual Report and Financial Statements.

Signing of the Financial Statements

27. The Chairman and Deputy Chairman of the Finance Committee will be requested to sign the financial statements.

Contact:
Steve Telling
Chief Accountant
020 7332 1284
Steve.telling@cityoflondon.gov.uk

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ANNEX 1

Bridge House Estates

The Trustee's Annual Report and Financial Statements for the year ended 31 March 2014

Charity number 1035628

BRIDGE HOUSE ESTATES
TRUSTEE'S ANNUAL REPORT AND FINANCIAL STATEMENTS

Contents

BRIDGE HOUSE ESTATES

TRUSTEE'S ANNUAL REPORT AND FINANCIAL STATEMENTS

1. Reference and Administrative Details

Bridge House Estates is a Trust governed by various instruments which are mentioned below. In April 1994 it was registered with the Charity Commission.

Charity Name	Bridge House Estates
Other Working Names	Bridge House Estates Trust Fund Bridge House Trust Bridge House Grants The City Bridge Trust
Charity Number	1035628
Registered Address	Guildhall, London, EC2P 2EJ
Trustee	The Mayor and Commonalty & Citizens of the City of London
Chief Executive	John Barradell OBE - The Town Clerk of the City of London Corporation
Treasurer	Chris Bilsland – The Chamberlain of London (February 2007 - May 2014) Dr Peter Kane - The Chamberlain of London (April 2014 – present)
Solicitor	Michael Cogher - The Comptroller and City Solicitor
Bank	Lloyds TSB Bank plc
Discretionary Fund Managers	Artemis Investment Management LLP, Wellington Management Co LLP, Veritas Asset Management LLP, Carnegie Asset Management, Ruffer LLP, Southeastern Asset Management Inc., GMO (U.K.) Ltd, Pryford International Plc, Standard Life Investments Ltd and M&G Investment Management Ltd.
Chartered Accountants and Statutory Auditor	Moore Stephens LLP, 150 Aldersgate Street, London, EC1 4AB

2. Structure, Governance and Management

Founders	By various bequests over the centuries
Governing Instruments	A Royal Charter of 24 May 1282
	The Blackfriars Bridge Act 1863
	The Blackfriars and Southwark Bridges Act 1867
	The Corporation of London (Tower Bridge) Act 1885
	The Corporation of London (Bridges) Act 1911
	The City of London (Various Powers) Act 1926, section 11
	The City of London (Various Powers) Act 1949, section 13
	A supplemental Royal Charter of 26 November 1957
	The City of London (Various Powers) Act 1963, section 32
	The London Bridge Act 1967
	The City of London (Various Powers) Act 1979 section 19
	The Charities (Bridge House Estates) Order 1995 (S.I.1995/1047)
	An Order of the Charity Commission. sealed 10 July 1997 (350.97)
	An Order of the Charity Commission. sealed 20 July 1998 (251.98)
	The Charities (Bridge House Estates) Order 2001 (S.I.2001/4017)
	The Charity Commission Scheme. dated 26 August 2005
	The Charities (Bridge House Estates) Order 2007 (S.I. 2007/550)

The Mayor and Commonalty and Citizens of London (also referred to as 'the Corporation' or 'the City of London Corporation'), a body corporate, is the Trustee of the charity known as 'Bridge House Estates'.

Trustee selection methods

For practical purposes the Trust was managed during the year by seven committees of the City of London Corporation, membership of which is drawn from the Court of Aldermen and the Court of Common Council. Members of the Court of Aldermen and Court of Common Council are unpaid and are elected by the electorate of the City of London. The Annual Report and Financial Statements are reported to the Common Council of the City of London Corporation each year. The audit firm is appointed from a panel of six partners of firms who are elected by Common Hall (a meeting of the Livery of London). The Committees of the City of London Corporation which had responsibility for managing the Charity during 2013/14 are as follows:

Property Investment Board responsible for the management of the Trust's commercial estates held for investment purposes.

Financial Investment Board responsible for the management of the Trust's non-property investment arrangements.

Policy and Resources Committee responsible for allocating resources to the other Committees, administering the Trust, and for determining the investment strategy between property and non-property investments.

Finance Committee responsible for managing the non-property assets of the Trust and controlling support costs and other central charges that affect the Trust as a whole.

Planning and Transportation Committee responsible for the construction, maintenance and upkeep of the bridges with the exception of the tourism operation at Tower Bridge.

Culture, Heritage and Libraries Committee responsible for the tourism operation at Tower Bridge.

The City Bridge Trust Committee is responsible for giving individual grants up to £500,000 to voluntary organisations in accordance with the *cy-près* scheme which was agreed by the Charity Commissioners and Parliament in April 1995. Any grant above £500,000 has to be agreed by the Court of Common Council. The working name of the grant-making activity is The City Bridge Trust.

Social Investment Board - during 2012/13, the City Corporation's Court of Common Council agreed to set aside up to £20m from Bridge House Estates for investment in activities generating positive financial returns and social benefit. This sum, referred to as the City of London Corporation Social Investment Fund (the 'Fund'), is administered by the City Bridge Trust, and governed by a Social Investment Board which reports to the Investment Committee.

The Investment Committee is responsible for the strategic oversight and monitoring of the performance of the City Corporation's investments which are managed by three separate Boards, namely the Financial Investment Board, the Property Investment Board and the Social Investment Board.

A full list of Committee Members is shown on pages 86-90.

In making appointments to Committees, the Court of Common Council will consider the recommendations of the ward deputies, who will take into consideration any particular expertise and knowledge of the Members.

Policies and procedures for the induction and training of trustees

The City of London Corporation makes available to its Members, seminars and briefings on various aspects of the City's activities, including those concerning Bridge House Estates, as it considers are necessary to enable the Members to efficiently carry out their duties.

The City Bridge Trust Committee has an ongoing commitment to learning and development. The Trust has Investor in People accreditation which is an external validation of the approach to valuing and developing the skills of both Committee Members and staff.
Elected Members of the City Bridge Trust Committee have an induction including a briefing on the roles and responsibilities of charity trusteeship, highlighting the issue of "self- benefit" and conflicts of interest for corporate trustees and public benefit requirements. The history, policies

and procedures of the Trust are also covered and Members of the Committee receive detailed policy guidelines and copies of published materials.

New Members of the Committee join staff on visits to applicant organisations to observe the assessment processes of the Trust. Members regularly accompany Grants Officers on monitoring visits to see work being funded first hand, as well as attending promotional events of charities supported by the Trust, thereby broadening the knowledge base of the Committee and improving decision making.

Regular briefings are given to Members of the City Bridge Trust Committee with usually ten meetings per annum to update them on charity legislation and a wide variety of issues affecting voluntary and community activity in London. Examples over the past year have included briefings on the Government's consultation on payroll giving and the desirability of reducing the bureaucracy surrounding it in order to increase the proportion of the workforce who give; and a briefing on the use of Return on Investment metrics in order to measure impact, and their relative pros and cons.

At least two substantial papers are produced for Members of the Grants Committee each year giving detailed statistical and qualitative analysis of the monitoring of the Trust's funding and its impact. Such information ensures the Committee is kept properly briefed as to emerging trends in order to inform both strategic and operational planning. Reporting against the business plan is given to all Committees managing the charity on a quarterly basis.

Organisational structure and decision making process

The Committees which governed the Charity's activities in 2013/14 are noted above. All of these Committees were ultimately responsible to the Court of Common Council of the City of London. The decision making processes of the Court of Common Council are set out in the Standing Orders and Financial Regulations governing all the Court of Common Council's activities. The Standing Orders and Financial Regulations are available from the Town Clerk at the registered address.

Risk Management Statement

The Trustee is committed to a programme of risk management as an element of its strategy to preserve the Charity's assets, enhance productivity for service users and members of the public and protect its employees.

In order to embed sound practice a Strategic Risk Management Group is in place to ensure that risk management policies are applied, that there is an ongoing review of risk management activity and that appropriate advice and support is provided to Members and officers.

The City of London Corporation has approved a strategic risk register for all of its activities. This register helps to formalise existing processes and procedures and enables the City of London Corporation to further embed risk management throughout the organisation. A key risk register has been prepared for this Charity, which has been reviewed by the Trustee. It identifies the potential impact of key risks and the measures which are in place to mitigate such risks.

Public Benefit Statement

The objects of the charity are the maintenance of the river bridges and grant making and related activity for the benefit of Greater London. The Trustee confirms it has referred to the Charity Commission guidance on public benefit when reviewing aims and objectives and when making future plans and setting grant making policy.

The river bridges maintained by the charity are open to the public at large, assuring public benefit on an open access basis. There are no restrictions regarding the members of the public who may use the bridges and no fees are charged.

The sections of this report relating to the Trust's grant making and related activities set out how we further achieve our charitable purposes for the public benefit. Third sector organisations and their services for the public are strengthened by the Trust's funding. The public benefiting from the Trust's funding are primarily the inhabitants of Greater London. Grants are awarded at the Trustee's discretion, based upon published criteria and a transparent and fair assessment process. Fees are not charged for our services and our grant making aims to address disadvantage across London's diverse communities.

All properly constituted, not-for-profit third sector organisations which meet our programme objectives are eligible to apply. The public benefit is delivered by the charities which receive grants from the Trust. The City Bridge Trust Committee ensures a robust monitoring system is in place to establish the benefit derived from each grant in order to be confident of meeting its public benefit obligations.

3. Objectives and Activities

Bridge House Estate's origins and income

The origins of Bridge House Estates can be traced back to 1097 when William Rufus, second son of William the Norman, raised a special tax to help repair London Bridge. By the end of the twelfth century, the shops and houses adorning Peter de Colechurch's new stone London Bridge were beginning to generate not only increased cross-river trade, but also increased taxes, rents and bequests. A significant fund began to accumulate and it was administered from a building on the south side of the bridge called Bridge House. Over succeeding centuries this fund has been skilfully administered by the City of London, which was confirmed as Trustee in the supplemental Bridge House Royal Charter of 1957.

The income of the Trust is derived from property rents and invested monies. It can be used for the provision of facilities for visitors at Tower Bridge, maintenance of all the Thames bridges, and the maintenance and protection of the Trust's income-producing assets, such as its portfolio of commercial property. After these responsibilities have been met, the Trust can use any surplus income for charitable grants benefiting the inhabitants of Greater London, under a scheme agreed with the Charity Commissioners in 1995. Part of the Trust's capital is invested in stocks and shares, in accordance with the investment powers of the Trust.

The Bridge House Estates mark has been the identifying emblem of the Charity for many centuries. It is likely that the mark as we know it today was designed by William Leybourn, a famous seventeenth century surveyor. Leybourn is thought to have adapted a similar mark drawn against plots owned by Bridge House Estates on an earlier plan of St George's Fields, London.

The work of Bridge House Estates reaches out across London in many important and diverse ways.

The River Bridges

The core business of the Charity has been for many centuries the bridges. The Charity in some cases has built, and now maintains five of the bridges that cross the Thames into the City of London – Blackfriars Bridge, Millennium Bridge, Southwark Bridge, London Bridge, and Tower Bridge. The maintenance and eventual replacement of these bridges remains the prime objective of the Charity. They are gateways to the City and require sustained and expert maintenance.

The bridges are considered to be heritage assets (accounting policies note 1(e) on pages 38 to 40 refers).

Blackfriars Bridge

The first Blackfriars Bridge was originally built between 1760-1769 and was known as 'Pitt Bridge' after William Pitt. This structure was replaced between 1860-1869 with a design by Joseph Cubitt of five wrought iron arches faced with cast-iron, on granite piers. The decorations include ornithological sculptures surmounting the granite columns on each cutwater, archaded cast iron parapets and enormous attached columns in red granite with Portland stone capitals. The sculptures depict land birds on the landward side of the bridge and sea birds on the side facing the sea. Queen Victoria opened the bridge in 1869 and it remains the busiest of the four road bridges in the City with an average of 54,000 vehicles passing over it each day. There is no weight limit for vehicles.

The Millennium Bridge

The first new pedestrian bridge to be built across the Thames for over a century, the Millennium Bridge links the City at St Paul's Cathedral with the Tate Modern Gallery at Bankside. It provides an invaluable link between north and south of the river for commuters and communities.

Funded by the Bridge House Estates and the Millennium Commission, the 'Blade of Light' is a 325 metre steel pedestrian bridge, conceived by Anthony Caro and built by Ove Arup and Foster Associates under the project management of the London Borough of Southwark.

The Worshipful Company of Scientific Instrument Makers installed a two metre high glass obelisk under the north side of the Bridge on the riverside walkway as a millennium gift to the City.

Southwark Bridge

Southwark Bridge was originally built between 1814-1819 and was purchased by the Trust in 1868. The City of London had been trying to obtain control since 1827 to catch criminals escaping to Southwark, outside its jurisdiction! It was replaced between 1912-1921 with a design by Sir Ernest George and Basil Mott and comprises five steel arches with granite cutwaters and fancy granite piers. There is no weight limit for the estimated 17,000 vehicles which cross the bridge every day.

London Bridge
The first stone bridge across the Thames was built between 1176-1209 and replaced between 1823-1831. The current bridge was built between 1967-1972 and designed by the City Engineer, Harold Knox King with architects Mott, Hay & Anderson and William Holford & Partners.

Made of concrete with polished granite, the bridge has three spans founded on concrete piers fixed deep into the river clay. It was opened by Her Majesty The Queen in 1973.

Although there is no weight limit on the bridge itself, there is a 17 ton limit on the Monument pedestrian subway**.**

Tower Bridge
Tower Bridge, designed by the Victorian architect Horace Jones, was opened in June 1894 after eight years of construction. It is a working bascule and suspension bridge, constructed as a steel frame clad in stone and granite in Gothic style to complement the neighbouring Tower of London.

Under the Corporation of London (Tower Bridge) Act 1885, the City of London Corporation is required to raise the Bridge to provide access to and egress from the Upper Pool of London for registered vessels with a mast or superstructure of 30 feet or more. The service is provided free of charge subject to 24 hours' notice and is available any time, day or night, 365 days per year. The Bridge is raised around 850 times each year.

The City ensures that the Bridge is properly maintained and protected as part of the nation's heritage. As it has been designated a Grade 1 listed building, any adaptations carried out to the Bridge externally or internally are subject to approval by English Heritage and the local planning authorities.

The Bridge was originally painted brown but this was changed to red, white and blue for the Queen's Silver Jubilee in 1977. The most recent repainting of the bridge was completed in 2011 in time for the Bridge to be featured in the promotion of the London Olympics and Paralympics 2012.

Tower Bridge is a world famous icon of London and in order to allow UK visitors and tourists from abroad access to the internal areas of the Bridge a public exhibition has been provided since 1982. The exhibition showcases the Victorian architecture, engineering and also the original Victorian Engines used to power the lifting of the Bridge.

Each year a new themed temporary exhibition is created to provide interesting content to enhance the experience of visitors. Currently the West Walkway displays an exhibition of iconic photographs looking at some of the key events, people, places and designs of *The Sixties*.

The high level walkways, 42 metres above the Thames, provide panoramic views towards Wapping, Canary Wharf and Greenwich to the east and, of the City and central London skyline to the west. The exhibition attracted circa 585,000 visitors in 2013/14.

The high level walkways and Engine Rooms are a popular venue for corporate and private events and wedding receptions. The North Tower Lounge is regularly used for smaller events, including meetings and wedding/civil ceremonies.

In 2013/14 resources were also assigned to developing a new educational offering and a dedicated Learning Centre at Tower Bridge. This facility is also being developed for use by Tower Bridge's community engagement partner organisations in the neighbouring boroughs.

The operational and tourism activities at Tower Bridge are also funded by the Bridge House Estates Trust.

The Grant-Making Activity of City Bridge Trust

The sound management of the Charity by the City of London Corporation means it is possible to release considerable surplus funds in support of the second key area of Bridge House Estates' work – namely the provision of vital assistance to charitable organisations across Greater London. This wide-ranging support amounted to £19.0 million (£18.8-million after write backs) in 2013/14 (2012/13: £14.9 million, £14.6 million after write backs) and was used in accordance with the governing instruments:

- in or towards the provision of transport, and access to it, for elderly or disabled people in the Greater London area; and
- for other charitable purposes for the benefit of the inhabitants of Greater London in such ways as the Trustee thinks fit.

It is the Trust's policy not to give funds that relieve a statutory body of a statutory duty.

A detailed account of the grant-making can be found in the City Bridge Trust's Annual Review 2014 available from:

City Bridge Trust
City of London Corporation
PO Box 270
Guildhall
London EC2P 2EJ

020 7332 3710
citybridgetrust@cityoflondon.gov.uk
www.citybridgetrust.org.uk

4. Aims, Achievements, Performance and Future Plans

The Charity's main objectives for the year were to continue to maintain the five river bridges as an important part of London's infrastructure and transport links, in accordance with the ongoing maintenance programme and to provide grants to voluntary organisations in accordance with the grant giving policies.

Tourism at Tower Bridge

Tourism at Tower Bridge, as well as generating income for the Charity allows internal access to this magnificent iconic structure so visitors from all over the world can enjoy and learn more about the history of the Bridge and the role it played in the City of London's development. Its main aim is to achieve:

'an excellent operational service and successful tourism business at Tower Bridge through continually improving operations and customer services and by investing in staff'.

Delivering excellent customer care is an essential part of achieving Tower Bridge's main aim. Without customers there would be no tourism or operational business at Tower Bridge. The groups of customers are made up of visitors to the Exhibition, guests to corporate and private events and the use of the Bridge for its original intended function (i.e. river traffic, motorists and pedestrians).

For 2014/15 work will continue to improve the quality of experience on offer at Tower Bridge to the customer to support the assertion of **'A Vibrant and Culturally Rich City'** as promoted by the City Corporation.

Resources will also be dedicated in 2014/15 to developing further the Educational offering at Tower Bridge and increasing work with charitable and community-facing organisations in the neighbouring boroughs.

Aims and achievements:

In 2013/14 the following tourism objectives were achieved:

- The new Tower Bridge quality branded merchandise range for retail sales was successfully launched and contributed to the development of retail income.
- Tower Bridge Exhibition was deemed *Excellent*, the highest rating possible, following the annual assessment by Visit England for their Visitor Attraction Quality Assurance Scheme (VAQAS).
- Working partnerships and activities were developed further with charitable and community-facing organisations in the neighbouring boroughs, including Southwark Arts Forum, The Challenge Network, the Family Holidays Association, the Guy Fox History Project and the Southwark Young Pilgrims.
- An exhibition of illustrated panels entitled *This is London* was installed in April 2013. This new content provided added value for visitors and received excellent feedback.
- A new Education section at Tower Bridge was established, responsible for creating a formal education programme for visiting school groups and developing a dedicated on-site learning facility.

- Social media as a marketing method resulted in the Tower Bridge Exhibition attaining 850,000 Facebook visits and 5,000 Twitter followers to date.
- Potential operational effects on the Bridge were managed in relation to the Phase 1 development and Phase 2 design scheme of the large scale residential and commercial Berkeley Homes development at the South side of the Bridge.
- Phase 2 of the exhibition staffing review continued.
- A new storage level within the South Tower of the Bridge was created and utilised.

Targets for 2013/14

	Target 2013/14	**Actual 2013/14**
Achieve tourism income budgets:		
- Ticket Income	100%	108%
- Retail (shop, vending etc)	100%	113%
- Venue Hire	100%	123%
To receive Tower Bridge visitor feedback through analysing questionnaires from 5% of visitors per month	5%	6%
Achievement of customer care standards	90%	94%
Increase the number of visitors completing the full tour to the Engine Rooms	82%	79%

Overall Performance:
Performance of Tower Bridge Tourism has set a new record again this year with 585,829 visitors accessing the Exhibition (2012/13: 521,579).

234 corporate and private venue hires have been facilitated (2012/13:219), and retail sales have increased to beyond £769,000 (2012/13:£670,000).

Plans for 2014/15

To continue our improvement momentum, a number of key objectives have been identified for the coming year:

- To improve education and community engagement group participation at Tower Bridge through the development and delivery of a new education programme and the launch of the Bridge Master's Learning Centre.

- To maximise the potential of the glass flooring panels in the Walkways through the delivery of a targeted marketing programme and complementary exhibition content.

- To successfully mobilise, monitor and support the newly appointed single events management contractor for Tower Bridge.

- To achieve the phased implementation of the new online ticketing and retail system by March 2015.

The River Bridges

The Principle inspection of Blackfriars that was due to be completed in 2013/14 was not completed due to clashes of span closures with the rail bridge and the works for the Thameslink project followed by marine works to Baynard House; these will now be completed in 2014/15.

We did complete a Principle inspection to Duke Street Hill Footbridge and with the help of Network Rail removed the soffit as an emergency following the storms last winter, along with General inspections for Southwark Bridge including both approaches, and King William Street Vaults. Finally we have undertaken access and drainage improvements to the northern abutment and pier area to London Bridge.

In 2014/15 we will complete the Blackfriars Inspection but also undertake a Principle inspection in conjunction with the testing of the pedestrian Parapets. There will be another Principle inspection for the Millennium Bridge with General inspections for London Bridge and Tower Bridge.

Liaison is continuing with Thames Water for their Tideway Tunnel project and we also participated in the Development Consent process to ensure protection of the River Crossings, we are also negotiating Asset Protection Agreements with Thames Water which will transfer to the proposed Infrastructure Service Provider, assuming the scheme is consented. As a part of this project they will shortly commence monitoring of the gap between the two bascules at Tower Bridge.

The Grant-Making Activity of City Bridge Trust

A scheme was agreed by the Charity Commission in 1995 which enabled the Trust to use its surplus income after meeting its responsibilities for the maintenance and replacement of the bridges, referred to in the preceding pages, for charitable purposes benefiting the inhabitants of Greater London.

Mission

The City Bridge Trust aims to reduce disadvantage by supporting charitable activity across Greater London through quality grant-making and related activity within clearly defined priorities.

This year the Trust continued to run its Working with Londoners programmes until June 2013. The programmes were then closed for new applications in order to enable the Trust to complete its Quinquennial Review which had commenced during 2012/13. The new Investing in Londoners programmes were launched in September 2013. Details of all the grants approved in 2013/14 are shown on pages 66-85 and a full report on the grant giving is provided in The City Bridge Trust's Annual Review 2014 which is a separate publication.

Grant-Making Strategy 2013/14

The Trust's grant-making strategy is directed by its charitable objectives which are set out in its governing instruments. These are modified in the light of changing needs as they arise. The business plan is available on request. Consultation is a key element of our iterative approach and informs our strategy.

The Grant-Making Policies

Each programme has clear and well publicised priorities which are actively promoted within the voluntary sector (not for profit and non-governmental organisations) through a communications strategy, roadshows and presentations. These priorities are reviewed at five yearly intervals in consultation with the third sector, other funders (public and independent) and senior policy makers. The Trust completed its latest Quinquennial Review during the year.

Details of the Trust's policies and procedures can be found on our website www.citybridgetrust.org.uk where all grants, listed meeting by meeting, can be found. The website provides the Trust with a platform to share the learning it derives from its grant-making, including video clips showcasing some of the work supported and the public benefit derived from it.

Most of our programmes have no deadlines for applications and we aim to process an application within 4 months. The City Bridge Trust Committee, the decision-making body, holds ten meetings per year in public. All applicants have access to reports and recommendations written about them as these are in the public domain.

Applicants are encouraged to contact the Trust for initial guidance before making an application. Feedback can be provided on unsuccessful applications.

Operating Environment

Whilst some progress has been made, considerable disadvantage unfortunately remains in London. Key funding streams from central government, regional development bodies, London Councils and local authorities have either been withdrawn completely or considerably reduced and further public spending reductions will be implemented in 2014/15. With some Londoners living on greatly reduced incomes (whether as a result of unemployment, increased cost of living, reduced salaries, or cuts in benefits), the voluntary sector is experiencing ever greater calls on its services at a time of reduced funding opportunities.

As London's largest grant-making trust, the Trust occupies a unique and privileged space in London. It therefore has a responsibility to ensure that its objectives are driven by a commitment to better understand London's communities and how it can best meet those needs. It is vital that it makes best use of **all** its assets – its financial assets obviously, but also its intellectual capital, its power as a convenor, and its ability to act as a bridge between the City Corporation and London's communities.

Strategic Aims and Key Achievements for 2013/14 were:

- To reduce disadvantage across Greater London through quality grant-making and strategic activities we:
  - Completed our Quinquennial Review;
  - Launched our new Investing in Londoners programmes;

  - Approved the Get London Working – the Youth Offer grants, totalling £3.2m, to 32 London boroughs to work in partnership with the voluntary sector to increase opportunities for young Londoners not in employment, education or training;
  - Approved £280,000 to the Brokerage City Link towards the costs of expanding the City Careers Open House programme, in order to raise the aspirations of young people;
  - dealt with 442 applications (2012/13: 441);
  - managed 852 grants already awarded; and
  - completed a total of 58 monitoring visits and processed 342 self-evaluation reports of which 58% were considered good or very good.

- To add value to the work and reputation of the City Corporation through due recognition of its role as Trustee of London's largest independent grant-making trust we:
  - engaged the media consultancy Champollion to ensure wide-ranging media coverage of our strategic work, in particular, to promote the work of City Philanthropy, resulting in widespread coverage of our work in national, local and trade press, as well as television and radio, and social media. This resulted in 26 press items, 4 TV and radio items.
  - worked closely with Champollion to improve our use of social media, including the development of the 'Parklife London' website, as part of our Growing Localities initiative. Through its interactive map, the site helps Londoners to find green spaces near them, find out what they can do there and how they can get involved in community projects and volunteering opportunities. The website has been featured in Time Out and the Evening Standard. City Bridge Trust's Twitter feed @citybridgetrust has now attracted over 1,400 followers.
  - worked closely with our Public Relations Office to produce regular news stories in the local press, showcasing awards made. During the year, a total of 18 articles were featured in the local press and trade journals.

- To contribute to making London a more sustainable world city through supporting sustainable development initiatives and environmental education we:
  - provided 10 organisations with a free eco-audit;
  - awarded 14 grants totalling £1,044,200 on the Improving London's Environment programme; and
  - continued to ask applicants and grant-holders, across all our programmes, what steps they are taking to reduce their carbon footprint, in order to encourage organisations to make the connection between social and environmental justice.

- To strengthen the voluntary sector in London and thereby its capacity to be effective both in service delivery and as a key part of civil society we:
  - commissioned futures-scanning research looking at emerging trends in London's charitable sector, the policy context and patterns of disadvantage as–part of our Quinquennial Review;

  - conducted an online survey of voluntary, community and social enterprise organisations to learn what the sector considered to be the key issues for London over the coming five years, again as part of the Review;
  - funded the Centre for Accessible Environments for an Access and Sustainability Adviser post to provide advice and information to third sector organisations wishing to make their buildings more accessible and sustainable;
  - commissioned Charities Evaluation Services to provide training on monitoring and evaluation and quality assurance to our grant recipients;
  - funded the Ethical Property Foundation to provide an advice service for London's voluntary sector on all aspects of managing a community building; and
  - funded Media Trust to work with ten of the Trust's grantees on a "Telling Your Story" collaboration whereby each was trained and supported to produce a short promotional video.

- To disseminate and manage the knowledge gained through grant-making and Strategic Initiatives, in order to maximise impact for London we:
  - held the first Growing Localities Awards ceremony in partnership with Lemos and Crane in order to showcase the value of bringing people together to work on growing and greening projects – not only for the environment but also for people's health and wellbeing.

- To contribute to the collective development of good grant-making and support for the voluntary sector through collaborative working we:

  - ~~a~~approved funding to establish two hardship funds in partnership with other funders. The first, the sum of £470,000, in partnership with Buttle UK to help families surviving domestic violence rebuild their lives. The second, the sum of £330,000, in partnership with Prisoners Abroad, to support destitute British Citizens returning to London after imprisonment overseas;
  - launched our Arts Apprenticeships programme in partnership with the Arts Council, whereby the Trust will match awards made under its Creative Employment Programme to arts organisations offering apprenticeships to young people;
  - launched our London Youth Quality Mark scheme, in partnership with London Youth, to reward organisations providing high quality and sustainable youth services;
  - commissioned a Social Investment Advisor, in conjunction with the City Corporation's Economic Development Office to help develop our work in the social investment field;
  - delivered the second year of a three-year contract to run the grant-making and the administration of Wembley National Stadium Trust (WNST), a major new grant-giving body supporting community sports activities in London. Working to the WNST Board, we have developed and implemented the grant-making systems and

policies and its grants programmes. During the year, WNST has made 55 awards totalling £1.1 million.

New Initiatives

Unemployment, particularly amongst young people not in employment, education or training (NEETs) continued to be an issue of concern.

The City Careers Open House programme aims to raise the aspirations of school students in the City's neighbouring boroughs through half-day taster visits to City businesses. A sum of £280,000, in addition to the annual grants budget of £14.5 million, was allocated to enable the Brokerage Citylink to scale up this programme so that all 88 secondary schools in the seven boroughs neighbouring the City could be offered the opportunity of visits, thereby potentially increasing the number of young participants from 960 in 2013/14 to 2,640. In addition, the number of primary schools in the neighbouring boroughs invited to take part, would increase from 13 to 70, potentially increasing the number of participating children from 195 to 1,400. This initiative complemented the budget uplifts of £3.2 million for the Get London Working – the Youth Offer initiative and of £2.1 million for Central Forward's Employability initiative that were approved in the previous year.

Social Investment

In 2012/13, the City Corporation's Common Council agreed to invest up to £20 million from Bridge House Estates in activities generating positive financial returns and social benefit. This sum is referred to as the City of London Corporation Social Invest Fund ('the Fund'). It is administered by City Bridge Trust and governed by a Social Investment Board which reports to the Investment Committee.

The creation of the Fund helps support the City of London's position as a global centre for social investment by working towards the following two objectives:

- to provide loan finance, quasi-equity and equity that provides development and risk capital to organisations working towards charitable ends or with a social purpose; and
- to help develop the social investment market.

The Fund has a target total return of 2.7% and a financial floor of 2% per investment (subject to review October 2015). The Fund considers both direct investments (providing returnable funds to organisations which pursue charitable, community or social objectives) and indirect investments (into funds managed by others in order to reach a greater number of charities and social enterprises).

60% of the Fund is ring-fenced for investments that provide social benefits to Londoners, 30% is ring-fenced for wider UK benefit and the remaining 10% can be used for international investments.

2013/14 was an active year for the Fund. Having started with £318,513 invested, at year end the Fund had investments totalling £2.0m. In addition, during 2013/14 the Social Investment Board approved a further £1.8m investment commitments (these have not yet been placed and are subject to conditions).

Organisation/enterprise	Amount (£)
Small Enterprise Impact Investing Fund	318,513
Real Lettings Property Fund	375,000
Golden Lane Housing	500,000
Midlands Together	300,000
Greenwich Leisure	500,000

Our continuing commitment to the Small Enterprise Impact Investing Fund helps address the demand for capital by small and medium enterprises in low to middle income economies, with a particular focus on activities that lead to job creation, food security and women's empowerment.

Our investment in the Real Lettings Property Fund provides finance towards the purchase of up to 260 one and two bedroom properties in Greater London for tenants who are, or have previously been, homeless.

Our investment in Golden Lane Housing assists with the purchase, adaptation and letting of up to 30 freehold properties to people with learning disabilities.

Our investment in Midlands Together helps provide employment, training and mentoring to 100-150 ex-offenders through a property refurbishment programme across the West Midlands.

Our investment in Greenwich Leisure supports the restoration of the Royal Greenwich Lido, the repurposing of the Olympic Aquatics and Copper Box Centres, the development of affordable health and fitness centres in Sidcup and Romford, and other projects consistent with Greenwich Leisure Limited's social aims.

Grant-Making 2013/14

442 applications with a 50% success rate
222 grants totalling £18,936,753 (£18,786,114 after write backs)

Write backs for the year amounted to £150,639 (2012/13: £304,085). Write backs relate to grants given in either the current, or previous financial years, that are no longer capable of being used for the purpose for which they were given. They are therefore written back to the grants budget for re-distribution.

Working with Londoners

These programmes were launched in July 2008 to run for a five year period and closed in June 2013 whilst we completed our latest Quinquennial Review.

Accessible London

Aim:
We aim to enable disabled people to participate fully in society.

Achievements 2013/14
Accessible arts and sports: 16 grants totalling £959,110
Access to buildings: 11 grants totalling £437,252
Access to transport: 2 grants totalling £167,650

Bridging communities

Aim:
We aim to build on commonalities between communities, encouraging groups to come together in common cause.

Achievements 2013/14
Leadership initiatives: 8 grants totalling £628,720
English language skills: 6 grants totalling £258,450
Joint work: 11 grants totalling £739,195

Improving Londoners' mental health

Aim:
We aim to improve the mental health of Londoners, especially those with limited access to mainstream services.

Achievements 2013/14
Children and young people: 6 grants totalling £388,250
Homeless or transient people and rough sleepers: 5 grants totalling £326,200
Resettlement support: 1 grant totalling £143,000

London's environment

Aim:
We aim to educate Londoners about environmental good practice and maintain and enhance London's biodiversity.

Achievements 2013/14
Environmental education: 13 grants totalling £656,270

Older Londoners

Aim:
We aim to assist older Londoners to enjoy active, independent and healthy lives and support older people with dementia and Alzheimer's.

Achievements 2013/14
Older people over 75 years: 5 grants totalling £352,665
Healthy lifestyles with older people over 65 years: 9 grants totalling £489,190
Supporting people living with dementia or Alzheimer's: 4 grants totalling £388,000

Positive transitions to independent living
Aim:
We aim to sustain people through some of the hardest of life's transitions.

Achievements 2013/14
People with a newly acquired disability: 3 grants totalling £193,600
Young disabled people: 5 grants totalling £345,800
Disabled people managing independent living: 6 grants totalling £382,050
Young care leavers: 4 grants totalling £418,600
Resettlement work with ex-offenders: 5 grants totalling £476,700

Strengthening the third sector

Aim:
We aim to fund second tier organisations so that they can strengthen the third sector to deliver better services.

Achievements 2013/14
Increase and improve volunteering: 6 grants totalling £489,500
Minority ethnic and refugee organisations: 7 grants totalling £504,400
New and Strategic approaches to the use of ICT: 2 grants totalling £294,500
Improving financial management: 2 grants totalling £283,400
Improving the quality of evaluation: 1 grant totalling £131,600

Investing in Londoners

Following the completion of our Quinquennial Review during 2013/14, we launched our new Investing in Londoners programmes at the end of September 2013. 19 grants totalling £2,444,006 were awarded on these programmes and a list of these can be found towards the end of this report.

<u>Other Grants</u>

Partnership Programmes

- Hardship Funds
  - Buttle UK was awarded £470,000 to provide grants of up to £2,000 to families who are re-building their lives following domestic violence.
  - Prisoners Abroad was awarded £330,000 to provide hardship grants to support destitute British Citizens returning to London after imprisonment overseas.

- Other partnerships
  - £300,000 for the London Youth Quality Mark, in partnership with London Youth.
  - Arts Apprenticeships programme, in partnership with the Arts Council, were launched towards the end of 2013/14. 2 grants totalling £8,000 were awarded during the year.

Get London Working – the Youth Offer
31 Grants totalling £3.2 million (all 32 London boroughs benefited from the programme but 2 boroughs submitted a single application to work in partnership)

City Careers Open House Programme
£280,000 was approved to enable Brokerage Citylink to expand the City Careers Open House programme, raising the aspirations of young people in the seven boroughs neighbouring the City.

Employability Partnership
A partnership with Central London Forward for a programme to provide a flexible menu of joined-up, cross-borough provision which is able to meet the needs of both employers and unemployed people across Borough boundaries in Central London. This will include, but not be exclusive to, working with young people. £2m in total has been allocated; £1m in 2013/14 and £1m in 2014/15.

Exceptional Grants

Occasionally, grants are also awarded in response to exceptional needs or circumstances where the work does not meet the criteria of our other programmes. One such grant was awarded during 2013/14:

Media Trust was awarded £80,000 to provide media training to 110 young Londoners to tell London's stories to a wide national and regional audience.

Strategic Initiatives
The Grants Committee has historically set aside up to 5% of the overall grants budget to support strategic initiatives that complement and inform the on-going grants programmes. As in 2012/13, however, there was an unprecedented call on resources through strategic initiatives in response to changing and unparalleled need in the charitable operating environment. As London's largest grant-making, the Trust's strategic significance to London's voluntary sector is more important than ever and it responded to the need for it to act as a 'pro-active' funder, in parallel and complementary to its day-to-day grant-making. The Committee, therefore, decided to increase its allocation for this purpose again this year, in order to enable a number of important initiatives to proceed, approving a total of £2,452,707. These included:

City Philanthropy – a Wealth of Opportunity

The City Corporation and the City Bridge Trust's shared philanthropy strategy is being delivered through the City Philanthropy – a Wealth of Opportunity initiative, funded by the Trust. It is an umbrella for a number of strands of activity all of which are promoting philanthropy amongst City professionals, especially young people early on in their career. During 2013/14, the Trust approved funding of £222,000 to expand the activities of City Philanthropy through to December 2015. Activities included:

- The City Philanthropy website providing independent and impartial advice, resources and e-bulletins to those wanting to find out more about philanthropy in the City;
- The City Funding Network, a giving circle that targets young City professionals;
- The Young Philanthropists who champion philanthropy syndicates in major City firms;
- The Beacon Awards for City Philanthropy 2013 which recognises individual philanthropists from the City as part of the Beacon Fellowship Awards for Philanthropy;
- The *Philanthropy: The City Story* exhibition and book were launched at Charterhouse in October 2013.

Londoner Time Credits

We awarded Spice Innovations funding of £385,200 over three years to develop the model of volunteering across London. Based on the time-banking system of volunteering, the programme is targeting those who do not traditionally volunteer. Participants can swap time spent volunteering (Time In) for trips, events, entertainment or leisure (Time Out). A London Time currency has been developed by building partnerships amongst the public, voluntary and private sectors, in order to share resources. For every hour that volunteers give, they gain an hour of Time Out credit. The Time Out menu includes anything from a theatre or cinema trip, to free entry to the local swimming pool and leisure centre. Time Out partners range from local leisure centres through to Millwall FC, the Barbican and the Tower of London.

Lord Mayor's Show

The Trust took part in the Lord Mayor's Show in November 2013, in partnership with Heart n Soul, one of the UK's leading creative arts organisations working with people with learning disabilities.

Association of Chairs

£8,200 was awarded to the newly established Association of Chairs towards the development of practical, specialist support and resources for charity Chairs, in partnership with the Cass Centre for Charity Effectiveness.

Social Finance

£24,000 was awarded to support Social Finance's Impact Incubator project, an initiative seeking to combine grant-makers' expertise in social issues and effective charitable action, with Social Finance's expertise in developing sustainable funding models. The Incubator will look at a series of social issues, develop a sustainable business model (funded through grant-funding) and then offer the model to the wider investment market. This initiative closely complements the Trust's work on Social Investment.

London Legal Support Trust

A grant of £450,000 was awarded to London Legal Support Trust towards its grant programme to create Centres of Excellence within London's voluntary legal advice sector, in order to make the sector more sustainable and to ensure Londoners have access to good quality legal advice. This complements the Trust's new Investing in Londoners programme, 'Reducing Poverty' under which the Trust will fund suitably accredited advice services.

Islington Giving

The Trust approved funding of £220,000 to build on the success of the Islington Giving model by supporting other boroughs in London to learn from the experience and to inform the development of similar initiatives.

Lemos and Crane

£40,000 was approved to commission Lemos and Crane to undertake research into the scope for people with learning disabilities to access the Arts in London.

Monitoring Grants

Our approach to monitoring is proportionate to the size of grant so as not to overburden small organisations.

- Each organisation is asked to report annually on the impact of its work and to provide annual accounts. A basic monitoring form is used for grants of less than £10,000 with a more detailed form being used for grants of over £10,000. This enables us to collect information in a uniform and systematic way.
- For all grants totalling over £50,000, we require analysed statistics of provision and user feedback.
- An annual programme of monitoring visits is undertaken to ensure that all revenue grant recipients are visited at least once during the grant's lifetime, whilst organisations in receipt of a capital grant are visited at the discretion of the grants officer. 58 monitoring visits were undertaken in 2013/14. In the majority of cases, the visits confirmed that the work funded by the Trust was taking place. In a handful of cases, it was clear that the work had begun to drift from its original objectives and follow-up was needed to get the work back on track. The visits help to carry a strong anti-fraud message and they will be continued in subsequent years.

Evaluating Impact

We are committed to carefully evaluating each of the grants we make. We use the information from organisations' monitoring reports to reflect on the overall effectiveness of our grant-making. During the year, we dealt with 342 reports from organisations in receipt of grants across all our programmes.

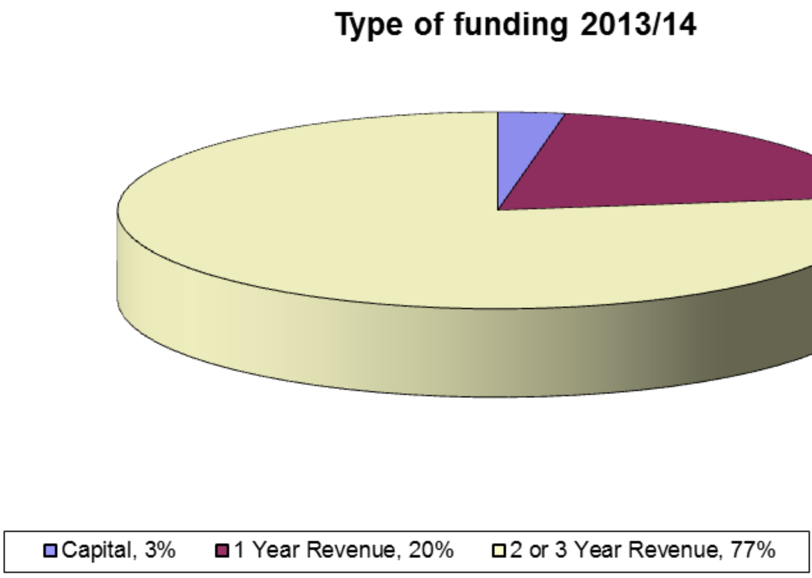
The forms are ranked according to how well the organisation has met its objectives and the quality of the supporting information. An overall assessment of the quality of the work and the report is then made on a continuum of 'poor', 'satisfactory', 'good' and 'very good'. This is a complex process balancing and judging the quality of the work and the organisation's capacity to monitor and evaluate. In 2013/14, 58% were ranked as 'good' or 'very good' and 39% were ranked as 'satisfactory'. The remaining 3% were ranked as 'poor', although this often reflects poor reporting rather than poor quality of work.

There remains a need in the voluntary sector for more training in monitoring and evaluation. We have, therefore, continued to fund the Charities Evaluation Services to provide discounted training to our grant recipients. Organisations tell us the training is helpful in enabling them to improve their accountability and provide evidence of the difference their work has made.

Monitoring and evaluating individual grants is relatively straightforward and our systems for achieving this are developed and robust. Evaluating whole programmes where the range of work funded can be quite broad is much harder. As a result of the Quinquennial Review, funds of £40,000 have been allocated to commission external evaluations of two of our programmes, Older Londoners, and Improving Londoners' Mental Health. These are due to commence in 2014/15.

Type of funding

The majority of our grants are for revenue and are awarded over 2 or 3 years. Such commitments are vital in helping organisations plan ahead and develop services.



Future plans

Investing in Londoners
We will continue to promote these programmes widely to London's voluntary sector through funding presentations and similar events for organisations seeking funds and through our contacts with individual London boroughs.

Increasing capacity within London's voluntary sector
We will review the capacity building support currently offered by the Trust, with a view to all our grantees having access to a comprehensive range of expertise and support to help make them stronger and more sustainable, thereby adding value to our grant-making.

Evidence and Learning
In order to help us better understand London's communities and how we can best meet those needs, we will:

- Commission external evaluations of two of our Investing in Londoners programmes; 'Older Londoners', and 'Improving Londoners' Mental Health';
- Designate each Grants Officer as a lead in at least one broad subject area to ensure we are informed about and updated on London's needs;
- Continue our commitment to use the learning we derive from the work we fund to inform and improve the work of the Trust;
- Hold a major conference in partnership with the Calouste Gulbenkian Foundation that will showcase the work we have each funded on our respective environmental programmes, highlight the contribution that green projects have made to the economy in the context of the new austerity and encourage practitioners to share learning and good practice.

Get Young People Working – the Youth Offer
We will continue to manage this programme of work, with a particular emphasis on learning from the programme, both through its external evaluation and through the monitoring information provided by the individual boroughs. We will hold a learning event for the boroughs and their voluntary sector partners in the autumn of 2014.

City Philanthropy – a Wealth of Opportunity
We will develop the City Corporation's and City Bridge Trust's shared philanthropy strategy by building on the success of City Philanthropy – a wealth of opportunity and developing it further, in order to celebrate and encourage more philanthropy in the City by continuing to support:

- The City Funding Network;
- Young Philanthropy;
- The Beacon Fellowship Awards for City Philanthropy;

and by:

- Re-developing the City Philanthropy website to improve its content and functionality and to improve its use of social media;
- Engaging a Website Writer/Editor to ensure the website's content is regularly refreshed.
- Actively supporting the Lord Mayor's Giving Day;
- Commissioning research to help us better understand how much the City gives, how it could give more effectively and how more giving can be encouraged;
- Encouraging City firms to pilot a short course introducing personal philanthropy to graduates;
- Launching the Inspired 50 Adventure Philanthropists, which provides individuals with the opportunity to experience an adventure challenge whilst at the same time enabling their fundraising to be used to support a social change project;
- Researching and scoping other ways that more and better giving can be encouraged.

Social Investment
We aim for a further £3m to have been committed by the Social Investment Board for social investment during the year.

Wembley National Stadium Trust
We will continue to implement and develop the grant programmes of Wembley National Stadium Trust and ensure its legal requirements are met within requisite timescales.

Communications
We will review the Trust's communication strategy in order to amplify the work of our grantees, the Trust and the City Corporation as its Trustee. As an adjunct to our overall strategy we will also develop communications strategies for our social investment work and for our City Philanthropy initiative. We will review the Trust's website to ensure that its content and online application processes are more user-friendly and to increase its use as a vehicle for sharing learning and good practice.

5. Financial Review

City of London Pension Scheme
For the first time an estimated share of the net liability in the City of London Pension Scheme has been included in the Bridge House Estates accounts.

Previously the Bridge House Estates share of the estimated net deficit on the City of London Pension Scheme had not been included in the balance sheet as the estimated net deficit is the responsibility of the City of London as a whole, as one employer, rather than the specific responsibility of any of its three main funds. Thus Bridge House Estates does not have an exclusive relationship with the City of London Pension Fund and the proportion of the Pension Fund relating to City of London employee members engaged on Bridge House Estates activities is not separately identifiable. Consequently, in accordance with FRS17, the pension arrangements have been treated as a defined contribution scheme in the Bridge House Estates accounts. This meant that only the employer's contributions to the scheme have previously been included in the accounts as they become payable.

However, although the Pension Fund net deficit cannot be attributed precisely between the City of London's three main funds, it is now considered that an apportionment of that deficit and inclusion in the respective balance sheets presents a fairer view of the funds' financial positions than if the deficit were to continue to be excluded. Accordingly an apportionment has been made which is based on employer's annual contributions to the fund.

Further details of the City of London Pension Scheme can be found in Note 14 to the financial statements.

Non-property investments – change in accounting treatment
On 31 January 2014, four of the six equity funds transferred to pooled investment vehicles. Consequently, income generated by these funds remains within those funds to be reinvested, with Bridge House Estates drawing down income as required. As a consequence, incoming resources within the Statement of Financial Activities now includes the gain or loss in fair value of all non-property investments rather than the dividend income.

The total net income from continuing operations available for charitable purposes for the financial year ended 31 March 2014 was derived from:

	Incoming resources £'m	Resources expended generating funds £'m	**2013/14 Net incoming resources £'m**	**%**	2012/13 Net incoming resources £'m	%
Tourism at Tower Bridge	4.1	3.0	**1.1**	**4**	0.5	2
Investment properties	23.4	8.2	**15.2**	**56**	15.9	53
Managed investments and interest	13.4	2.6	**10.8**	**40**	13.1	43
Third party contributions	-	-	**-**	**-**	0.5	2
Net income available	40.9	13.8	**27.1**	**100**	30.0	100

The total expenditure for direct charitable purposes and governance costs were:

	2013/14 £'m	**%**	2012/13 £'m	%
Direct charitable expenditure				
Repair and maintenance of bridges	**4.2**	**17**	4.7	22
Grants to voluntary organisations	**18.8**	**74**	14.6	69
Grants administration	**1.2**	**5**	1.0	5
Governance costs	**1.1**	**4**	0.8	4
Net pension scheme costs	**0.2**	**-**	0.2	-
Total charitable and other expenditure	**25.5**	**100**	21.3	100

Net incoming resources for the year	**1.6**		8.7	

Other recognised gains and losses

	2013/14 £'m	2012/13 £'m
Net gains on managed (non-property) investments	**21.2**	49.6
Net gains on property investments	**49.3**	31.1
Decrease/(increase) in pension scheme deficit	**(1.0)**	0.4
Total recognised net gains	**69.5**	81.1

	2013/14 £'m	2012/13 £'m
Net incoming resources	**1.6**	8.7
Other recognised gains and losses	**69.5**	81.1
Increase in funds for the year	**71.1**	89.8

Reserves policy

The Trust's reserves and investment policies are to provide long term stability and liquidity sufficient for the financing of the Trust's objectives of maintaining the river bridges and the making of grants whilst preserving both the 'real' value of the asset base and the purchasing power of the sums available for annual expenditure. All of the Trust's funds are unrestricted and comprise:

- The General Fund representing the unrestricted funds of the Trust which results from the excess of income over expenditure carried forward from previous years - £446.1m at 31 March 2014 (2012/13: £335.6m);
- Pension Reserve – this is a negative reserve to reflect Bridge House Estates share of the City of London Pension Scheme Deficit. Bridge House Estates share is 2% based on employer's contributions to the scheme. This 2% equates to £8.0m at 31 March 2014 (£6.8m at 31 March 2013).
- Total Designated Funds amounted to £577.8m (2012/13: £617.2m) and are made up of the following:
    - Designated Sales Pool – this Fund exists to finance capital expenditure on additions to the Bridge House Estates investment property portfolio. It is built up from capital receipts from disposals of interests in the Estate. The total of this reserve at 31 March 2014 was £43.7m (2012/13: £26.3m).

- Investment Revaluation – this reserve showed the difference between cost and market value of managed investments. Due to the transition in year from assets available for sale to fair value through profit and loss all funds held in the Investment Revaluation reserve as at 31 January 2014 have been released to the General Fund (2012/13: £59.3m).
- Property Revaluation – this reserve represents either the market value of investment properties, or the difference between cost and market value, where the cost is known. The total of this reserve at 31 March 2014 was £385.9m (2012/13: £389.9m).
- Finsbury House - reserves are designated in respect of financing future major works at Finsbury House and at 31 March 2014 this reserve totalled £0.2m (2012/13: £0.2m).
- Property Dilapidations – funds have been retained from dilapidation income to fund necessary repair works in respect of twelve properties. At 31 March 2014 this reserve totalled £1.1m (2012/13: ten properties totalling £0.9m).
- Bridges Repairs, Maintenance and Major Works Fund – this reserve was established to provide sufficient resources to meet the enhanced maintenance costs of the five bridges over 50 years. The total of this reserve at 31 March 2014 was £127.9m (2012/13: £119.9m).
- Tower Bridge Tourism – a Fund was established from the net proceeds generated by the tourism operation at Tower Bridge, to cover any future shortfall in income that may arise due to the volatile nature of the tourism market. The total of this reserve at 31 March 2014 was £1.0m (2012/13: £1.0m).
- Social Investment Fund – funds have been set aside for the purpose of investing in activities that will generate both a positive financial return and a social benefit. The balance on this reserve at 31 March 2014 was £18.0m (2012/13: £19.7m).

Investment Policy and Objectives

During 2013/14 an asset reallocation exercise was undertaken on the non-property investment portfolio. The number of equity managers was increased from four to six and the funds moved from segregated mandates to pooled mandates. The non-property investment portfolio is divided between the following fund managers:

Equity
Artemis Investment Management LLP
Wellington Management Co LLP
Veritas Asset Management LLP
Carnegie Asset Management
Southeastern Asset Management Inc.
GMO (U.K) Ltd

Multi Asset
Ruffer LLP
Pyrford International Plc.
Standard Life Investments Ltd

Absolute Return Bonds
M&G Investment Management Ltd.
Wellington Management Co LLP

Managed investments and investment properties are re-valued during the year. The difference between carrying value and historic cost is recognised in the Statement of Financial Activities in accordance with the Charities Statement of Recommended Practice (SORP).

Non-Property Investment Policy

The Investment Policy is to seek an absolute return over the long term in order to provide for real increases in annual expenditure, whilst preserving the Fund's capital base in real terms.

For the financial year 2013/14 the Fund achieved a performance of plus 4.8% (2012/13: plus 15.8%). This compares to the weighted average return achieved in the WM Charity Unconstrained ex property index of plus 6.6% (2012/13: plus 15.9%).

Investments are made by the Fund Managers in accordance with the above policy and the City expects them to pay due regard to Social, Environmental and Ethical considerations which should further the long-term financial interest of the shareholders. Full details of the Investment Policy are set out in the City of London Corporation's Statement of Investment Principles which is available from the Chamberlain of London.

Property Investment Policy

The property assets of Bridge House Estates, which are valued at £451m as at 31 March 2014 (2012/13: £426m), are managed by the City Surveyor's Department within the context of a Member approved Estates' Strategy. This strategy is reviewed in depth by Members on a 3-yearly basis. Members also receive an annual report assessing progress. In addition each year Members review the Department's Business Plan and Objectives, which further address key areas in the Estates' management.
The fund's overall objectives were reviewed in February 2013, and are:

1) To at least achieve, and ideally outperform the IPD Central London and SE1 Benchmark for Total Return on an annualised five year basis;
2) To maintain and maximise rental income from the Estate and to endeavour to secure rental income growth at least in line with inflation so far as market circumstances permit; such rental incomes significantly supports the Trust's activities.

A number of detailed policies underpin this overall objective and key targets include:
- diversification from the EC2 cluster, and from City Holdings; and
- the maintenance and enhancement of the fabric of the existing directly managed portfolio.

The key performance measures are comparisons with the IPD benchmarks. The IPD UK March 2014 Annual Universe Index covers property valued at some £151bn in 252 funds; the overall total return for 2013/14 for the IPD Universe was +13.4%. The Estates' performance was +16.1%, and therefore the Estate has exceeded the IPD UK Annual Index this year. The specific annual Benchmark index for Bridge House Estates was +20.1% and therefore the Estate under-performed its Benchmark.

Over an annualised five year basis the total return for the Estate was 13.7%, under-performing the benchmark +15.7%, but out-performing the Annual Universe total return of +10.4%. However, over the last ten years the annualised total return for the Estates has been +10.2%

p.a., out-performing the +10.0% total return for its Benchmark, and +6.2% total return for the Annual Universe.

6. Explanation of the Financial Statements

These consist of the following and include comparative figures for the previous year.

- **Statement of Financial Activities** showing all resources available and all expenditure incurred and reconciling all changes in the funds of the Trust;
- **Balance Sheet** setting out the assets, liabilities and funds of the Trust;
- **Cash Flow Statement** showing the movement in cash for the year; and
- **Notes to the Financial Statements** explaining the accounting policies adopted and explanations of information contained in the Financial Statements.

The Financial Statements have been prepared in accordance with statutory requirements and the Statement of Recommended Practice *Accounting and Reporting by Charities (Revised 2005)*. The Trustee confirms that the Trust's assets are available and adequate to fulfil the obligations of the Trust.

7. Statement of the Responsibilities of the Trustee

Law applicable to charities in England and Wales requires the Trustee to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Trust at the end of the year and of its financial activities during the year then ended. In preparing the Financial Statements, the Trustee is required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards and statements of recommended practice have been followed; and
- prepare the Financial Statements on the going concern basis unless it is inappropriate to presume the Trust will continue in operation.

The Trustee is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Trust and enable the Trustee to ensure that the Financial Statements comply with the Charities Act 2011. The Trustee has general responsibility for taking such steps as are reasonably open to it to safeguard the assets of the Trust and to prevent and detect fraud and other irregularities.

8. Adoption of the Annual Report and Financial Statements

Adopted and signed for on behalf of the Trustee

Roger A.H. Chadwick	Jeremy Paul Mayhew MA MBA
Chairman of Finance Committee	Deputy Chairman of Finance Committee

Guildhall, London
22 July 2014

INDEPENDENT AUDITOR'S REPORT TO THE TRUSTEE OF BRIDGE HOUSE ESTATES

We have audited the financial statements of Trustee of Bridge House Estates for the year ended 31 March 2014 which are set out on pages 34 to 36. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the charity's Trustee, as a body, in accordance with Chapter 3 of Part 8 of the Charities Act 2011 and regulations made under section 154 of that Act. Our audit work has been undertaken so that we might state to the charity's Trustee those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the charity and it's Trustee as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of trustee and auditor
As explained more fully in the Trustee's Responsibilities Statement set out on page 28, the Trustee is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

We have been appointed as auditor under section 144 the Charities Act 2011 and report in accordance with regulations made under section 154 of that Act. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements
An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the charity's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the trustees; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements
In our opinion the financial statements:

- give a true and fair view of the state of the charity's affairs as at 31 March 2014, and of its incoming resources and application of resources, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Charities Act 2011.

Matters on which we are required to report by exception

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

- the information given in the Trustee's Annual Report is inconsistent in any material respect with the financial statements; or
- sufficient accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records and returns; or
- we have not received all the information and explanations we require for our audit.

Moore Stephens LLP
Statutory Auditor
150 Aldersgate Street
London
EC1A 4AB

Moore Stephens LLP is eligible to act as an auditor in terms of section 1212 of the Companies Act 2006

Report of the Audit Review Panel to the Right Honourable the Lord Mayor, Aldermen and Livery of the several Companies of the City of London in Common Hall assembled

We, whose names are hereunto subscribed, the Audit Review Panel of the Chamberlain's and Bridgemasters' Accounts, elected by the Livery of London in Common Hall assembled on, 25 June 2012, 24 June 2013 and 24 June 2014 pursuant to Act 11, George 1, Cap. 18, an Act for regulating elections within the City of London, etc., do report as follows-

We have reviewed the processes adopted by Moore Stephens LLP for the audit of the Bridge House Estates Trust for the period from 1 April 2013 to 31 March 2014.

In our view the audit of the Financial Statements has been conducted in accordance with auditing procedures as stated on pages 31-32.

This report is made solely to the above named addressees. Our work has been undertaken to enable us to make this report and for no other purpose.

S. Barnsdall

H. Bygrave

A. Francis

M. McDonagh

P. Watts

The Moore Stephens Engagement Partner, Nicholas Bennett, is also a member of the Audit Review Panel. However, as the role of the Panel is to provide independent confirmation that the processes adopted by Moore Stephens LLP have been conducted in accordance with auditing procedures, it is not appropriate for Nicholas Bennett to sign the report.

Statement of Financial Activities

for the year ended 31 March 2014

	Notes	**2013/14 Total**	Restated 2012/13 Total
		Unrestricted income Funds	
Incoming resources		**£m**	£m
Incoming resources from generated funds			
Activities for generating funds			
Tourism fees and charges		**4.1**	3.7
Investment income			
Investment property income		**23.4**	23.2
Gain in fair value of managed investments		**1.6**	-
Managed investment income		**10.9**	14.0
Interest receivable		**0.9**	1.8
Other		**-**	0.5
Total incoming resources	4	**40.9**	43.2
Resources expended			
Cost of generating funds			
Tourism expenses		**3.0**	3.2
Investment property expenses		**8.2**	7.3
Managed investment expenses		**2.6**	2.7
Charitable activities			
Repair and maintenance of bridges		**4.2**	4.7
Grants to voluntary organisations		**20.0**	15.6
Governance costs		**1.1**	0.8
Other resources expended			
Net pension scheme costs		**0.2**	0.2
Total resources expended	5	**39.3**	34.5
Net incoming resources before other recognised gains and losses		**1.6**	8.7
Other recognised gains and losses			
Net gain on managed investments	10	**21.2**	49.6
Net gain on property investments	10	**49.3**	31.1
Actuarial gain/(loss) on defined benefit pension scheme	14	**(1.0)**	0.4
Net movement in funds		**71.1**	89.8
Reconciliation of funds			
Total Funds brought forward	15	**952.8**	863.0
Total Funds carried forward	15	**1,023.9**	952.8

All operations are continuing
All funds are unrestricted income.
There are no other recognised gains and losses other than those shown above.

Balance Sheet
as at 31 March 2014

	Notes	2013/14 £m	Restated 2012/13 £m
Fixed assets			
Tangible fixed assets	8	**3.1**	3.4
Investments – property	10	**450.7**	425.7
Investments – available for sale	10	**-**	454.5
Investments – fair value through Statement of Financial Activities	10	**552.3**	-
Programme related investments	10	**0.1**	0.1
Social Investment Fund	10	**2.0**	0.3
		1,008.2	884.0
Current assets			
Stock – finished goods		**0.1**	0.1
Debtors	11	**12.9**	9.6
Investments	10	**42.2**	98.7
Cash at bank and in hand		**4.0**	3.5
Total current assets		**59.2**	111.9
Creditors: Amounts falling due within one year	12	**(32.8)**	(33.4)
Net current assets		**26.4**	78.5
Total assets less current liabilities		**1,034.6**	962.5
Creditors: Amounts falling due after more than one year	13	**(2.7)**	(2.9)
Defined benefit pension scheme liability	14	**(8.0)**	(6.8)
Net assets		**1,023.9**	952.8
The Funds of the charity:			
Unrestricted income funds excluding pension liability	15	**1,031.9**	959.6
Pension reserve	15	**(8.0)**	(6.8)
Total Funds		**1,023.9**	952.8

Approved and signed for on behalf of the Trustee

Dr Peter Kane
Chamberlain of London
22 July 2014

Cash Flow Statement

for the year ended 31 March 2014

	Note	2013/14 £'m	Restated 2012/13 £'m
Net cash outflow from operating activities	1	**(17.1)**	(9.2)
Returns on investments and servicing of finance			
Interest received		**0.9**	1.8
Managed investment income		**10.9**	14.0
Net cash inflow from investments and servicing of finance		**11.8**	15.8
Capital expenditure and financial investment			
Return of investments under fund management and long term deposits		**(75.0)**	6.1
Investment property purchases and enhancements		**(34.0)**	(0.6)
Sale of investment property		**58.3**	-
Net cash inflow from capital transactions		**(50.7)**	5.5
Management of liquid resources			
Cash taken from/(added to) short term deposits		**56.5**	(12.4)
Increase/(Decrease) in cash in the year	2	**0.5**	(0.3)

Notes to the Cash Flow Statement

1. Reconciliation of net incoming resources on operating activities to net cash flow

		2013/14 £'m	2012/13 £'m
Net incoming resources		**1.6**	8.7
Depreciation/Impairment		**0.3**	0.2
(Increase)/Decrease in debtors	11	**(3.3)**	(1.0)
(Increase) in social investments		**(1.7)**	(0.3)
Increase/(Decrease) in creditors falling due within one year	12	**(0.6)**	0.5
(Decrease)/Increase in long term creditors	13	**(0.2)**	(1.7)
Difference between pension contribution paid & charges made		**0.2**	0.2
Interest receivable		**(0.9)**	(1.8)
Managed investment income		**(10.9)**	(14.0)
Gain in fair value of managed investments		**(1.6)**	-
Net cash outflow from operating activities		**(17.1)**	(9.2)

2. Movement in cash as shown in the Balance Sheet

	2013/14 £'m	2012/13 £'m	Movement £'m
Cash at bank and in hand	**4.0**	**3.5**	**0.5**

Notes to the Financial Statements

1. Accounting policies

The following accounting policies have been consistently applied in dealing with items which are considered material in relation to the Trust's Financial Statements.

(a) Basis of preparation

The Financial Statements have been prepared in accordance with the Statement of Recommended Practice *Accounting and Reporting by Charities (Revised 2005)*, the Charities Act 2011, the governing instruments and under the historical cost accounting convention modified to include the revaluation of investment property and managed investments. The statements have also been prepared in accordance with applicable accounting standards.

(b) Going concern

The Trust is considered a going concern for the foreseeable future, due to its level of reserves and the Trustee having due regard to maintaining the capital base with, generally, only the investment income used in furtherance of the objectives of the Trust. A rolling annual in depth survey of the Trust's forecast financial position over a five year period is carried out providing the framework for the medium term financial strategy. This strategy is to ensure that ongoing revenue expenditure is contained within revenue income and that sufficient surpluses are generated to finance capital expenditure on the bridges with surplus funds allocated to charitable grants.

(c) Accounting standards adopted in the period

Bridge House Estates has adopted the following accounting standard which has a material effect on the financial statements: FRS 17 "Retirement Benefits".

(d) Income and expenditure

The accounts for Bridge House Estates are maintained on an accruals basis. Consequently, activity is accounted for in the year that it takes place, not simply when cash payments are made or received. In particular;

- Revenue from the sale of goods is recognised when the significant risks and rewards of ownership are transferred to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to Bridge House Estates.
- Revenue from the provision of services is recognised when the percentage of completion of the transaction can be measured reliably and it is probable that economic benefits or service potential associated with the transaction will flow to Bridge House Estates.
- Interest receivable on investments is accounted for as income on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as stocks on the Balance Sheet.

- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Grants to voluntary organisations - all grants awarded in the financial year are included in the Statement of Financial Activities for that year on an accruals basis. The value of grants unpaid at the year end is included in creditors. A grant may be subject to conditions, which, if not satisfied by the recipient, may lead to the grant, or part of it, being reclaimed.
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

(e) Fixed assets

Bridges

The objects of the charity are to preserve and maintain the Bridges and as such the Bridges are considered to be heritage assets. The Bridges are also considered to be inalienable (i.e. they may not be replaced or disposed of without specific statutory powers). A valuation of the Bridges, and certain strategic properties integral to the operation of Tower Bridge, is not included in these accounts as either a) reliable cost information is not available, or b) significant cost is involved in reconstruction of past accounting records, or in valuation, which is onerous compared to the benefit to the users of these accounts. The insured value of the five Bridges at 31 March 2014 was £671m (31 March 2013: £671m).

Revaluations and Impairment

Where a reduction in value of a fixed asset is caused by a general fall in prices, the loss is recognised in the Statement of Financial Activities in accordance with the Charities Statement of Recommended Practice (SORP). A reduction in value caused by a clear consumption of economic benefits (i.e. if the loss is similar in nature to depreciation) is an impairment loss and is also recognised in the Statement of Financial Activities. Should a reversal of a reduction in value be required, the accounting follows the original treatment applied. Where a fixed asset (other than freehold land) is not depreciated or has a life of more than 50 years, an annual impairment review is carried out.

Investment properties

In accordance with Statement of Standard Accounting Practice No 19 (*Accounting for investment properties)*:

i) The City Surveyor of the City of London Corporation, who is a fellow of the Royal Institution of Chartered Surveyors, values investment properties annually as at 31 March at market values determined in accordance with the RICS Valuation – Professional Standards ("the RICS Red Book") issued by the Royal Institution of Chartered Surveyors. Valuations are also provided by external valuers with the externally checked values representing some 53% of the Estates' value as at 31 March 2014. Surpluses and deficits arising are included in the Statement of Financial Activities and the aggregate surplus or deficit is recognised in the Statement of Financial Activities in accordance with the Charities SORP.

ii) No depreciation or amortisation is provided in respect of freehold investment properties and leasehold investment properties with over 20 years to run.

Managed investments
FTSE 100 Company investments are valued at the Stock Exchange Trading System (SETS) price at 31 March. Other quoted investments are valued at the middle market price at the close of business on 31 March. Unquoted investments are included at a valuation advised by the fund managers.

Managed investments are held in accordance with the investment policy set by the City of London Corporation. During 2013/14, the investment policy changed with four of the six equity funds held by Bridge House Estates being transitioned to Pooled Investment Vehicles. As such, the income generated by these funds remains within the fund to be reinvested, with Bridge House Estates drawing down income (realising gains) as required.

At the point of transition, Bridge House Estates have designated all managed funds, equity together with multi asset and fixed interest funds, as 'fair value through profit and loss.' Managed funds held to 31 January 2014 (the date of transition) have been accounted for as 'available for sale' financial assets.

The designation has been made on the basis that the managed funds are equity instruments with a quoted price in an active market which are managed on a fair value basis.

Details of the management of liquid resources can be found under the Investment Policy on page 26 of the Trustee's Annual Report.

Revaluation of investments
Gains and losses on revaluation of investment properties held as fixed assets at the year end are included in the appropriate section of the Statement of Financial Activities. Until the point of transition, gains and losses on revaluation of managed investments held as fixed assets were also accounted for this way.

Following the investment transition, gains and losses on revaluation of managed investments form part of the fair value through profit and loss movement and are not separately recognised.

Gain/(loss) on disposal of fixed assets
The gain/(loss) on property, managed investments and tangible fixed asset disposals, represents the differences between proceeds received on disposals and their book value at the beginning of the year. The net gain/(loss) on investments shown in the Statement of Financial Activities represents the difference between the historical cost on acquisition or the market value at 1 April 2013, compared with the market value at the date of disposal or at 31 March 2014.

Other tangible fixed assets
The acquisition costs of minor capital items such as furniture and office equipment below £50,000 are charged to revenue in the year of purchase. These assets are held and used for the direct delivery of services. In accordance with Financial Reporting Standard 15: Tangible

Fixed Assets are carried at historic cost less depreciation. Depreciation is charged from the year following that of acquisition. Land is not depreciated.

Depreciation
Tangible fixed assets are depreciated on a straight line basis to write off their cost over their estimated useful lives as follows:

Computer Software	3 years
Computer and other equipment	5 years
Fixtures and fittings	8 years
Leaseholder Improvements	10-30 years

(f) Stocks
Stocks are valued at the lower of cost or net realisable value. All stocks are finished goods and held as part of the Tourism operation at Tower Bridge.

(g) Pension costs
Defined benefit schemes
The City of London Corporation operates a funded defined benefit pension scheme for its staff employed on activities relating to its three funds (i.e. City Fund, City's Cash and Bridge House Estates). The scheme is based on final salary and length of service on retirement. Changes to the Scheme came into effect from 1 April 2014 and any benefits accrued from this date will be based on career average revalued salary, with various protections in place for those members in the Scheme before the changes took effect.

The Pension Fund is the responsibility of the City of London as a whole, which is one employer, and not the responsibility of any of its three funds. Bridge House Estates does not have an exclusive relationship with the City of London Pension Fund. Although the proportion of the Pension Fund that relates to City of London employee members engaged on Bridge House Estates activities is not separately identifiable, a share of the total Pension Fund has been allocated to Bridge House Estates based on employer's pension contributions paid into the Fund by Bridge House Estates as a proportion of total employer's contributions paid. This is a change in accounting policy, as pension costs were previously accounted for as defined contribution scheme. Consequently, a prior year adjustment has been required and details are shown in note 18.

For the defined benefit scheme the amounts charged in resources expended are the current service costs and gains and losses on settlements and curtailments. They are included as part of staff costs. Past service costs are recognised immediately in the Statement of Financial Activities if the benefits have vested. If the benefits have not vested immediately, the costs are recognised over the period until vesting occurs. The interest cost and expected return on the assets are shown as a net amount of other finance costs or credits adjacent to interest. Actuarial gains and losses are recognised immediately in other recognised gains and losses.

The assets of the scheme are held separately from those in the Trust, and are invested by independent fund managers appointed by the Trustees. Pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis by a qualified actuary using the projected unit method and discounted at a rate equivalent to the current rate of return on a high quality corporate bond of equivalent currency and term to the scheme liabilities. The resulting defined benefit asset or liability is presented separately after net assets on the face of the balance sheet.

Barnett Waddingham, an independent actuary, carried out the latest triennial actuarial assessment of the scheme as at 31 March 2013, on an FRS 17 basis using the projected unit method. The next actuarial valuation of the Fund will be carried out as at 31 March 2016 and will set contributions for the period from 1 April 2017 to 31 March 2020.

(h) Statutory deductions from pay

The City of London Corporation accounts centrally for salary and wage deductions. Consequently, the Bridge House Estates accounts treat all sums due to the HMRC as having been paid.

(i) Rent deposits

Deposits against defaults in rental payments held by the Trust are shown as creditors.

(j) Foreign currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the Balance Sheet date and the gains or losses on translation are written on/off to the revenue account.

(k) Fund accounting

The Trust has the following types of unrestricted funds:

General Fund

This Fund is expendable at the discretion of the Trustee in the furtherance of the objects of the Trust. Specifically it represents the surplus of income over expenditure for the Trust which is carried forward to meet the requirements of future years.

Designated Funds

The Trust may at the Trustee's discretion set aside funds for purposes which would otherwise form part of the General Fund; these Funds are however still classified as unrestricted. Specifically the Trust now sets aside funds for maintaining the bridges, major cyclical works at Finsbury House and providing sufficient income for grant giving. The Bridges Repairs and Maintenance Fund has been established to equalise the cost of repairs and major cyclical works such as repainting over a period of up to 50 years, and a fund has been established in respect of the Tower Bridge Tourism activity to cover any future shortfall in income that may arise due to the volatile nature of the tourism market. Further information is given in note 15 to the Financial Statements.

(l) Operating leases – Bridge House Estates as the lessor

Assets subject to operating leases are included in the Balance Sheet according to the nature of the assets. Rental income from operating leases, excluding charges for services such as insurance and maintenance, are recognised on a straight-line basis until the next rent review, even if the payments are not received on this basis (e.g. due to lease incentives), unless another systematic and rational basis is more representative of the time pattern in which the benefits derived from the leased asset are diminished.

Lease Incentives
Benefits received and receivable as an incentive to sign a lease are spread on a straight-line basis over the lease term, except where the period to the review date on which the rent is first expected to be adjusted to the prevailing market rate is shorter than the full lease term, in which case the shorter period is used.

2. Tax status of the Trust

Bridge House Estates is a registered Charity and is therefore exempt from income tax and capital gains tax on income and gains falling within S256 TCGA 1992 and Part 10 of ITA 2007. The City is sole Trustee of the Trust and, is entitled to recover VAT incurred on the expenditure of the Trust under section 33 of the VAT Act 1994.

3. Indemnity insurance

The Trust contributes towards indemnity insurance, in respect of all the City of London's activities, to protect the Trust from loss arising from neglect or default of its Trustee, employees or agents. The cost of this insurance to the Trust was £26,486 in 2013/14 (2012/13: £25,765).

4. Incoming Resources

Incoming resources consist of fees and charges from the tourism operation at Tower Bridge, donations, income from property and managed investments and income on cash balances held.

Fees and charges from the tourism operation at Tower Bridge amounted to of £4.1m in 2013/14 (2012/13: £3.7m). Income from fixed asset investments are held to provide an investment return to the charity, as shown in the table below.

Income from fixed asset investments

All investments are held to provide an investment return to the Charity. The income from fixed asset investments is comprised as follows:

Investment Class	Unrestricted			
	General £'m	Designated £'m	**2013/14 £'m**	2012/13 £'m
Investment property	23.2	0.2	**23.4**	23.2
Gain in fair value of managed investments	1.6	-	**1.6**	-
Managed investments	10.9	-	**10.9**	14.0
Interest receivable	0.6	0.3	**0.9**	1.8
Other income	-	-	**-**	0.5
Total Investment Income	36.3	0.5	**36.8**	39.5

Managed investment income for 2013/14 relates to the first ten months of the year, before the transition to fair value through profit and loss took place, see note 10 for further details.

5. Resources expended

Resources expended are analysed as follows:

	Activities undertaken directly £'m	Support costs £'m	**2013/14 Total £'m**	2012/13 Total £'m
Cost of generating funds				
Investment property	6.2	2.0	**8.2**	7.3
Investment management	2.2	0.4	**2.6**	2.7
Tourism	2.8	0.2	**3.0**	3.2
	11.2	2.6	**13.8**	13.2
Charitable expenditure				
Bridges repairs & maintenance	3.8	0.4	**4.2**	4.7
Grants	19.7	0.3	**20.0**	15.6
	23.5	0.7	**24.2**	20.3
Governance	-	1.1	**1.1**	0.8
Other resources expended				
Net pension scheme costs	**0.2**	**-**	**0.2**	0.2
Total Resources Expended	**34.9**	**4.4**	**39.3**	34.5

No resources are expended by third parties to undertake charitable work on behalf of the Charity. The grants given in accordance with the grant giving policy are in furtherance of the activity of the recipient charities and are described further below.

Tourism expenses

Staff costs and other expenses relate to the management and operation of the Tower Bridge tourist attraction.

Investment property expenses

Staff costs, repairs and maintenance costs, and professional fees relating to the management of the investment property portfolio.

Investment management expenses

The whole cost of the fees paid to the fund managers is charged to the revenue account.

Bridges repairs and maintenance

This comprises staff costs, repairs and maintenance, insurance, equipment and materials costs.

Grants

This consists of grants approved of £18.8m, which are accounted for on the basis set out in note 1 to the accounts and grants administration of £1.1m which consists of the staff costs and other direct expenses of administering the grants process.

No grants are made to individuals. A summary of grants to institutions over programme areas is as follows:

Programme area	**2013/14 Total grants to institutions £'m**	**2012/13 Total grants to institutions £'m**
Working With Londoners		
Accessible London	1.6	1.6
Bridging Communities	1.6	2.1
Improving Londoners' Mental Health	0.9	1.7
London's Environment	0.7	1.1
Older Londoners	1.2	1.0
Positive Transitions to Independent Living	1.8	1.9
Strengthening the Third Sector	1.7	1.9
	9.5	11.3
Investing in Londoners	2.5	-
Initiatives to Tackle Unemployment	4.5	-
Growing Localities		
Growing and Greening	-	0.8
Horticultural Work Training	-	1.0
Exceptional Grants	0.1	0.5
Strategic Initiatives	2.4	1.3
Total Grants Awarded	**19.0**	**14.9**
Write backs (grants no longer useable for the purpose awarded)	(0.2)	(0.3)
Total Grants chargeable	**18.8**	**14.6**

Details of all the grants approved are shown on pages 66-85.

Governance

General

Governance costs relate to the general running of the Charity, rather than specific activities within the Charity. They include strategic planning, external audit and costs associated with Trustee meetings. Governance costs are analysed further in the table in note 6.

Auditor's remuneration and fees for external financial services

Remuneration to the external auditor (Moore Stephens) for the audit of the 2013/14 accounts amounted to £36,800 (2012/13: £41,514 paid to Deloitte LLP).

Trustee's expenses
Trustees do not receive any remuneration from the City of London for undertaking their duties. However, Trustees may claim travelling expenses in respect of activities outside the City and receive allowances in accordance with a scale when attending a conference or activity on behalf of the City of London Corporation. These costs totalling £10,100 (2012/13: £8,600) in respect of 24 Members, across all of the City's activities were met from the endowment funds of the City of London Corporation and not charged to Bridge House Estates.

Net pension scheme costs
Net total pension scheme costs charged to the Statement of Financial Activities are as follows:

	2014		**2013**	
	£'m	£'m	**£'m**	£'m
Deficit at beginning of the year		(6.8)		(7.0)
Net finance cost	(0.1)		(0.1)	
Current service cost	(0.5)		(0.5)	
Employer contributions	0.4		0.4	
Unfunded pension payments	-		-	
Settlements and curtailments	-		-	
Net total charge to SOFA		(0.2)		(0.2)
Actuarial gains/(losses)		(1.0)		0.4
Deficit at end of the year		**(8.0)**		**(6.8)**

The net total pension costs charged in the Statement of Financial Activities of £0.2m (2013: £0.2m) represents 2% of the total charge in the City of London Corporation Pension Fund financial statements.

6. Support Costs
The cost of administration, which includes the salaries and associated cost of officers, together with premises and office expenses, is allocated by the City of London Corporation to the activities under its control, including the activities within Bridge House Estates, on the basis of resources consumed on the respective services. These expenses include the cost of administrative and technical staff (e.g. surveyors, engineers).

Support costs are analysed by activity as follows:

	Tourism	Investment property	Investment management	Bridges	Grants	Governance	**2013/14 Total**	2012/13 Total
Department:	£'m	£'m	£'m	£'m	£'m	£'m	**£'m**	£'m
Chamberlain	-	0.3	-	0.1	0.1	-	**0.5**	0.3
Comptroller & City Solicitor	-	0.2	-	-	-	-	**0.2**	0.2
Town Clerk	-	-	-	-	0.1	0.2	**0.3**	0.3
City Surveyor	-	1.3	-	0.3	-	-	**1.6**	2.0
Director of the Built Environment	-	-	-	-	-	-	**-**	0.1
Director of Culture, Heritage & Libraries	0.1	-	-	-	-	-	**0.1**	0.1
Public Relations	-	-	-	-	-	0.1	**0.1**	0.1
Information Systems	0.1	0.1	-	-	-	-	**0.2**	0.2
Premises Costs	-	-	-	-	0.1	0.1	**0.2**	0.2
Other	-	0.1	0.4	-	-	0.7	**1.2**	0.5
Total support costs	**0.2**	**2.0**	**0.4**	**0.4**	**0.3**	**1.1**	**4.4**	4.0

The main support services provided by the City of London Corporation are:

Chamberlain	Accounting services, insurance, revenue collection, payments, financial systems and internal audit.
Comptroller and City Solicitor	Property, litigation, contracts, public law and administration of commercial rents.
Town Clerk	Committee administration, human resources, emergency planning.
City Surveyor	Work undertaken on the management of the Estate properties, surveying services and advice, supervising and administering repairs and maintenance to operational and investment properties.
Director of the Built Environment	Support functions in respect of finance, human resources, information technology, management and administration for the Thames Bridges.
Director of Culture, Heritage & Libraries	Support functions in respect of finance, human resources, information technology, management and administration for Tower Bridge Tourism.
Public Relations	Supporting and promoting City strategic aims and policy priorities for example, by maintaining the organisation's website and corporate contacts database and liaising with the press.

Information Systems	The information systems charge relates to the support and operation of the City of London's Corporations central and corporate systems used by Bridge House Estates, on the basis of usage of the systems and small IS development projects that might be required.
Premises costs	Bridge House Estates share of the premises costs for the use of the Guildhall complex.
Other	Various services including corporate training, corporate printing, occupational health, union costs, environmental and sustainability section.

7. Staff numbers and costs

Officers employed by the City of London Corporation work on a number of City of London Corporation activities.

The number of full time equivalent directly employed staff in respect of the Investment Properties, Bridges, Tower Bridge Tourism and the Grants Unit is 96.2 at a cost of £3.57 million (2012/13: 95.0 staff at a cost of £3.43 million). The cost of agency staff in the year totalled £0.24m (2012/13: £0.28m)

The number of directly charged staff earning less than £60,000 is shown below.

Employees who earn less than £60,000 per annum						
	No of full time equivalent employees	Gross Pay £'m	Employer's National Insurance £'m	Employer's Pension Contribution £'m	**Total 2013/14 £'m**	Total 2012/13 £'m
Investment Properties	22.6	0.51	0.05	0.10	**0.66**	0.57
Tower Bridge Tourism – permanent staff	26.8	0.78	0.06	0.10	**0.94**	1.00
Tower Bridge Tourism – temporary staff	-	0.24	-	-	**0.24**	0.28
Bridges	31.1	0.95	0.08	0.15	**1.18**	1.16
Grants Unit	14.3	0.51	0.04	0.08	**0.63**	0.57
Total	94.8	2.99	0.23	0.43	**3.65**	3.58

The number of directly charged staff earning more than £60,000 in bands of £10,000 is set out below.

Employees who earn more than £60,000 per annum							
	Band £'000	No of full time equivalent employees	Gross Pay £'m	Employer's National Insurance £'m	Employer's Pension Contribution £'m	**Total 2013/14 £'m**	Total 2012/13 £'m
Grants Unit	70-79,999	1.0	0.06	0.01	0.01	**0.08**	-
Tower Bridge/ Tourism	80-89,999	0.4	0.06	-	0.02	**0.08**	0.13
Total		1.4	0.12	0.01	0.03	**0.16**	0.13

All employees whose remuneration was above the £60,000 threshold, have retirement benefits accruing under the defined benefit scheme (accounting policies 1 (g)).
In addition, support service staff are charged to Bridge House Estates and other City of London Corporation activities on the basis described in note 6. The whole time equivalent number of support service staff charged is 55.7 (2012/13: 50.6).

8. Tangible fixed assets

	Computers and other equipment £'m	Fixtures and fittings £'m	Leasehold Improvements £'m	**Total £'m**
Cost				
At 1 April 2013	0.4	0.8	4.2	**5.4**
Additions/Adjustments	-	-	-	**-**
Disposals	-	-	-	**-**
At 31 March 2014	0.4	0.8	4.2	**5.4**
Accumulated depreciation				
At 1 April 2013	0.3	0.7	1.0	**2.0**
Charge for year	-	0.1	0.2	**0.3**
Disposals	-	-	-	**-**
At 31 March 2014	0.3	0.8	1.2	**2.3**
Net book values				
At 31 March 2013	0.1	0.1	3.2	**3.4**
At 31 March 2014	0.1	-	3.0	**3.1**

The net book value of tangible fixed assets relating to direct charitable purposes amounts to £3.1 million (2012/13: £3.4 million).

In addition to the above the following also occurred, however due to rounding they do not appear in the table: Total additions of £51k comprising; £14k for computer equipment, £26k for fixtures and fittings and a negative addition of £91k. The negative addition relates to one asset where costs were capitalised but were not paid out and so have been reversed. There was a depreciation charge for the year of £28k on computer equipment.

9. Heritage assets

The primary purpose of Bridge House Estates is the provision and maintenance of five river Bridges. The Bridges were either built by the Charity or donated to it. The length of time the Bridges have been owned by the Trust stretches from the 12th Century to the 21st Century and therefore the Bridges are considered to be inalienable heritage assets and are not capitalised in the Financial Statements. Further information regarding the policy for the preservation and management of heritage assets has been included within the trustee's annual report.

10. Fixed asset investments

Fixed asset investments are held to provide an investment return to the Charity to enable the Charity to fulfil its charitable objectives. The investment assets are divided into two categories – property investments under the management of the City Surveyor of the City of London Corporation and non-property investments under the management of fund managers.

Property investments

The value of property investments is arrived at as follows:

	2013/14 £'m	2012/13 £'m
Property investments		
Market value 1 April	**425.7**	394.0
Purchase costs	**34.0**	0.6
Net unrealised gain on revaluation at 31 March	**44.0**	31.1
Book value of disposed assets	**(53.0)**	-
Market value 31 March	**450.7**	425.7

Net gain on property investments

The net gain on property investments is arrived at as follows:

	2013/14 £'m	2012/13 £'m
Property investments		
Net unrealised gain on revaluation at 31 March	**44.0**	31.1
Realised gain on disposal	**5.3**	-
Market value 31 March	**49.3**	31.1

As many of the investment properties were gifted to the Trust and others were acquired centuries ago, it is impracticable to provide historical cost information. It has been assumed that the historical cost is nil. The properties are situated in Greater London.

In 2013/14 there were no permanent losses on revaluation (2012/13: £0).

Investments under Fund Management and Long / Short Term Deposits
Analysis of movement:

	2013/14 £'m	2012/13 £'m
Market value 1 April	**443.6**	395.1
Add: Additions to investments at cost	**161.9**	148.4
Less: Disposals at market value	**(111.7)**	(149.5)
Add: Net gain on revaluation	**21.2**	49.6
Market value of investments 31 January	**515.0**	443.6
Long term deposits	**-**	10.9
Investments under fund management and long term deposits	**515.0**	454.5
Cash held by Fund Managers at 31 March	**51.2**	25.5
Short term deposits and money market funds	**29.9**	73.2
Total investments at 31 January 2014	**596.1**	-
Total investments at 31 March 2014	**594.5**	553.2
Less: Realised investments	**(3.2)**	-
Movement in fair value of managed investments	**1.6**	-

During 2013/14, the investment policy changed with four of the six funds held by Bridge House Estates being transitioned to Pooled Investment Vehicles. At the point of transition, Bridge House Estates have designated all managed funds as 'fair value through profit and loss.' Managed funds held to 31 January 2014 (the date of transition) have been accounted for as 'available for sale' financial assets.

Net advances to fund managers during 2013/14 were £90.1m (2012/13: advances to fund managers £0.5m). Total investments as at 31 March are analysed between long term and short term as follows:

	2013/14 £'m	2012/13 £'m
Long term	**552.3**	454.5
Short term deposits (*) and money market funds	**28.6**	73.2
Short term investments in hands of fund managers	**13.6**	25.5
Total	**594.5**	553.2

(*) The Chamberlain's Banking Account includes cash on deposit £11.1m (2012/13: £34.9m) and accrued interest of £0.9m (2012/13: £1.8m), neither of which fall within the FRS1 definition of cash. Accordingly, these balances are included within Investments and Debtors respectively.

The geographical spread of investments, including cash held by fund managers and short term deposits, at 31 March was as follows:

	2013/14 £'m	2012/13 £'m
United Kingdom (including cash held by fund managers)	**246.3**	343.8
Europe (excluding UK)	**89.7**	71.1
United States of America	**182.4**	98.3
Japan	**28.1**	17.0
Pacific (excluding Japan)	**26.9**	16.5
Emerging Markets	**21.1**	6.5
Total	**594.5**	553.2

Investment Analysis by Type

	2013/14 £'m	2012/13 £'m
Fixed Interest		
UK	**80.9**	122.5
Overseas	**30.5**	17.3
Index Linked		
UK	**20.1**	21.7
Overseas	**18.5**	12.0
Pooled Units		
UK	**75.4**	5.4
Overseas	**261.8**	6.1
Listed Equities		
UK	**28.1**	165.1
Overseas	**57.5**	170.1
Managed Funds	**13.6**	11.9
Investment Income	**-**	13.7
Venture Capital	**8.1**	7.4
Total	**594.5**	553.2

The investment powers of the Trust are set out in an order of the Charity Commission dated 20 July 1998 (Ref: 251.98). This order enables the Trustee to invest the property of the Trust either:

- in the acquisition of any securities or property (real or personal) of any sort; or
- on deposit or loan whether in the UK or elsewhere.

Programme related investments

On the 29th July 2010 the City Bridge Trust purchased a £100,000 zero interest investment bond (the East London Bond) in support of the Bromley by Bow Centre and Community Links. The bond is repayable in 2015.

Social Investment Fund
2013/14 was an active year for the Fund, having started the year with £318,513 invested, at the end of the year the Fund had investments totalling £2.0m. In addition, during 2013/14 the Social Investment Board approved further £1.8m investment commitments (these have not yet been placed and are subject to conditions).

Organisation / Enterprise	**Amount (£)**
Small Enterprise Impact Investing Fund	318,513
Real Lettings Property Fund	375,000
Golden Lane Housing	500,000
Midlands Together	300,000
Greenwich Leisure	500,000

11. Debtors due within one year

	2013/14 £'m	2012/13 £'m
Accrued interest	**0.9**	1.8
Rental debtors	**2.9**	3.8
Other debtors	**9.1**	4.0
Total	**12.9**	9.6

12. Creditors due within one year

	2013/14 £'m	2012/13 £'m
Grants payable	**22.1**	20.7
Accruals	**1.9**	2.2
Property income received in advance	**4.8**	5.5
Rent deposits	**3.0**	2.9
Other income received in advance	**-**	0.1
Trade and other creditors	**1.0**	2.0
Total	**32.8**	33.4

13. Creditors due after more than one year

	2013/14 £'m	2012/13 £'m
Grants payable	**2.7**	2.9
Total	**2.7**	2.9

14. Pensions

City of London Corporation defined benefit pension scheme

The City of London Corporation operates a funded defined benefit pension scheme, The City of London Pension Fund, for its staff employed on activities relating to its three funds (i.e. City Fund, City's Cash and Bridge House Estates).

The assets of the scheme are held in a specific trust separately from those of the Corporation and contributions are paid to the scheme as agreed with the scheme's Trustees. As the proportion of the Pension Fund that relates to Bridge House Estates (The "Trust") is not separately identifiable, the share of pension contributions paid to the scheme by the Trust is calculated pro-rata to employer's contributions paid by each of the City of London Corporation contributors to the scheme.

Accounting for the defined benefit scheme under FRS17

The full actuarial valuation of the defined benefit scheme as at 31 March 2013 was updated to 31 March 2014, by an independent qualified actuary in accordance with FRS17. As required by FRS17, the defined benefit liabilities have been measured using the projected unit method.

The expected rate of return on the scheme's assets for the financial year ending 31 March 2014 was 7.0% p.a. (2013: 6.2% p.a.). This rate is based on the long-term future expected investment return for each asset classes as at the beginning of the period (i.e. as at 1 April 2014) for the year to 31 March 2015. The returns on gilts and other bonds are assumed to be the gilt yield and corporate bond yield respectively at the relevant date. The return on equities is then assumed to be a margin above gilt yields.

The estimated amount of total employer contributions expected to be paid to the scheme by the Trust during 2015 is £355,000 (2013 actual: £359,000). This figure is calculated pro-rata to total contributions that will be payable by the City of London Corporation in accordance with the Schedule of Contributions towards the scheme's deficit.

(a) Major assumptions by the actuary

Financial

The financial assumptions used for the purposes of the FRS17 calculations are as follows:

Assumptions as at:	2014 % p.a.	2013 % p.a.	2012 % p.a.
RPI increases	3.6	3.4	3.3
CPI increases	2.8	2.6	2.5
Salary increases	4.3	4.8	4.7
Pension increases	2.8	2.6	2.5
Discount rate	4.4	4.5	4.6

Life expectancy

The assumed life expectations from age 65 are:

Life expectancy from age 65 (years)		2014	2013
Age 65 retiring today	Males	22.9	19.2
	Females	25.2	23.2
Retiring in 20 yeas	Males	24.6	21.1
	Females	27.1	25.1

The table reflects the change in the mortality tables used for the 31 March 2014 valuation and allowance is made for future improvements in life expectancy.

Expected return on assets
The expected return on assets is based on the long-term future expected investment return for each asset classes as at the beginning of the period (i.e. as at 1 April 2014) for the year to 31 March 2015. The returns on gilts and other bonds are assumed to be the gilt yield and corporate bond yield respectively at the relevant date. The return on equities is then assumed to be a margin above gilt yields.

The financial assumptions used for the purposes of the FRS17 calculations are as follows:

Asset class	1 April 2014 % p.a.	1 April 2013 % p.a.	1 April 2012 % p.a.
Equities	7.7	7.1	7.4
Gilts	3.6	3.0	3.3
Other bonds	4.2	4.1	4.6
Cash	0.5	0.5	3.0
Totals	**7.0**	**6.2**	**6.5**

(b) Amounts included in the balance sheet
The amounts included in the Bridge House Estates balance sheet arising from the City of London Corporation pension scheme's liabilities in respect of the defined benefit scheme for the current and previous two periods are as follows:

	2014 £'m	2013 £'m	2012 £'m
Fair value of assets (bid value)	13.3	12.9	11.1
Fair value of liabilities	21.2	19.6	18.0
Net liability	**7.9**	**6.7**	**6.9**
Present value of unfunded liabilities	0.1	0.1	0.1
Unrecognised past service cost	-	-	-
Net liability in balance sheet	**8.0**	**6.8**	**7.0**

£0.12m of the unfunded liabilities as at 31 March 2014 relates to compensatory added years awarded prior to 1988.

The net pension fund liability of £8.0m in the Balance Sheet (2013: £6.8m) represents 2% of the total net balance sheet liability in the City of London Corporation Pension Fund financial statements.

(c) **Amounts included in the Statement of Financial Activities**
The amounts included within total resources expended under FRS17 in relation to the defined benefit scheme are as follows:

	2014 £'m	2013 £'m
Current service cost	0.5	0.5
Past service cost	-	-
Interest cost	0.9	0.8
Expected return on scheme assets	(0.8)	(0.7)
Gains/(losses) on curtailments and settlements	-	-
Total expense	0.6	0.6
Actual return on scheme assets	0.5	2.0

The total pension costs charged in the Statement of Financial Activities (as adjusted for current service cost and employer's contributions) represents 2% of the total charge in the City of London Corporation Pension Fund financial statements.

(d) Asset allocation
The current allocation of the scheme's assets is as follows:

Employer asset share – bid value	2014		2013	
	£'m	% p.a.	£'m	% p.a.
Equities	11.0	83	10.2	79
Gilts	1.5	11	2.1	16
Other bonds	0.7	5	0.1	1
Cash	0.1	1	0.5	4
Total assets	13.3	100	12.9	100

The Trust's share of pension scheme assets at 31 March 2014 of £13.3m (2013: £12.9m) represents 2% of the total pension scheme assets of the City of London Corporation Pension Fund.

(e) Movement in the present value of scheme liabilities
Changes in the present value of the scheme liabilities over the year are as follows:

	2014 £'m	2013 £'m
Opening value of scheme liabilities	19.8	18.1
Current service cost	0.5	0.5
Interest cost	0.9	0.8
Actuarial (gains)/losses	0.8	0.9
Losses/(gains) on curtailments	-	-
Liabilities assumed/(extinguished) on settlements	(0.1)	-
Estimated benefits paid net of transfers in	(0.7)	(0.6)
Past service cost	-	-
Contributions by scheme participants	0.1	0.1
Unfunded pension payments	-	-
Closing value of scheme liabilities	**21.3**	**19.8**

The Trust's share of the closing value of the pension scheme liabilities of £21.3m (2013: £19.8m) represents 2% of the total closing value of the pension scheme liabilities of the City of London Corporation Pension Fund.

(f) Movement in the scheme net liability
The net movement in the scheme liabilities over the year are as follows:

	2014 £'m	2013 £'m
Surplus/(deficit) at beginning of the year	(6.8)	(7.0)
Current service cost	(0.5)	(0.5)
Employer contributions	0.4	0.4
Unfunded pension payments	-	-
Past service cost	-	-
Other finance expense	(0.1)	(0.1)
Settlements and curtailments	-	-
Actuarial gains/(losses)	(1.0)	0.4
Surplus/(deficit) at the end of the year	**(8.0)**	**(6.8)**

The net pension fund liability of £8.0m in the balance sheet (2013: £6.8m) represents 2% of the total net balance sheet liability in the City of London Corporation Pension Fund financial statements.

(g) Movement in the present value of scheme assets

Changes in the fair value of the scheme assets over the year are as follows:

	2014 £'m	2013 £'m
Opening fair value of scheme assets	12.9	11.1
Expected return on scheme assets	0.8	0.7
Actuarial (loss)/gain	(0.2)	1.2
Contributions by employer including unfunded	0.4	0.4
Contributions by scheme participants	0.1	0.1
Estimated benefits paid net of transfers in and including unfunded	(0.7)	(0.6)
Settlement prices received/(paid)	-	-
Closing value of scheme assets	**13.3**	**12.9**

The Trust's share of the closing value of the pension scheme assets of £13.3m (2013: £12.9m) represents 2% of the total closing value of the pension scheme assets of the City of London Corporation Pension Fund.

(h) Historical information – Amounts for the current and previous periods
The following amounts for 2010-2014 have been recognised under the "actuarial gains and losses on defined benefit pension scheme" heading within the Statement of Financial Activities:

	2014 £'m	2013 £'m	2012 £'m	2011 £'m	2010 £'m
Present value of scheme liabilities	(21.3)	(19.7)	(18.1)	(15.1)	(19.4)
Fair value of scheme assets	13.3	12.9	11.1	11.4	10.7
Deficit in the scheme	(8.0)	(6.8)	(7.0)	(3.7)	(8.7)
Experience adjustments on scheme liabilities	0.2	-	-	0.7	0.1
Percentage of scheme liabilities	1.0%	0.0%	0.0%	4.7%	0.4%
Experience adjustments on scheme assets	(0.2)	1.2	(1.0)	(0.1)	2.4
Percentage of scheme assets	(1.8%)	9.6%	(9.1%)	(1.3%)	22.4%
Cumulative actuarial gains and losses	(1.5)	(0.5)	(0.8)	2.4	(1.3)

The cumulative gains and losses in the table above start from 1 April 2005.

(i) Projected pension expense for the year to 31 March 2015
No allowance has been made for the costs of any early retirements or augmentations which may occur over the year and whose additional capitalised costs would be included in the liabilities. As it is only an estimate, actual experience over the year may differ. No balance sheet projections have been provided on the basis that they will depend upon market conditions and the asset value of the scheme at the end of the following year.

	Year to 31/03/2015 £'m	Year to 31/03/2014 £'m
Service cost	0.4	0.5
Interest cost	0.9	0.9
Return on Fund assets	(0.9)	(0.8)
Total expense	**0.4**	**0.6**
Employer contribution	0.4	0.4

The total pension costs to be charged in the Statement of Financial Activities for 2015 of £0.4m (2014: £0.4m) represents 2% of the total amount to be charged in the City of London Corporation Pension Fund financial statements.

15. Funds

Analysis of net assets by fund

	General Funds £'m	Designated Funds £'m	**2013/14 Total £'m**	2012/13 Total £'m
Fixed assets	430.4	577.8	**1,008.2**	884.0
Net current assets	26.4	-	**26.4**	78.5
Creditors more than one year	(2.7)	-	**(2.7)**	(2.9)
Pension reserve	(8.0)		**(8.0)**	(6.8)
Total assets	446.1	577.8	**1,023.9**	952.8

Movement of unrestricted funds during the year to 31 March 2014

	Balance at 1 April 2013	**Net incoming / (outgoing) resources before transfers**	**Transfers between Funds**	**Net gain/(loss) on investments/ properties**	**Balance at 31 March 2014**
	£'m	£'m	£'m	£'m	£'m
Unrestricted - General Funds	22.0	4.5	427.6	-	454.1
Pension Reserve	(6.8)	(0.2)	-	(1.0)	(8.0)
Total General Funds	**15.2**	**4.3**	**427.6**	**(1.0)**	**446.1**
Unrestricted - Designated Funds					
General	320.4	-	(320.4)	-	-
Designated Sales Pool	26.3	-	(34.0)	51.4	43.7
Investment Revaluation	59.3	-	(80.5)	21.2	-
Property Revaluation	389.9	-	-	(4.0)	385.9
Finsbury House	0.2	-	-	-	0.2
Property Dilapidations	0.9	0.2	-	-	1.1
Bridges Repairs	119.9	(1.2)	7.3	1.9	127.9
Tower Bridge Tourism	1.0	-	-	-	1.0
Social Investment Fund	19.7	(1.7)	-	-	18.0
Total Designated Funds	**937.6**	**(2.7)**	**(427.6)**	**70.5**	**577.8**
Total Funds	**952.8**	**1.6**	**-**	**69.5**	**1,023.9**

Notes to the Unrestricted Funds

1) General Fund - The funds required to meet the Charity's commitments on an ongoing basis. The commitments are:

- Bridge operations - The Charity has a duty to operate and maintain the five River Bridges; and

- Grant giving - The Charity Commission agreed a Cy-près scheme in 1995 to enable the Charity to use its surplus funds to give grants to charitable organisations across Greater London. The funds generating the income are not available for grant making under the terms of the scheme.

2) *Pension Reserve* – This represents the net pension fund liability relating to Bridge House Estates.

As set out in the accounting policies the Trustee has designated certain funds for particular purposes. These are as follows:

Designated Reserve Funds - The Trustee has designated reserve funds which represent:

3) *Designated Sales Pool* – This Fund exists to finance capital expenditure on additions to the Bridge House Estates investment property portfolio. It is built up from capital receipts from disposals of interests in the Estate.

4) *Property Revaluation* – In most cases, the cost of property investments is unknown. This item either represents either the market value of investment property or the difference between cost and market value, where cost is known.

5) *Finsbury House* - This represents contributions by tenants for service charges and is to ensure that funds are available to finance major cyclical works.

6) *Property Dilapidations* – When a tenant leaves a property and has not kept the property in the condition required by the lease, an agreed sum is paid to the Trust relating to the repairs needed to bring the property back to the state it was at the commencement of the tenancy. These Funds are being held pending their utilisation on re-instating the properties.

7) *Bridges Repairs, Maintenance and Major Works Fund* – A fund has been established to equalise the payments required to repair and maintain the five bridges over a 50 year period.

8) *Tower Bridge Tourism* – A fund has been established from the net proceeds generated by the tourism operation at Tower Bridge, to cover any future shortfall in income that may arise due to the volatile nature of the tourism market.

9) *Social Investment Fund* - funds have been set aside for the purpose of investing in activities that will generate both a positive financial return and a social benefit.

Release of the Investment Revaluation Reserve to General Funds

As indicated in the accounting policies, at the date of transition to pooled investment vehicles (31 January 2014) the non-property managed investments were designated as 'fair value through profit and loss'. Prior to transition, the investments were accounted for as 'available for sale' financial assets. This change in accounting treatment has required the release of the accumulated investment revaluation reserve £80.5m to General Funds.

Transfer of Designated General Fund to Unrestricted General Fund

The designated general fund has been merged with the unrestricted general fund as they are held for the same purpose; to fund the charitable activities of the Trust, being the operating of the bridges and grant giving. The unrestricted general fund now contains the excess of income over expenditure carried forward from previous years and assets held to produce the income required to meet ongoing commitments.

16. Commitments

The following commitments have been made at 31 March in respect of future accounting periods:

	2014 **£'m**	2013 £'m
Capital works authorised	**4.7**	2.9
Supplementary Revenue Project Commitments	**-**	0.1

17. Related parties

The following disclosures are made in recognition of the principles underlying Financial Reporting Standard 8 concerning related parties.

One of the capacities of the City of London Corporation is that of Trustee of the Trust, as described on page 2. The City of London Corporation provides management, surveying and administrative services for the Trust. The costs incurred by the City of London Corporation in providing these services are charged to the Trust. The City of London Corporation also provides banking services, charging all transactions to the Trust at cost and crediting or charging interest at a commercial rate. The cost of these services is set out in the Statement of Financial Activities under "Resources expended" and an explanation of these services is set out in note 5 and 6 to the Financial Statements.

The City of London Corporation is also the Trustee of a number of other Charitable Trusts. These Trusts do not undertake transactions with Bridge House Estates. A full list of these Trusts is available on application to the Chamberlain of the City of London.

Members of the City of London Corporation responsible for managing the Trust are required to comply with the Relevant Authority (model code of conduct) Order 2001 issued under the Local Government Act 2000 and the City of London Corporation's guidelines which require that:

- Members sign a declaration agreeing to abide by the City of London Corporation's code of conduct;
- a register of interests is maintained;
- pecuniary and non-pecuniary interests are declared during meetings; and
- Members do not participate in decisions where they have an interest.

There are corresponding arrangements for staff to recognise interests and avoid possible conflicts of those interests. In this way, as a matter of policy and procedure, the City of London ensures that Members and officers do not exercise control over decisions in which they have an interest. Transactions are undertaken by the Trust on a normal commercial basis.

Members and Chief Officers have also been requested to disclose related party transactions of £10,000 or more in 2013/14 including instances where their close family has made transactions with the City of London.

For the year to 31 March 2014 the following transactions were disclosed (rounded to the nearest thousand):

- a Member is a Trustee of the Thames Estuary Partnership (a charity) which received a grant of £50,000, of which £14,000 remains payable at 31 March;
- a Member is a Trustee of the Barbican Centre Trust (a charity) which received a grant of £250,000; and
- a Member declared that a member of their family worked for Knight Frank (independent property advisers) which was paid £42,000 for the provision of services.

During 2012/13, two Members declared their interest as Governors of the Cripplegate Foundation (a registered charity), which received a grant of £40,000 from Bridge House Estates. Another Member declared an interest as a Trustee of the Barbican Centre Trust (a registered charity) which received a grant of £100,000 from Bridge House Estates.

The Members did not participate in the discussions or the decision making relating to the award of the grants.

Related Party Transactions with City Fund (the City Fund covers the City of London Corporation's activities as a local authority, police authority and port health authority)

During the year Bridge House Estates sold four investment properties to City Fund. This helps the charity to achieve a long standing strategic aim to diversify away from the location of the sold properties; facilitates the reinvestment of the capital in refurbishment and redevelopment schemes which should provide benefits in terms of developers profits as well as returns on capital outlay; and enables the full development exploitation of existing assets which otherwise would have to be sold to third parties to secure necessary funding for the capital works. To ensure the integrity of each of the funds, the four properties were independently valued by an external firm of chartered surveyors in accordance with the RICS Valuation Professional Standards (the 'Red Book'). The sale proceeds totalled £61.4m.

18. Restatement of 2012/13 Comparative Figures

Separate recognition of the Social Investment Fund with designated funds

In 2012/13, the City Corporation's Court of Common Council agreed to invest up to £20m from Bridge House Estates in activities generating positive financial returns and social benefit. During 2012/13 £0.3m was invested leaving a balance of £19.7m. The restatement shown below within designated funds now separately identifies this balance.

Recognition of FRS17 liability

For the first time an estimated share of the net liability in the City of London Pension Scheme has been included in the Bridge House Estates accounts.

Previously the Bridge House Estates share of the estimated net deficit on the City of London Pension Scheme had not been included in the balance sheet. This exclusion arose because the estimated net deficit is the responsibility of the City of London as a whole, as one employer, rather than the specific responsibility of any of its three main funds. Thus Bridge House Estates does not have an exclusive relationship with the City of London Pension Fund and the proportion of the Pension Fund relating to City of London employee members engaged on Bridge House Estates activities is not separately identifiable. Consequently in accordance with FRS17, the pension arrangements have been treated as a defined contribution scheme in the Bridge House Estates accounts. This meant that only the employer's contributions to the scheme have previously been included in the accounts as they become payable.

However, although the Pension Fund net deficit cannot be attributed precisely between the Corporation's three main funds, it is now considered that an apportionment of that deficit and inclusion in the respective balance sheets presents a fairer view of the funds' financial positions than if the deficit were to continue to be excluded. Accordingly an apportionment has been made which is based on employer's annual contributions to the fund.

Amounts included for 2012/13 have been restated from those published last year to include Bridge House Estates estimated proportion of the net Pension Fund deficit, as shown in the tables below.

Balance Sheet 2012/13

	As published 31 March 2013 £'m	Creation of Social Investment Fund £'m	Recognition of FRS17 liability £'m	Restated 1 April 2013 £'m
Long term liabilities				
Defined Benefit Pension Scheme Liability	0.0		6.8	6.8
	0.0	**0.0**	**6.8**	**6.8**
Funds				
Unrestricted General Funds				
Accumulated Fund	22.0			22.0
Pension Fund			(6.8)	(6.8)
Total General Funds	**22.0**	**0.0**	**(6.8)**	**15.2**
Unrestricted Designated Funds				
General	340.1	(19.7)		320.4
Designated Sales Pool	26.3			26.3
Investment Revaluation	59.3			59.3
Property Revaluation	389.9			389.9
Finsbury House	0.2			0.2
Property Dilapidations	0.9			0.9
Bridges Repairs	119.9			119.9
Tower Bridge Tourism	1.0			1.0
Social Investment Fund	0.0	19.7		19.7
Total Designated Funds	**937.6**	**0.0**	**0.0**	**937.6**
Total Funds	**959.6**	**0.0**	**(6.8)**	**952.8**

Balance Sheet 2011/12

	As published 31 March 2012 £'m	Recognition of FRS17 liability £'m	Restated 1 April 2012 £'m
Long term liabilities			
Defined Benefit Pension Scheme Liability	0.0	7.0	7.0
	0.0	**7.0**	**7.0**
Funds			
Unrestricted General Funds			
Accumulated Fund	16.3		16.3
Pension Fund		(7.0)	(7.0)
Total General Funds	**16.3**	**(7.0)**	**9.3**
Unrestricted Designated Funds			
General	327.2		327.2
Designated Sales Pool	24.2		24.2
Investment Revaluation	27.0		27.0
Property Revaluation	367.1		367.1
Finsbury House	0.2		0.2
Property Dilapidations	0.6		0.6
Bridges Repairs	106.4		106.4
Tower Bridge Tourism	1.0		1.0
Social Investment Fund	0.0		0.0
Total Designated Funds	**853.7**	**0.0**	**853.7**
Total Funds	**870.0**	**(7.0)**	**863.0**

Statement of Financial Activities 2012/13

	As published 31 March 2013 £'m	Recognition of FRS17 Liability £'m	Restated 31 March 2013 £'m
Total incoming resources	43.2		43.2
Total resources expended	34.3	0.2	34.5
Net incoming resources before gains and losses	**8.9**	**(0.2)**	**8.7**
Other recognised gains and losses			
Net gain on managed investments	49.6		49.6
Net gain on property investments	31.1		31.1
Actuarial gain on defined benefit pension scheme	0.0	0.4	0.4
Total gains	**80.7**	**0.4**	**81.1**
Net movement in funds	**89.6**	**0.2**	**89.8**
Reconciliation of funds			
Total funds brought forward	870.0	(7.0)	863.0
Total funds carried forward	**959.6**	**(6.8)**	**952.8**

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Organisation Name	Project Description	Total Approved £	Number of years
Working with Londoners			
Accessible London			
Accessible Arts & Sports			
Angel Shed Theatre Company	for the salary of a community outreach and inclusive support worker and towards the artistic director's salary	£24,000	3 years
British Wheelchair Basketball	for the salary of the wheelchair basketball London development officer	£80,380	3 years
British Wheelchair Sports Foundation	for the salary of a project officer and associated costs to run an equipment loan scheme and support multi-sport events	£71,000	3 years
Community Focus	for the salary costs of a mental health project manager	£90,000	3 years
Ealing Music Therapy	for a music therapist, and learning support assistant plus associated on-costs	£26,700	3 years
Flash Musicals	for performing arts workshops for disabled young people and wheelchair dance sessions for adults	£24,000	3 years
Intoart Projects	for the 'Practice Makes' project working with young people with learning disabilities	£24,760	2 years
Laburnum Boat Club	for staffing and equipment costs to support disabled beneficiaries taking part in paddle sports	£64,500	3 years
Magpie Dance	for a youth dance programme for learning disabled young people	£90,130	3 years
Markfield Project	for work providing adults with moderate learning disabilities and/or autism with opportunities to participate in accessible arts, leisure and sports activities	£99,000	3 years

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Misgav	for the salary of an activity coordinator, and finance officer for a sports and arts disability project	£56,500	3 years
Mousetrap Theatre Projects	for the costs of StageSeen	£33,740	3 years
Newham Music Trust	for the salary of a project leader and running costs of the Rhythmic project	£100,600	3 years
Otakar Kraus Music Trust	for the costs of providing a specialised music school	£35,600	3 years
Wac Arts	for the salary of a disability officer plus some general project costs	£120,000	3 years
Westminster House Youth Club	for the salary of a youth worker	£18,200	1 year
Subtotal		**£959,110**	
Accessible Buildings			
Contemporary Dance Trust	for an access audit	£3,600	1 year
English Folk Dance and Song Society	for access-related building costs	£50,000	1 year
Holy Trinity Church Tooting	for access-related building costs	£15,000	3 months
Landmark Arts Centre	for access-related building costs	£49,500	1 year
Lauderdale House Society	for an appraisal of architects' plans and access-related building costs	£50,000	1 year
Mill @ Coppermill	for an access audit	£5,000	1 year
National Army Museum	for disabled access works within Building for the Future capital improvement project	£150,000	1 year
National Theatre	for access improvements	£50,000	3 years
Oxford House in Bethnal Green	for an access audit	£3,000	1 year
St John the Evangelist Roman Catholic Church	for an access audit	£1,152	1 year
St Laurence Church Catford	for disability access works	£60,000	1 year
Subtotal		**£437,252**	
Accessible Transport			
Community Transport Brent	for the costs of a business development manager	£81,500	3 years
Tower Hamlets Community Transport	for the salary and support costs of a business development manager	£86,150	3 years

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Subtotal		**£167,650**	
Total		**£1,564,012**	
Bridging Communities			
Amnesty International (UK Section) Charitable Trust	for a human rights education programme in schools	£115,000	3 years
British Muslims for Secular Democracy	for the director's salary and other running costs	£45,000	3 years
Chickenshed Theatre	for staffing and production costs of an inclusive performance helping children and families to learn about and value different cultures	£38,100	1 year
City Gateway	for the salary and associated running costs of a personal and social development coordinator	£126,500	3 years
Community Links Trust Ltd	for the costs of a community development worker, associated ESOL programme costs and a contribution to core costs	£76,000	2 years
DASH	for staffing and artistic costs of community workshops for a cross-cultural arts project	£6,000	1 year
Doctors of the World UK	for emergency primary healthcare for people unable to access statutory services	£50,000	2 years
Fight for Change	for salary and running costs of a boxing and educational programme	£85,000	2 years
Foundation for Women's Health Research and Development – FORWARD	for a project providing leadership and para-counselling training and peer support for African women affected by FGM	£90,000	3 years
Holy Cross Centre Trust	for salary and running costs of the refugee befriending project	£19,995	1 year
London Citizens	for the salary costs of the CitySafe coordinators	£110,000	3 years
Mentor Foundation UK	for the salary of a project officer and running costs of the Youth in Sight project	£98,600	2 years
Merton Home Tutoring Service	for basic English classes for	£34,120	3 years

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	migrants, refugees and other adults unable to reach other classes		
Migrants Resource Centre	for an empowerment worker and related costs of a cross-community media project	£31,100	1 year
NOVA New Opportunities	for the salary of an ESOL coordinator	£51,300	3 years
Paddington Development Trust	for the salaries and associated running costs of community development work	£80,000	2 years
Parochial Church Council of the Ascension	for the costs of an ESOL tutor, rent and childcare spaces at the Quaggy Children's Centre	£7,500	3 years
Paxton Green Time Bank	for a third and final year's support of the Development Manager's salary costs	£15,000	1 year
Shane Project	for a volunteer coordinator and associated project costs to deliver and develop a volunteer programme with young people from a range of black and minority communities	£24,000	2 years
SSBA Community Trust	for English language and sewing classes for isolated women	£37,880	2 years
St Ethelburga's Centre for Reconciliation and Peace	for the costs of developing a programme for emerging leaders from divided communities	£89,500	3 years
Trussell Trust	for the salaries of a London network manager and a London development officer	£195,000	3 years
Urban Partnership Group	for ESOL training for individuals from disadvantaged backgrounds	£51,650	2 years
Wandsworth Community Empowerment Network	for two co-production facilitators and on-costs to support community organisations and leaders coming together to transform public services	£109,120	3 years
Young People Matter	for the costs of the Us LOT leadership programme	£40,000	2 years

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Total		**£1,626,365**	
Improving Londoners' Mental Health			
Ace of Clubs	for the salary and associated costs of a centre manager	£47,400	3 years
Anchor House: London Inter-Diocesan Council for the Apostleship of the Sea	for the salary costs of a lifestyle architect providing tailored support to residents with mental health issues	£97,500	3 years
Blenheim CPD: Insight	for a project helping young people with mental health problems and related substance misuse issues	£120,000	3 years
City and Hackney Mind	for the salary of an employment coordinator plus running costs of the Transition to Employment project for young homeless people with mental health needs	£110,000	2 years
Grief Encounter	for two senior clinical practitioners providing services for children and their families in north and east London	£103,850	3 years
Home-Start Greenwich	for work to recruit, train and manage specialist volunteers to support women experiencing post natal depression	£20,500	1 year
Housing Justice	for salary and operating costs of the mentoring and befriending project	£24,800	2 years
Latin American Women's Aid	for the salary of a family support outreach worker and associated costs supporting the mental health needs of children and young people affected by domestic violence	£96,500	3 years
MiD Mediation and Conselling Ltd	for the costs of counselling for children and young people	£24,000	2 years
Oxford Diocesan Council for Social Work (aka Parents And Children Together, PACT)	for therapeutic support to young people and their families	£23,400	3 years
Revolving Doors Agency	for a senior service user officer and running costs of a	£143,000	3 years

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	project to develop an innovative and replicable approach to involving offenders with multiple complex needs in local commissioning processes		
St Cuthbert's Centre	for the salary and related costs of the deputy manager	£46,500	3 years
Total		**£857,450**	
London's Environment			
Clouddog	for a chief executive post and project running costs for the Open Horizons project	£24,000	1 year
Fanshen	for a performance of Green and Pleasant Land and workshops in primary schools and open spaces	£6,500	1 year
Federation of London Youth Clubs (London Youth)	for the salary of a coordinator and associated costs of the Urban Nature project	£55,000	1 year
Forest Recycling Project	for a project worker and the running costs of a project enabling young people and those on benefits to build skills and reduce isolation through engagements in environmental activities	£81,400	2 years
Garden Classroom	for the salary and on costs of the chief executive to consolidate and deliver an environmental programme in north east London	£25,000	1 year
Hornbeam Centre	for a community environment worker and project running costs	£60,000	3 years
London Wildlife Trust	for a coordinator and related costs of the London Environmental Education Forum project to increase the value and effectiveness of environmental education	£50,670	3 years
MADE in Europe	for the salaries of project and outreach workers and costs of the Green Guide and Award scheme supporting mosques	£79,200	2 years

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	and other Islamic groups to become more environmentally friendly		
National Council for Voluntary Organisations	for the salary and running costs of a climate change project to enable more voluntary organisations to contribute to regional policies and plans	£42,500	1 year
Remakery Brixton Ltd	for the capital costs of premises refurbishment	£50,000	1 year
Royal Horticultural Society	for salary and running costs of the London regional advisor of the Campaign for School Gardening	£25,000	1 year
SETPOINT London East	for the salary and running costs of environmental workshops for children at the Soanes Centre	£40,000	2 years
ShareAction	for the salary and running costs of an environmental education programme	£117,000	3 years
Total		**£656,270**	
Older Londoners			
Age Concern Westminster	for the salary of a volunteer coordinator and associated running costs of a project benefitting older people	£110,500	3 years
Age UK Enfield	for the salary cost of the outreach service manager and running costs at the Freezywater Active Life Centre	£97,500	3 years
Age UK Redbridge	for the salary of an information and opportunities advisor to establish and advice service for older people	£63,900	2 years
Age UK Waltham Forest	for the salary costs of the volunteer coordinator and project assistant, and running costs of the volunteering project	£70,000	2 years
CareNet	for a project coordinator and associated costs	£6,060	1 year

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Castlehaven Community Association	for the Ageactivity project manager post and the cost of project evaluation	£109,400	3 years
Chinese National Healthy Living Centre	for the salary of a coordinator plus running costs of the London Chinese Dementia & Alzheimer's Project	£145,000	3 years
Dulwich Helpline and Southwark Churches Care	for the staffing costs of a project to improve the services offered to people with dementia and their carers	£120,000	3 years
Elders Voice	for the salary of a volunteer development manager plus associated running costs for the volunteering programme	£86,000	3 years
Hestia Housing & Support	for the salaries of a GP ReConnect coordinator and a volunteering development manager, plus on costs	£50,000	3 years
Lambeth Chinese Community Association	for the healthy living project for older people	£7,330	1 year
Saracens Sport Foundation	for the costs of the 'Love to Move' project	£66,600	3 years
Southall Community Alliance	for the provision of volunteer training and healthy living activities for elderly BME residents	£31,500	2 years
Sutton Seniors Forum	for the salary of an administrator and associated project costs	£21,865	3 years
Time and Talents Association	for the cost of a director's post	£60,000	3 years
Vitalise	for running costs of Jubilee Lodge and related core costs	£51,000	3 years
Volunteer Bureau of Barking and Dagenham	for the salary and running costs of twenty Get Together groups	£61,200	3 years
Westminster Arts	for the Resonate programme	£72,000	3 years
Total		**£1,229,855**	
Positive Transitions to Independent Living			
Ataxia UK	for a branch and support group development manager	£24,000	1 year

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Auditory Verbal Centre	for staffing costs of the London centre	£60,000	2 years
Beyond Youth CIC	for the salary of a project facilitator and running costs to deliver Chance to Change in HMP Send	£38,000	1 year
Breast Cancer Care	for the staffing and on-costs of six Moving Forward courses	£61,800	3 years
Choice in Hackney	for a volunteer and disabled-led information, support planning and brokerage service to help people accessing personal budgets and direct payments	£71,800	2 years
Coram Voice	for the salary of a specialist advocate for young people leaving care plus training and support costs	£81,300	3 years
Down's Syndrome Association	for the In Transit programme	£81,700	3 years
Drive Forward Foundation	for a head of programme and the purchase and installation of a monitoring database	£87,100	3 years
Havering Association for People with Disabilities	for the salary and on-costs of the personal budgets advocate	£25,000	1 year
Housing for Women	for salary and general running costs of the Re-Unite South London project, reuniting mothers on release from prison with their children	£90,000	3 years
Islington People's Rights	for the salary of a specialist caseworker plus operational costs	£120,000	3 years
Kingston Centre for Independent Living	for the salary of a support broker and associated costs	£133,000	3 years
Mosaic Clubhouse	for the costs of a support worker	£95,300	3 years
Muscular Dystrophy Campaign	for the salary and project costs of a work-experience programme for young disabled Londoners	£42,500	2 years
National Centre for Young People with Epilepsy (operating name Young Epilepsy)	for the salary of a transitions support worker and related costs	£72,600	3 years
OBAC (Organisation of Blind	for a project providing	£23,900	1 year

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African Caribbean's)	disabled people with money management skills		
Prince's Trust	for the costs of the care leavers' project	£97,600	3 years
Remark! Community	for salary and running costs of workshops and advocacy support to help deaf young people make a positive transition to adulthood	£71,600	2 years
Shoreditch Trust	for a lead facilitator and running costs of Blue Marble Training programme supporting care leavers and ex-offenders	£132,700	3 years
Society for Mucopolysaccharide Diseases	for salary and running costs of a transition advocacy project	£77,400	3 years
Stroke Association	for a back-to-work support programme for working age stroke survivors	£80,850	3 years
The Switchback Initiative (known as Switchback)	for salary and running costs of a mentor providing long-term, semi-therapeutic relationships for young adult offenders	£96,000	3 years
The Who Cares Trust	for a participation programme for young Londoners aged 16-25 years leaving the care system	£152,600	3 years
Total		**£1,816,750**	
Strengthening the Third Sector			
Action for Advocacy	for staffing and associated costs of a project to map and develop BME information, advice and advocacy providers	£24,000	1 year
Advice UK	for salary and running costs of a development consultant to establish the BAMER advice network	£75,000	2 years
Barking & Dagenham Council for Voluntary Services	for the salary of a financial management and outcomes skills advisor and associated costs	£150,000	3 years
Community Development Finance	for three community finance	£133,400	2 years

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Association (CDFA)	partnership pilots in north, east and south London		
Council of Somali Organisations (CSO)	for the salary and associated running costs of a business development manager and a research development officer	£100,000	2 years
CREATE London	for the volunteering costs of a supporting arts activities in east London	£75,000	1 year
Eaves Housing For Women	for salary and associated project costs	£103,500	2 years
Evelyn Oldfield Unit	for the salary of a development worker and running costs of the Founding for the Future project	£92,000	3 years
Forum for Health and Wellbeing	for the salary of a partnership development officer and on-costs of the Ready to Deliver project	£58,900	2 years
Hands on London	for a relationships manager to expand a network of partner organisations	£24,000	2 years
Heart of the City	for the salary of a project manager and associated running costs	£108,000	2 years
Institute of Fundraising	for a project administrator and running costs for a network matching experienced fundraisers with small charities	£90,500	3 years
Kingston Voluntary Action	for Superhighways, an ICT project supporting voluntary and community organisations in south London	£195,000	3 years
LASA	for the cost of an online support service for voluntary sector advice agencies on welfare reform and the localisation of the welfare state	£99,500	2 years
Pilotlight	for the costs of implementing and evaluating Pilotlight Local in four boroughs	£51,000	2 years
Richmond Upon Thames Council for Voluntary Service	for the salary of a co-ordinator and running costs of the Know Your Impact	£131,600	3 years

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	project		
The Kensignton and Chelsea Foundation	for the salary and related costs of a corporate engagement manager	£114,000	3 years
Volunteer Centre Merton	for a sub-regional consortium of volunteer centres delivering a training programme to volunteers and volunteer-involving organisation	£78,000	2 years
Total		**£1,703,400**	
Total Working with Londoners		**£9,454,102**	
Investing in Londoners			
Arts Apprenticeships			
Montage Theatre Arts	to match Creative Employment Programme funding towards the wage costs of two apprentices	£4,000	1 year
Protégé DNA Ltd	to match Creative Employment Programme funding towards the wage costs of two apprentices	£4,000	1 year
Total		**£8,000**	
English for Speakers of Other Languages			
Dagenham Bangladeshi Women & Children's Association	for the salaries of the project coordinator and ESOL tutor and project running costs	£12,000	2 years
Total		**£12,000**	
Improving London's Environment			
Epping Forest Charitable Trust	for Epping Forest and Hampstead Heath's volunteering programmes	£388,000	1 year
Total		**£388,000**	
London Youth Quality Mark			
Federation of London Youth Clubs (London Youth)	for the London Youth Quality Mark awards	£300,000	1 year
Total		**£300,000**	
Making London More Inclusive			

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Action for Kids	for the salary of a job coach and related project cots to help young disabled Londoners into employment	£107,700	3 years
Carers Support (Bexley)	for the salary of an advice worker and related costs for an advice and advocacy service	£11,500	1 year
Christ Church Kensington	for an independent access audit and design appraisal	£1,176	1 year
SHARE Community	for the salaries of a development worker and HR administrator plus running costs of the 'Go Anywhere, Do Anything' project	£130,000	3 years
Vocaleyes	for the VocalEyes audio-description service	£12,400	1 year
Total		**£262,776**	
Making London Safer			
Bede House Association	for the salary of the manager and assistant case worker and running costs of the Starfish domestic violence project	£88,000	3 years
Total		**£88,000**	
Partnership Programmes – Hardship Fund			
Buttle UK	for a hardship fund to support families living with domestic violence	£470,000	18 months
Prisoners Abroad	for a hardship fund to support destitute British citizens returning to London after imprisonment overseas	£330,000	18 months
Total		**£800,000**	
Reducing Poverty			
Bexley Citizens Advice Bureaux Ltd	for the salary and on-costs of a specialist money advisor	£101,440	3 years
Centre for Armenian Information & Advice	for the salary and overhead costs of the advice worker	£90,000	3 years
Zacchaeus 2000 Trust	for the salary of a caseworker and general running costs of the advice service	£149,850	3 years

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Total		**£341,290**	
Resettlement and Rehabilitation of Offenders			
Changing Paths Charitable Trust Limited	for core costs	£50,000	2 years
Total		**£50,000**	
Strengthening London's Voluntary Sector			
London Funders	for core costs	£100,000	2 years
Voluntary Action Westminster	for the salary and support costs of an Organisational Development Officer and Information and Communications Officer	£94,000	2 years
Total		**£194,000**	
Total Investing in Londoners		**£2,444,066**	
Eco Audits			
Community Links Bromley	for an eco-audit	£4,000	
London Voluntary Service Council	for an eco-audit	£375	
Maytree Respite Centre Ltd ("Maytree")	for an eco-audit	£1,500	
Mind in Tower Hamlets and Newham	for an eco-audit	£2,250	
New Choices for Youth	for an eco-audit	£2,250	
Old Vic Theatre Trust	for an eco-audit	£3,980	
Pan Intercultural Arts Limited	for an eco-audit	£1,500	
Samaritans Kingston Upon Thames	for an eco-audit	£1,875	
Three Faiths Forum (3FF)	for an eco-audit	£2,250	
Voluntary Action Islington	for an eco-audit	£375	
Real	for an eco-audit	£2,000	
Trust Thamesmead	for an eco-audit	£4,400	
Total		**£20,355**	
Exceptional Grant			
Media Trust	for a project providing media training to 110 young Londoners to tell London's stories to a wide national and regional audience	£80,000	1 year
Total		**£80,000**	

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Strategic Initiatives			
Broadway Homelessness and Support	for the Pan London Personalisation project	£80,000	18 months
Centre for Accessible Environments	for an Access and Sustainability Advisory Service	£192,900	3 years
Charterhouse	for the production of a book on City Philanthropy	£15,000	1 year
City Centre for Charity Effectiveness	for the production of a Practical Guide for Charity Chairs	£8,200	1 year
City Gateway	for the costs of providing 10 apprenticeships across the City Corporation under the Ladder for London initiative	£84,230	1 year
City Philanthropy	for a volunteer database of volunteer intermediary bodies	£6,000	1 year
City Philanthropy	for work to expand the City Philanthropy a wealth of opportunity initiative	£222,000	2 years
Greening the Economy	for a conference run in collaboration with the Calouste Gulbenkian Foundation	£20,000	1 year
Heart n Soul	for the Trust's entry in the 2013 Lord Mayor's Show	£29,227	1 year
Institute for Voluntary Action Research	for the inaugural UK Evaluation Roundtable for charitable trusts and foundations	£5,000	1 year
Islington Giving	for the further development and roll-out of the Islington Giving model	£220,000	2 years
Learning and Sharing Strategy	for the implementation of the Trust's Learning and Sharing Strategy 2013/14	£175,000	1 year
Lemos&Crane	for research into the scope for people with learning disabilities to access the arts in London	£40,000	1 year
London Legal Support Trust	for the provision of Centres for Excellence in London	£450,000	3 years
London Youth	for the revenue costs of delivering the inclusion project	£216,000	3 years

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Media Trust	for the expansion of the London 360 initiative	£240,000	3 years
New Economics Foundation	for the dissemination of the findings of the Surviving Austerity research	£30,000	1 year
New Philanthropy Capital	for research into the work that UK voluntary sector funders undertake to assess impact	£5,000	1 year
Parklife London	for work to complete the Parklife London website as part of the Trust's Growing Localities initiative	£4,950	1 year
Social Finance	for the Impact Incubator project	£24,000	1 year
Spice Innovations	for work to continue the development of an innovative model of volunteering in London	£385,200	3 years
Total		**£2,452,707**	
Initiatives to Tackle Unemployment			
Get Young People Working – The Youth Offer			
City of Westminster	for a workplace coordinator to broker employment opportunities for young workless people	£100,000	2 years
London Borough of Barking & Dagenham	for an outreach and engagement project directed at disadvantaged young people aged 18-24	£100,000	2 years
London Borough of Barnet	for an education transition mentoring programme targeted at young people identified as 'at risk' of becoming not employment, education or training (NEET)	£99,123	1 year
London Borough of Bexley	for a programme providing volunteer mentors to 60 disadvantaged young people who are NEET	£100,000	2 years
London Borough of Brent	for a programme planning to replace 19-24 year olds into apprenticeships with local employers	£100,000	2 years

List of Grants Approved 2013/14

London Borough of Bromley	for a programme of support for 500 young people neither NEET or at risk of becoming NEET	£100,000	2 years
London Borough of Camden	for mentoring for young NEET's going into apprenticeships or self-employment	£100,000	2 years
London Borough of Croydon	for a programme targeting young people who are furthest away from the labour market through outreach, training and mentoring	£100,000	2 years
London Borough of Ealing	for a programme of pre-employment support for young NEETs	£100,000	16 months
London Borough of Hackney	for work to build on existing provision through practical skills around food production, processing and marketing	£100,000	2 years
London Borough of Hammersmith & Fulham	for a programme of work training for young NEETs plus support and training for employers	£100,000	2 years
London Borough of Haringey	for work to enhance existing activity through support into self-employment for 18-24 year olds and targeted employment support for 16 & 17 year olds	£200,000	2 years
London Borough of Harrow	for a programme of additional support for hardest to reach young NEETs, including qualifications, personal development and mentoring	£100,000	2 years
London Borough of Havering	for a programme providing 20 young people with a four-month paid work placement and support to access employment or an apprenticeship	£100,000	15 months
London Borough of Hillingdon	for a programme supporting 16-18 year olds with complex barriers to accessing the labour market	£100,000	2 years

List of Grants Approved 2013/14

London Borough of Hounslow	for a NEET partnership board and programme of activities aimed at young people	£100,000	2 years
London Borough of Islington	for a programme of pre-employment support and guidance for disadvantaged young people not in education, employment or training	£100,000	2 years
London Borough of Lambeth	for a programme of activities for young NEETs	£100,000	2 years
London Borough of Lewisham	for work to connect vulnerable young NEETs with existing employment and training services through training and mentoring	£100,000	2 years
London Borough of Merton	for a programme of supported employment and training for 10 young NEETs with learning difficulties or disabilities	£100,000	1 year
London Borough of Newham	for a programme supporting young offenders aged 16-24 years old, including personalised support and two months of paid employment	£100,000	2 years
London Borough of Redbridge	for bespoke and intensive support to 25 young people, including on-going mentoring and job-coaching	£100,000	2 years
London Borough of Richmond Upon Thames	for an employability starter programme comprising an Education Development International course, work experience and mentoring	£100,000	2 years
London Borough of Southwark	for work to reduce the number of young people whose employment status is 'Not Known' and engaging them in a range of activities	£100,000	2 years
London Borough of Sutton	for an employment engagement worker and to develop a web portal to provide advice, information and support to young NEETs	£100,000	2 years
London Borough of Tower	for a programme targeting	£100,000	2 years

List of Grants Approved 2013/14

Hamlets	young people furthest away from the labour market, including those whose NEET status is unknown		
London Borough of Waltham Forest	for a programme of horticultural-related work training and support for NEETs aged 16-24	£100,000	2 years
London Borough of Wandsworth	for a programme of intervention for young NEETs at risk of entering gang-culture or becoming involved in crime	£100,000	2 years
Royal Borough Greenwich	for a programme of intensive support targeting the most disengaged young people	£100,000	2 years
Royal Borough of Kensington & Chelsea	for a programme of integrated support for 18-24 year old NEETs	£100,000	1 year
Royal Borough of Kingston Upon Thames	for a programme concentrating on early intervention with would-be NEETs aged 14-16and engagement of 16-19 year old NEETs	£100,000	2 years
Subtotal		**£3,199,123**	
Brokerage Citylink Ltd	to expand the City Carers Open House programme	£280,000	3 years
Employability Partnership		£1,000,000	2 years
Total Initiatives to Tackle Unemployment		**£4,479,123**	
Total Working with Londoners (138 grants)		**£9,454,102**	
Total Investing in Londoners (19 grants)		**£2,444,066**	
Total Eco Audits (10 grants)		**£26,755**	
Total Exceptional Grants (1 grant)		**£80,000**	
Total Strategic Initiatives (21 initiatives)		**£2,452,707**	
Total Initiatives to Tackle Unemployment (33 grants)		**£4,479,123**	
Total awarded (222 grants/initiatives)		**£18,936,753**	

List of Grants Approved 2013/14

Less write backs		**(£150,639)**	
Total grants chargeable in 2013/14		**£18,786,114**	

Membership of Committees

Culture, Heritage and Libraries Committee as at 31 March 2014

Chairman
John George Stewart Scott JP BA(Hons) FRP SL

Deputy Chairman
Vivienne Littlechild JP

Aldermen
Dr Andrew Charles Parmley Mus.M. Hon. F.G.S.
William Anthony Bowater Russell

Commoners
Christopher Paul Boden
Mark John Boleat
Michael John Cassidy CBE *Deputy*
Dennis Cotgrove BA
William Harry Dove MBE JP *Deputy*
Anthony Noel Eskenzi CBE DSc *Deputy*
Kevin Malcolm Everett DSc
Lucy Frew
The Revd. Stephen Decatur Haines MA *Deputy*
Brian Nicholas Harris
Tom Hoffman LLB
Wendy Hyde
Jamie Ingham Clark
Alistair John Naisbitt King MSc *Deputy*
Jeremy Paul Mayhew MA MBA
Robert Allan Merrett
Sylvia Doreen Moys
Barbara Patricia Newman CBE
Graham David Packham
Ann Marjorie Francesca Pembroke
Judith Lindsay Pleasance MA (Hons)
Emma Charlotte Louisa Price
Gerald Albert George Pulman JP *Deputy*
Stephen Douglas Quilter BSc (Hons)
Richard David Regan OBE *Deputy*
Delis Regis
Dr Giles Robert Evelyn Shilson *Deputy*
Mark Raymond Peter Henry Delano Wheatley
Ex-Officio
Alderman David Andrew Graves
Catherine McGuinness MA *Deputy*

BRIDGE HOUSE ESTATES
ANNUAL REPORT AND FINANCIAL STATEMENTS

Policy and Resources Committee as at 31 March 2014

Chairman
Mark John Boleat

Deputy Chairman
Douglas Barrow *Deputy*
Jeremy Paul Mayhew MA MBA
Catherine McGuinness MA *Deputy*

Aldermen
Jeffrey Richard Evans
Sir David Howard Bt MA DSc
The Right Hon. The Lord Mayor Fiona Woolf CBE
Sir David Hugh Wootton
Alan Colin Drake Yarrow

Commoners
Kenneth Edwin Ayers MBE *Deputy*
John Alfred Bennett *Deputy*
Alexander John Cameron Deane *Deputy*
Simon D'Olier Duckworth DL
Stuart John Fraser CBE
Marianne Bernadette Fredericks
George Marr Flemington Gillon *Chief Commoner*
Charles Edward Lord OBE JP
Wendy Mead
Hugh Fenton Morris
Joyce Carruthers Nash OBE *Deputy*
Stephen Douglas Quilter BSc (Hons)
Dr Giles Robert Evelyn Shilson *Deputy*
Sir Michael John Snyder *Deputy*
John Tomlinson *Deputy*
James Richard Tumbridge

Ex-Officio
John Alfred Barker OBE *Deputy*
Michael John Cassidy CBE *Deputy*
Roger Arthur Holden Chadwick
The Revd. Dr Martin Raymond Dudley
James Henry George Pollard *Deputy*
John George Stewart Scott JP BA(Hons) FRP SL
Michael Welbank MBE *Deputy*

The following were Members of the Committee within the period 1 April 2013 – 31 March 2014, but were no longer on the Committee on 31 March 2014:
Raymond Michael Catt

Finance Committee as at 31 March 2014

Chairman
Roger Arthur Holden Chadwick

Deputy Chairman
Jeremy Paul Mayhew MA MBA

Aldermen
Sir Michael David Bear BSc (Eng) MBA
Jeffrey Richard Evans *Sheriff*
Sir Paul Judge
Neil Graham Morgan Radcliffe

Commoners
George Christopher Abrahams
Randall Keith Anderson
John Alfred Barker OBE *Deputy*
Christopher Paul Boden
Nigel Kenneth Challis MA FCA FCSI (Hon)
Simon D'Olier Duckworth MA DL
Anthony Noel Eskenzi CBE DSc *Deputy*
John William Fletcher BSc
Stuart John Fraser CBE
Lucy Frew
Brian Nicholas Harris
Tom Hoffman LL.B
Ann Holmes
Robert Picton Seymour Howard *Deputy*
Wendy Hyde
Jamie Ingham Clark
Clare James MA
Alistair John Naisbitt King MSc *Deputy*
Gregory Alfred Lawrence
Oliver Arthur Wynlayne Lodge TD BSc
Robert Allan Merrett
James Henry George Pollard *Deputy*
John George Stewart Scott JP BA(Hons) FRPSL
Ian Christopher Norman Seaton
Sir Michael John Snyder
David James Thompson
John Tomlinson *Deputy*
Philip Woodhouse

Ex-Officio
Mark John Boleat
Michael John Cassidy
Stuart John Fraser CBE

The following were Members of the Committee within the period 1 April 2013 – 31 March 2014, but were no longer on the Committee on 31 March 2014:
Raymond Michael Catt
Kevin Malcolm Everett DSc
Charles Edward Lord OBE JP

Property Investment Board
as at 31 March 2014

Chairman
Michael John Cassidy CBE *Deputy*

Deputy Chairman
Brian Nicholas Harris

Aldermen
Sir Robert Finch

Commoners
Kenneth Edwin Ayers MBE *Deputy*
Mark Boleat
Roger Arthur Holden Chadwick
George Marr Flemington Gillon *Chief Commoner*
Michael Hudson
Stanley Keith Knowles MBE *Deputy*
Alastair Michael Moss *Deputy*
Dhruv Patel
Tom Sleigh

The following were Members of the Committee within the period 1 April 2013 – 31 March 2014, but were no longer on the Committee on 31 March 2014:
Raymond Michael Catt
Charles Edward Lord OBE JP

Financial Investment Board
as at 31 March 2014

Chairman
Robert Picton Seymour Howard *Deputy*

Deputy Chairman
Kenneth Edwin Ayers MBE *Deputy*

Commoners
Roger Arthur Holden Chadwick
Henry Nicholas Almroth Colthurst
Simon D'Olier Duckworth MA DL
Tom Hoffman LL.B
Clare James MA
Andrew Stratton McMurtrie
James Henry George Pollard *Deputy*
John George Stewart Scott JP BA (Hons) FRPSL
Ian Christopher Norman Seaton
Philip Woodhouse

The following were Members of the Committee within the period 1 April 2013 – 31 March 2014, but were no longer on the Committee on 31 March 2014:
Raymond Michael Catt
Charles Edward Lord OBE JP

BRIDGE HOUSE ESTATES
ANNUAL REPORT AND FINANCIAL STATEMENTS

Planning and Transportation Committee as at 31 March 2014

Chairman
Michael Welbank MBE *Deputy*

Deputy Chairman
Oliver Arthur Wynlayne Lodge TD BSc

Aldermen
John Garbutt
David Andrew Graves
Professor Michael Raymond Mainelli FCCA FCSI FBCS
Dr Andrew Charles Parmley MusM Hon FGS

Commoners
Randall Keith Anderson
Alex Bain-Stewart MSc JP
David John Bradshaw
John Douglas Chapman *Deputy*
Dennis Cotgrove
The Revd. Dr Martin Raymond Dudley
Peter Gerard Dunphy
Sophie Anne Fernandes
John William Fletcher BSc
William Barrie Fraser OBE *Deputy*
Marianne Bernadette Fredericks
George Marr Flemington Gillon *Chief Commoner*
Christopher Michael Hayward
Michael Hudson
Gregory Percy Jones QC
Henry Llewellyn Michael Jones *Deputy*
Stanley Keith Knowles MBE *Deputy*
Paul Nicholas Martinelli
Brian Desmond Francis Mooney MA
Sylvia Doreen Moys
John Richard Owen-Ward MBE *Deputy*
Ann Marjorie Francesca Pembroke
James Henry George Pollard *Deputy*
Chris Punter
Jeremy Lewis Simons MSc
Tom Sleigh
Graeme Martyn Smith
Patrick Thomas Streeter
James Michael Douglas Thomson *Deputy*

The City Bridge Trust Committee as at 31 March 2014

Chairman
William Harry Dove MBE JP *Deputy*

Deputy Chairman
Jeremy Paul Mayhew MA MBA

Aldermen
Alison Gowman
Matthew Richardson

Commoners
Kenneth Edwin Ayers MBE *Deputy*
Simon D'Olier Duckworth DL
Stuart John Fraser CBE
Marianne Bernadette Fredericks
Stanley Ginsburg JP *Deputy*
The Revd. Stephen Decatur Haines MA *Deputy*
Vivienne Littlechild JP
Charles Edward Lord OBE JP
Wendy Mead
Ian Christopher Norman Seaton

Ex-Officio
The Rt. Hon the Lord Mayor Fiona Woolf (Alderman)

The following were Members of the Committee within the period 1 April 2013 – 31 March 2014, but were no longer on the Committee on 31 March 2014:
Raymond Michael Catt

Social Investment Board
as at 31 March 2014

Chairman
Alderman Peter Hewitt FCSI FRSA

Deputy Chairman
Robert Picton Seymour Howard *Deputy*

Commoners
Kenneth Edwin Ayers MBE *Deputy*
Roger Arthur Holden Chadwick
The Revd. Dr Martin Raymond Dudley
Andrew Stratton McMurtrie

The following were Members of the Committee within the period 1 April 2013 – 31 March 2014, but were no longer on the Committee on 31 March 2014:
Raymond Michael Catt
Charles Edward Lord OBE JP

CITY'S CASH TRUST FUNDS
FOR THE YEAR ENDED 31 MARCH 2014

SUNDRY TRUST FUNDS AND OTHER ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2014

*The Annual Reports and Financial Statements for these Trusts are received by the Finance Committee but signed by one of the specific Trustees.

MOORE STEPHENS

REPORT TO THOSE CHARGED WITH GOVERNANCE
JULY 2014

City of London Corporation

Bridge House Estates, City's Cash Trusts, the Corporation's Sundry Trusts & Other Accounts

Audit Management Report on the 2013-14 Financial Statements Audit

www.moorestephens.co.uk

PRECISE. PROVEN. PERFORMANCE.

Contents

Audit management report for the year ended 31 March 2014

1 Purpose of the report

International Standard on Auditing (UK & Ireland) 260, "Communication with those charged with governance" requires Moore Stephens to report to those charged with governance on the significant findings from our audit.

This report aims to provide the trustees with constructive observations arising from the audit process. We set out in this report details of:

- any expected modifications to our audit report;
- any unadjusted items in the financial statements (except any unadjusted items which are clearly trivial) including the effect of unadjusted items related to prior periods on the current period;
- any material weaknesses in systems we have identified during the course of our audit work and our views about the quality of accounting practices and financial reporting procedures; and
- any other relevant matters.

Our procedures are carried out solely for the purpose of our audit so that we can form and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Our audit does not necessarily disclose every weakness and for this reason the matters referred to may not be the only shortcomings which exist.

We take this opportunity to remind you that:

- This report has been prepared for the sole use of the City of London Corporation;
- It must not be disclosed to any third party without our written consent; and
- No responsibility is assumed by us to any other person who may choose to rely on it for their own purposes.

The report has been discussed and agreed with the Chamberlain.

We would like to thank the Chamberlain, Dr Peter Kane, Caroline Al-Beyerty and the Finance Team for their co-operation and assistance during our audit.

2 Audit conclusion

In our opinion the financial statements of the following bodies give a true and fair view and comply with the Charities Act 2011.

Bridge House Estates	
Open Spaces	Ashtead Common
	Burnham Beeches
	Epping Forest
	Hampstead Heath
	Highgate Wood & Queens Park Kilburn
	West Ham Park
	West Wickham Common and Spring Park Coulsdon & Other Commons
Sundry Trusts	Aida Lewis Winter Distress Fund
	Charities administered ICW the City of London Freemen's School
	City Educational Trust Fund
	City of London Almshouses
	City of London Corporation Combined Education Charity
	City of London Corporation Relief of Poverty Charity
	City of London Freemen's School Bursary Fund
	City of London School Bursary Fund
	City of London School Education Trust
	City of London School Girls Bursary Fund
	Corporation of London Charities Pool
	Emmanuel Hospital
	Guildhall Library Centenary Fund
	Hampstead Heath Trust
	Keats' House
	King George's Field
	Samuel Wilson's Loan Trust
	Signore Pasquale Favale Bequest
	Sir Thomas Gresham Charity
	Sir William Coxen Trust Fund
	Vickers Dunfee Memorial Benevolent Fund

We are pleased to report that our audit reports, which are included in each of the above financial statements, are unqualified. In our opinion, from information provided to us during the audit, no events or conditions appear to exist which cast doubt on the charities ability to continue as a going concern. We are therefore satisfied with the disclosures in the financial statements.

Our audit opinion is based on your approval of the financial statements and signing of the Letters of Representation, a draft of which has been included as an appendix to this report. Within the letter, you have confirmed that there are no subsequent events that require amendment to the financial statements.

3 Respective responsibilities

Responsibilities of the Trustees

The Trustees are responsible for preparing the Trustees' Report and the financial statements in accordance with applicable law and regulations. The Charities Act 2011 requires the Trustees to prepare financial statements for each financial year. Under that law the Trustees have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The Trustees must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the charities and of its incoming resources and application of resources, including its income and expenditure, for that period. In preparing these financial statements, the Trustees are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charities will continue in business.

The Trustees are responsible for keeping adequate accounting records that are sufficient to show and explain the charities transactions and disclose with reasonable accuracy at any time the financial position of the charities and enable them to ensure that the financial statements comply with the Charities Act 2011. They are also responsible for safeguarding the assets of the charities and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Responsibilities of the Auditor

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

The audit includes the consideration of internal controls relevant to the preparation of the financial statements but we do not express an opinion on the effectiveness of internal control. We are also required to communicate any significant matters arising from the audit of the financial statements that are relevant to those charged with governance in overseeing the financial reporting process. The matters being reported are limited to those deficiencies in control that we have identified during the audit and that we have concluded are of sufficient importance to merit being reported to those charged with governance.

International Standards on Auditing (UK and Ireland) do not require the auditor to design procedures for the purpose of identifying supplementary matters to communicate with those charged with governance.

Independence

International Standard on Auditing (UK & Ireland) 260, "Communication with those charged with governance" requires us to communicate on a timely basis all facts and matters that may have a bearing on our independence.

We can confirm that we have complied with the APB's Ethical Standard 1 – "Integrity, Objectivity and Independence". In our professional judgement the audit process has been independent and our objectivity has not been compromised.

4 Significant audit risks and risk factors

Significant audit risks

As noted in our audit planning report submitted to the Audit and Risk Management Committee in January 2014 the following audit risk areas were identified as significant matters and therefore considered in detail during our audit fieldwork.

Audit risk areas	Audit findings
Revenue recognition (All funds and entities) Under International Standard on Auditing (UK and Ireland) 240, there is a presumed, albeit rebuttable, significant risk of fraud in revenue recognition. We consider this risk cannot be rebutted for income in all organisations.	We have documented, evaluated and tested the controls which ensure income is completely and accurately recorded across all entities and funds. No significant weaknesses in controls have been identified. We have substantively tested material income streams and performed procedures to ensure income is complete. **Conclusion:** Satisfactory assurance has been gained in respect of the presumed risk of fraud in revenue recognition.
Management override Under International Standard on Auditing (UK and Ireland) 240, there is a presumed significant risk of material misstatement owing to fraud arising from the potential for management to override controls.	We carried out focused testing on journals, estimation techniques and any significant/unusual transactions. We reviewed significant estimates and judgements made in the financial statements for evidence of bias. No significant issues were noted in our testing. **Conclusion:** Satisfactory assurance has been gained in respect of the presumed risk of management override.
Asset Transfers (City's Cash and Bridge House Estates) We understand that the City of London Corporation is reviewing the possibility of the City Fund purchasing investment properties from the portfolios held by City's Cash and/or Bridge House Estates in order to achieve a better rate of return.	We have reviewed the property transfer process to ensure that appropriate governance was applied to the property transfers between City Fund and Bridge House Estates. Where properties have been transferred we have confirmed that market value was used and have agreed this to supporting valuation reports. We have reviewed the accounting entries in Bridge House Estates and the City Fund to ensure that they were equal and opposite. No issues were noted in our testing. **Conclusion:** Satisfactory assurance has been gained in respect of the risk of asset transfers being materially misstated.
City of London Procurement Service (All funds and entities) The City of London Corporation are currently in negotiations with Accenture regarding the early termination of the contract whereby the two parties worked in partnership to deliver the City's Procurement and Purchase to Pay programme. The Corporation intends to run the service fully 'in-house' and therefore must ensure that a knowledge and skills transfer has taken place to provide for efficient and effective operation.	We have reviewed the knowledge transfer process in place for the ceasing of the Accenture contract and consider it to be reasonable. We note that there are a small number of posts that are yet to be filled and therefore there has not been a full knowledge transfer at this point. No significant delays in accounts payable processing were encountered during our audit. **Conclusion:** Satisfactory assurance has been gained in respect of the risk identified regarding the City of London Procurement Service.

During the audit we identified a further significant audit risk, related to managed investments, which we now bring to your attention.

Audit risk areas	Audit findings
Managed Investments (Bridge House Estates) During the 2013-14 financial year, the City of London Corporation have changed some of the investments held by fund managers across the Pension Fund, City's Cash and Bridge House Estates into Pooled Investment Vehicles. At the same time the opportunity has been taken to revise the accounting treatment for these managed investments. All managed investment funds have been designated as held for trading and have been accounted for as 'fair value movements through profit and loss' at the point of transition, as opposed to the previous accounting treatment of 'available for sale'. Designation is allowed when financial assets are managed and their performance evaluated on a fair value basis in accordance with an investment strategy. The effect of this is that movements in the market value of investments are shown as changes in fair value through the Statement of Financial activities (SOFA) rather than showing as unrealised investment reserve movements. The process for transitioning investments was not completed until 10 February, therefore managed investments required to be accounted for as 'available for sale' for the first ten months of the year, and 'fair value through profit and loss' for the final two months. The Corporation does not have detailed valuations of the funds at the point of transition, relying on valuations provided by the Transition Manager.	We have audited the value of additions, disposals, investment income and unrealised gains on managed investments to 31 January 2014. We have reviewed the market value of investments at 31 January from the fund Custodian and transition point (10 February) and consider them to be reasonable. We have audited the movement in fair value between 1 February and 31 March 2014. We have audited the realisation of unrealised gains through reserve movements at 31 January 2014. We have considered the designation of the financial assets and confirm it is in line with the requirements of accounting standards and the Charities SORP. No significant issues have been noted. However, an audit recommendation has been raised in section 6 of this report. **Conclusion:** Satisfactory assurance has been gained in respect of the mitigation of the risk of managed investments being materially misstated.

Other risk factors

As noted in our audit planning report submitted to the Audit and Risk Management Committee in January 2014 the following audit risk areas were identified as risk factors which could potentially result in a material misstatement. The table below sets out our approach and conclusions to these risk factors.

Audit risk areas	Audit findings
Allocation of FRS 17 Pension Liability (Bridge House Estates) The City of London Corporation has decided to split the defined benefit pension liability (£342m at 31 March 2013) between the three funds for the first time in 2013-14. This split is likely to be done on the basis of pensionable pay. The City Fund liability requires valuation and disclosure in line with IAS 19 under International Accounting Standards, whereas Bridge House Estates and City's Cash will require valuation and disclosure in line with FRS 17 under UK GAAP. The magnitude of any differences between the two valuations is not yet known.	We have reviewed the methodology used to allocate the pension fund liability on the basis of pensionable pay as at 31 March 2014 and 31 March 2013 across the three funds. We have reviewed the prior year adjustment disclosures made to recognise the liability at 31 March 2013 and consider them satisfactory. We have reviewed the disclosures contained in the Bridge House Estates accounts to ensure they meet the requirements of FRS 17. We have also considered the appropriateness of the assumptions used by the actuary in the calculation of FRS 17. **Conclusion:** Satisfactory assurance has been gained in respect of the pension liability accounted for within the accounts of Bridge House Estates.
Disclosure of reserves (Bridge House Estates) We consider that the disclosure of reserves in the Bridge House Estates financial statements could be enhanced to demonstrate the availability and type of reserves held – providing greater transparency.	Transfers between reserves have been made during the year to consolidate general reserves and provide more clarity to the readers of the accounts. We have reviewed these transfers and consider the movements to be reasonable. There is no reserves policy in place covering the level of unrestricted funds which should be held. An audit recommendation is included on this in section 6 of this report. **Conclusion:** Satisfactory assurance has been gained in respect of the Bridge House Estates reserves not being materially misstated, however, a reserves policy covering unrestricted reserves should be put in place and the level of reserves monitored against this policy.
Grant expenditure (Bridge House Estates) Bridge House Estates, through the City Bridge Trust, is committed to supporting charities in London from funds that are not required for the primary purpose of maintaining the five Thames bridges. It is essential that the processes and controls in place ensure that grant payments made are used as intended.	We have reviewed the processes and controls in place over the awarding and payment of grants and identified no significant weaknesses in controls. Substantive testing of grant payments has identified no issues. We have tested a sample of claw-back payments to confirm they are being appropriately applied with no issues to note. **Conclusion:** Satisfactory assurance has been gained in respect of grant expenditure in the Bridge House Estates accounts.

Audit risk areas	Audit findings
Application of FRS 102 (All funds and entities) We note the upcoming application of FRS102, the update to UK GAAP, and the associated changes to the Charities SORP in 2015-16. While this will not impact on 2013-14 directly, the balance sheets at 31 March 2014 will form the basis of the opening balance sheet for comparatives in the 2015-16 accounts. Planning is required now to ensure that all required disclosures will be able to be met.	No significant work has been performed on the transition to FRS102 at this point, but this is work in progress for the Corporation Finance Team. We will continue to monitor progress in this area during our 2014-15 audits. **Conclusion:** Satisfactory assurance has been gained in respect of risk identified regarding FRS102 for the 2013-14 audit year.
Oracle upgrade (All funds and entities) The City of London Corporation are planning to upgrade the Oracle finance system during the 2014-15 year. While this will have no financial impact on the 2013-14 financial statements, we recognise that there may be an impact on finance staff availability as the upgrade undergoes testing during our audit period.	As planned, we communicated our plan of work to the Corporation Finance Team in advance of our audit visits so that time on site was effective and efficient. **Conclusion:** No significant delays have been caused due to the Oracle upgrade.

Going concern and subsequent events

We are required under International Standard on Auditing (UK & Ireland) 570, "Going concern" to consider the appropriateness of the trustees' use of the going concern assumption in the preparation of the financial statements, and to consider whether there are material uncertainties about the charitable company's ability to continue as a going concern which need to be disclosed in the financial statements.

The term "subsequent events" is used to refer to events occurring between the period end date of the financial statements and the date of the auditor's report. International Standard on Auditing (UK & Ireland) 560, "Subsequent events" requires us to assess all such matters before signing our audit report.

In order to gain assurance on these matters our work has included:

- performing a review of budgets and cash flow projections covering a period of 12 months from the expected signing of the audit report, together with management accounts for 2014-15;
- reviewing minutes of relevant City of London Corporation sub-committees held since 31 March 2014;
- enquiring of senior management and the charitable company's solicitors concerning litigation, claims and assessments; and
- performing sample testing of post reporting date transactions.

Conclusion

Our work has not highlighted any concerns or issues affecting Bridge House Estates, City's Cash Trusts and Sundry and Other Trusts ability to continue as a going concern.

5 Significant audit and accounting matters

Significant issues identified during our audit fieldwork

During the course of our audit work and following discussion with management we raised an additional significant audit risk (see section 4 above) with regards to accounting for managed investments. This report brings the matter forward for the attention of those charged with governance.

Adjustments agreed with management

During the final audit visit the accounting treatment for managed investments was discussed and a change agreed with management. This resulted in a number of significant adjustments which were agreed and actioned by management within the financial statements. A summary of the effect of these is shown below.

	Statement of Financial Activities		Balance Sheet	
	DR £'000	**CR £'000**	**DR £'000**	**CR £'000**
Bridge House Estates	2,800	3,800	81,500	80,500

Other audit adjustments

To enable those charged with governance to assess the extent to which the draft financial statements presented for audit have been subject to change as a result of the audit process and ongoing management review, we present below the adjustments made to the accounts during the audit process.

As a result of our audit and management review, adjustments were made to the draft financial statements presented for audit. A summary of the effect of the audit adjustments is shown below. A schedule of the actual adjustments can be found in appendix 1. Where the entity or fund is not noted below or in appendix 1, no adjustments were made.

	Statement of Financial Activities		Balance Sheet	
	DR £'000	**CR £'000**	**DR £'000**	**CR £'000**
Bridge House Estates	0	0	2,549	2,549
City's Cash Trusts				
Burnham Beeches	0	0	30	30
Epping Forest	0	0	43	43
West Wickham Common and Spring Park Coulsdon & Other Commons	0	23	36	13

All audit adjustments have been discussed and agreed with the Chief Accountant and Group Accountant.

Unadjusted items

We are obliged to bring to your attention the errors found during the audit that have not been corrected as not material, unless they are 'clearly trivial', which we have identified as below 1% of assessed materiality, subject to a de-minimis reporting level of £1,000. The items that we are aware of above this amount are set out below.

A summary of the net effect of the unadjusted items is shown below. A schedule of the unadjusted items can be found in appendix 2. Where the entity or fund is not noted below or in appendix 2, no adjustments were made

	Statement of Financial Activities		Balance Sheet	
	DR £'000	CR £'000	DR £'000	CR £'000
Bridge House Estates	102	496	428	34
City's Cash Trusts				
Epping Forest	0	5	5	0
Hampstead Heath	0	3	3	0
West Ham Park	0	8	8	0
Sundry Trusts				
Corporation of London Charities Pool	2	0	0	2
City of London Almshouses	2	0	0	2

It was agreed with the Chief Accountant and Group Accountant that these amounts were not considered material and did not require to be incorporated into the financial statements. We request that the Audit and Risk Management Committee confirm this decision.

Qualitative aspects of accounting practices and financial reporting

During the course of our audit, we consider the qualitative aspect of the financial reporting process, including items that have a significant impact on the relevance, reliability, comparability, understandability and materiality of the information provided by the financial statements. The following observations have been made:

Qualitative aspect considered	Audit conclusion
The appropriateness of the accounting policies used.	We have reviewed the significant accounting policies, which are disclosed in the financial statements, and we consider these to be appropriate to the charities. Two significant changes have been made in the Bridge House Estates accounts during 2013-14. Firstly, pension costs are now accounted for as a defined benefit scheme across the three main City of London funds on a proportional basis. A prior year adjustment has been made to reflect this change in accounting policy. Secondly, following transition of managed investments to pooled investment vehicles (see 'Significant audit issues' above) in February 2014, all managed investments held by Bridge House Estates have been designated as 'fair value through profit and loss'.
The timing of the transactions and the period in which they are recorded.	We did not identify any significant transactions where we had concerns over the timing or the period in which they were recognised.
The appropriateness of the accounting estimates and judgements used.	We are satisfied with the appropriateness of accounting estimates or judgements used in the preparation of the financial statements.
The potential effect on the financial statements of any uncertainties, including significant risks and disclosures such as pending litigation, that are required to be disclosed in the financial statements.	We did not identify any uncertainties including any significant risk or required disclosures that should be included in the financial statements. We have reviewed the accounting treatment of ongoing and potential future works at Hampstead Heath. Additional disclosures have been made in the Hampstead Heath Trustee's Report to reflect the uncertainty of costs in this area.

Qualitative aspect considered	Audit conclusion
The extent to which the financial statements have been affected by unusual transactions during the period and the extent that these transactions are separately disclosed in the financial statements.	From our testing performed, we identified no unusual transactions in the period. As noted above, the two changes in accounting policies have required additional disclosure to account for the changes in accounting treatment and transactions.
Apparent misstatements in the trustees' reports or material inconsistencies within the financial statements.	Our review of the Trustees' reports identified no misstatement or material inconsistency with the financial statements. We have requested a number of adjustments to improve the clarity of disclosures. The requested disclosures have been made.
Any significant financial statement disclosures to bring to your attention.	There are no significant financial statement disclosures that we consider should be brought to your attention, other than the changes in accounting policy noted above. All disclosures made are required by relevant legislation and applicable accounting standards.
Disagreement over any accounting treatment or financial statement disclosure.	There was no disagreement during the course of the audit over any accounting treatment or disclosure.
Difficulties encountered in the audit.	There were no difficulties encountered in the audit of the Open Spaces and Sundry and Other Trusts. All sets of accounts were delivered according to timetable. We faced significant difficulty in the audit of Bridge House Estates due to late changes in the accounting policy for managed investments and the unavailability of investment working papers. The first set of accounts presented for audit were delivered according to timetable, but significant disclosures were required for managed investments, defined benefit pension scheme and related parties thereafter.

Management representations

We have requested that a signed representation letter, covering a number of issues, be presented to us at the date of signing the financial statements. A copy of this letter is included in appendix 4 to this report.

Fraud and irregularity

Responsibility for preventing and detecting fraud and other irregularities lies with the trustees of the charities. We are not required to search specifically for such matters and our audit should not be relied upon to disclose them. However, we planned and conducted our audit so as to give a reasonable expectation of detecting any material misstatements in the financial statements resulting from improprieties or breach of regulations.

We are pleased to report that we did not identify any issues of concern in relation to fraud and irregularity.

Legality

We planned and performed our audit recognising that non-compliance with statute or regulations may materially affect the financial statements.

We are pleased to report that we did not identify any instances of concern with regard to the legality of transactions or events.

6 Accounting systems and internal controls

During the course of our audit of the financial statements, we examined the principal internal controls which the trustees have established to enable them to ensure, as far as possible, the accuracy and reliability of the charitable company's accounting records and to safeguard the charities' assets.

It should be noted that our audit was planned and performed in order to allow us to provide an opinion on the financial statements and it should not be relied upon to reveal all errors and weaknesses that may exist.

Our work did not identify any system weaknesses.

Action plan – audit recommendations

We identified a number of observations which we consider require management action. Recommendations to address the observations are detailed in the action plan below, together with management responses.

Grade	Definition
1	major issues for the attention of senior management which may have the potential to result in a material weakness in internal control
2	important issues to be addressed by management in their areas of responsibility
3	problems of a more minor nature which provide scope for improvement.

We have included only those points considered a priority 1 in this report. A separate report has been provided to management containing points graded priority 2 and 3.

Action plan

1 – Finance team expertise / capacity	
Observation	The late changes to the Bridge House Estates managed investments were as a result of a delay in identifying that a revised accounting treatment would be required from the move to pooled investment vehicles. Significant amendments were required to the annual accounts to reflect the revised accounting treatment.
Risk	Without a full understanding of the implications on financial reporting of policy decisions made there is a risk that financial accounting and financial reporting aspects will not be identified and properly reported.
Recommendation	We recommend that the City of London Corporation reviews the expertise and level of resources in the wider finance team. In particular, we consider that the Corporate Treasury Team would benefit from having a staff member with relevant financial accounting experience of financial instruments who can advise on the necessary disclosures required.
Management response	This was the first such move to pooled investment vehicles after several years of segregated mandates with equity fund managers. A prompt identification of the consequences for financial reporting would have allowed more time for consideration of the significant implications that have resulted from what, at face value, is a relatively innocuous change in investment arrangements. The expertise and capacity issues will be considered in the context of the likely frequency of such significant changes in investment arrangements and financial reporting requirements to provide an appropriate and proportionate solution.

2 – City of London Almshouses fixed assets	
Observation	As a Registered Social Landlord, the City of London Almshouses calculate their fixed asset balance at 31 March at cost less depreciation net of Social Housing Grant. A fixed asset register could not be provided to support the cost of assets in the Almshouses accounts, nor was evidence for the calculation of depreciation available in the Corporation working papers. There was no supporting evidence for the Social Housing Grant balance brought forward.
Risk	With limited supporting evidence, the Corporation faces the risk that it is unable to identify the individual assets that make up the year end balance and the value of the Social Housing Grant due at the year end. This may result in fixed assets being misstated.
Recommendation	A fixed asset register should be prepared, with the useful economic lives of assets considered on an individual basis, allowing for an appropriate assessment of annual depreciation. In addition evidence for the Social Housing Grant should be obtained and terms and conditions reviewed to ensure the City of London is in full compliance.
Management response	The City of London Almshouses are 44 dwellings including two warden units. Successive external audits have concluded satisfactorily on the financial statements. As the significant capital expenditure was incurred during the late 1980's and early 1990's we have requested the assistance of the London Metropolitan Archives to re-evidence the historic expenditure.

3 – Bridge House Estates – Reserves policy	
Observation	Charity law requires trustees to be able to justify income held as reserves. At 31 March 2014 Bridge House Estates held unrestricted and undesignated reserves amounting to £446.1m. Of this figure £80.5m relates to increases in the fair value of fixed asset investments. The remaining balance of £365.6m should be seen as funds available to spend on the charity's purpose. There is no formally documented reserves policy for Bridge House Estates.
Risk	The absence of a documented reserves policy may lead to adverse comment from the Charity Commission. A comprehensive policy will provide a framework for responding to questions regarding the appropriateness of the reserves retained within the charity.
Recommendation	Unrestricted reserves are funds available to be spent and a reserves policy should be drafted which sets out the Trustees policy regarding these reserves given the charity's financial circumstances and changing needs. The Trustees should agree a policy on what level of unrestricted reserves it is appropriate for the charity to hold. The reserves policy should explain the nature and amount of the designation and when the funds are likely to be spent. Actual balances for all reserves should be monitored against this policy on a regular basis.
Management response	The reserves policy is set out on page 26 of the financial statements. The policy deliberately does not include a level of reserves above which any excess capital should be spent – this being the implication of the above recommendation. This is because the practice is for Members to consider how much of the 'surplus' revenue income (after providing for the maintenance and operation of the bridges) should be allocated to grant giving in the context of the five year rolling financial forecasts. Further consideration will be given to this issue and one option would be to designate the 'General Reserve' as 'Income Generating Fund' which is effectively what it represents.

4 – Bridge House Estates – missing title deeds	
Observation	Testing of investment properties in BHE identified that title deeds were not available for all properties. We understand that given the long history of land ownership, it is not unusual for Bridge House Estates to own property without having titles registered with the Land Registry or to be in possession of title deeds and documents. An exercise is being carried out to review all properties across the Corporation and confirm title. Where title deeds were unavailable we have obtained audit assurance over ownership by confirming the existence of rental receipts from the properties.
Risk	There is a risk that the City of London Corporation is unable to demonstrate they have full title to properties and that disputes regarding ownership and liability may arise.
Recommendation	We recommend that the exercise to complete title documentation for all properties is completed as soon as possible.
Management response	It is not unusual for organisations such as the City, which have a long history of land ownership, to own real property without having title registered at HM Land Registry or to be in possession of title deeds and documents. A significant amount of property was gifted or granted to the City some hundreds of years ago and in these cases, for example, no conventional title deeds would have been drawn up. The City is, however, continuing with its programme of title registration, albeit presently in respect of properties within the City boundaries. In 1999 the Property Sub-Committee approved the City Surveyor's programme of researching and registering the City's unregistered freehold titles to its land holdings within the City. This programme is integral to the City fulfilling its property asset management responsibilities, while also taking account of Land Registry's target of achieving a comprehensive land register by 2017. Since the start of the registration project, title to 91 buildings has been registered as at March 2014 together with various highway land.
5 – Bridge House Estates – review of risk management strategy	
Observation	The Risk Management Statement per the Trustee's Report states that: *'In order to embed sound practice a Strategic Risk Management Group is in place to ensure that risk management policies are applied, that there is an ongoing review of risk management activity and that appropriate advice and support is provided to Members and officers.'* *'The City of London Corporation has approved a strategic risk register for all of its activities. This register helps to formalise existing processes and procedures and enables the City of London Corporation to further embed risk management throughout the organisation. A key risk register has been prepared for this Charity, which has been reviewed by the Trustee. It identifies the potential impact of key risks and the measures which are in place to mitigate such risks.'* From discussions with management, we noted that the most recent risk register to be submitted to the Bridge house Estates committees for review was in 2011.
Risk	If risks are not routinely identified, monitored and mitigated against, the organisation is exposed to financial and reputational risk. If the process is not undertaken on an ongoing basis, there is the potential that the mitigating actions currently in place are not of the right fit for the risks currently faced by Bridge House Estates.
Recommendation	It is recommended that management produce an updated risk register for Bridge House Estates and that this is reviewed by the relevant Bridge House Estates committee on a regular basis.
Management response	The charity's risks are being managed on an ongoing basis by a number of Chief Officers - Chamberlain, City Surveyor, Director of the Built Environment and the Chief Grants Officer; and overseen by a number of committees – Financial Investment Board; Property Investment Board; Culture Heritage and Libraries; Planning and Transportation; and City Bridge Trust. A task will be undertaken to collate the various risks and prepare a consolidated report for submission to these committees and to the Audit and Risk Management Committee.

6 - Physical access to the Server room (IT audit)	
Observation	Our audit review identified that 147 staff and contractors from various departments had access to the server room. We confirmed that some of the people with access no longer required access to the server room. This suggests that access to the server room is not regularly reviewed to ensure it remains current and appropriate. We were not provided with the authorised access request for some of the staff and contractors that had access to the server room, we were informed that access request are sometimes made verbally.
Risk	The server room is a highly sensitive area where key financial information is located. Inappropriate access poses a risk of damage to the servers or any of its components, and the integrity and confidentiality of the data that is being processed or stored. This could result in a material alteration to key financial records.
Recommendation	We recommend that the current access rights to the server room be reviewed to ensure access is only permitted to individuals that require the access as part of their normal duties. This should become a regular activity performed at defined intervals to ensure access rights remains current and appropriate. All access requests to the server room should be formally approved, with the records retained as an audit trail.
Management response	Chamberlain's Chief Technology Officer advises:- A process to review access should be in place. Those with responsibility for controlling access have been requested to; 1. Review and revise current access levels. 2. Ensure that 6-monthly reviews are undertaken with the outcome reported to CTO governance board. I believe that access to the computer room requires CTO authorisation in writing. This will be reviewed along with current access levels and the process reinforced if found to be wanting.
7 - Antivirus Management (IT audit)	
Observation	While we confirmed that antivirus solutions are installed on the servers and workstations with the latest updates received, we established instances where some online servers did not receive the latest antivirus update, with one of them actually receiving the last update on the 2nd of February 2014.
Risk	Failure to having the latest antivirus update running on the servers may result in the servers being effected by a harmful code or virus, which could bring down the servers and result in information systems being unavailable for use.
Recommendation	We recommend that management reviews the procedure for updating the servers with the latest antivirus updates, and implement corrective measures to make the process more effective.
Management response	Agilisys (IT managed service provider) have been asked to review and remediate any issues and to report at least quarterly on the currency of the AV updates.

8 - Data backup and restore (IT audit)	
Observation	While we confirmed that data is replicated to an offsite location, we established a number of instances where the data tape backup failed during the period under review. We were informed that this was because the backup window was not sufficient for all the contents that needed to be backed up within the set time period. In addition, there was no evidence provided to confirm that restore test are regularly undertaken to verify the integrity of data backed up to tape.
Risk	COLC might not be able to recover and restore data to support critical business processes following a major disaster to the main premises hosting the data centre, especially if the replication to the offsite location fails.
Recommendation	We recommend that the backup window be increased accordingly, and the backup process be reviewed to make it more effective.
Management response	We believe that all data is replicated and that recovery of data is primarily from replicated copy as opposed to tape backup. The nature of tape backup is such that some failures do occur. Where this happens appropriate mitigation should be in place. Agilisys (IT managed service provider) have been asked to review and report on the audit finding, advising as to any weaknesses or concerns. IS service is moving to Infrastructure-as-a-Service by November 2014 and therefore no significant investment in tape backup technology is planned.

7 Future financial reporting developments relevant to the City of London Trusts

The new reporting framework for UK Charities

The Financial Reporting Council (FRC), the body responsible for issuing UK accounting standards, recently finalised its biggest change in the financial reporting framework for a generation.

The new framework is effective for accounting periods commencing on or after 1 January 2015, which means 31 December 2015 or 31 March 2016 for most entities. Whilst early adoption is permitted, charities won't be able to adopt the standard until the new Charity Statement of Recommended Practice (SORP) is published in its final form in Summer 2014.

There are two options for charities – some charities will be able to apply the Financial Reporting Standard for Smaller Entities (FRSSE) if they meet the smaller companies' requirements. Those that don't meet these requirements are eligible for the new FRS 102.

FRSSE or FRS 102?

The first consideration is whether you are eligible to apply FRSSE – for which two of the three criteria must be met: gross income must not exceed £6.5m; gross assets must not exceed £3.26m and employee numbers must not exceed 50.

The second point to consider is the reduced disclosure requirements for the FRSSE compared with the FRS and then how this compares with the Charity SORP. Currently, FRSSE contains a number of disclosure simplifications, the most relevant of which concern leases, segmental reporting, requirements on reporting, acquired/discontinued activities, cash flow statements and related parties. The draft SORP has taken greater cognisance of these than its predecessor so it may be that more charities will adopt FRSSE. However, there are some charity-specific areas where the FRSSE is silent and the draft SORP requires charities to follow the FRS 102 treatment.

We can now expect three years of the existing regime as the FRC plans only to implement changes every three years. These will be driven by developments in international standards and their impact on UK accounts will be considered.

Charity Commission review of pension deficits

As part of a planned programme of thematic reviews of charity accounts, the Charity Commission has recently performed a review of a number of charity accounts which included a pension deficit. They found that only 31 of the 97 accounts reviewed had adequately explained the pension scheme deficit and the plans the charity had to meet the deficit, including whether additional financial support was required to meet the deficit. Of the 97 charities reviewed, 60 were members of a local authority multi-employer scheme.

Appendix 1 – Adjusted Misstatements

As summarised in Section 5, the following adjustments were identified during our audit work and have been incorporated into the financial statements. Where the entity or fund is not noted below, no adjustments were made. All adjustments have been discussed and agreed with the Chief Accountant and Group Accountant.

	Statement of Financial Activity		Balance Sheet	
	Dr £'000	Cr £'000	Dr £'000	Cr £'000
Bridge House Estates				
Managed investment adjustments agreed with management				
Managed investment income	2,800			
Realised investment gains (drawdowns)		2,800		
Being the correct treatment of investment income post transition				
Unrealised gain on investments		1,000		
Managed investment reserve			1,000	
Being the reversal of investment gains post transition				
Investment revaluation reserve			80,500	
Unrestricted general fund				80,500
Being the realisation of unrealised gains at transition point				
	2,800	**3,800**	**81,500**	**80,500**
Bridge House Estates				
Other audit adjustments				
Rental Debtors				1,949
Other Creditors			1,949	
Being correction of netting off adjustment for rental debtors				
Property income received in advance			200	
Rental debtors				200
Being the reclassification of property income received in advance				
Other debtors			400	
Realised investment gains (drawdowns)				400
Being the late adjustment of accrued investment income				
	0	**0**	**2,549**	**2,549**
City's Cash Trusts				
Burnham Beeches				
Accruals			30	
Trade Creditors				30
Being the reclassification of accruals as trade creditors				
	0	**0**	**30**	**30**

		Statement of Financial Activity		Balance Sheet	
		Dr £'000	Cr £'000	Dr £'000	Cr £'000
Epping Forest					
Accruals				43	
Trade Creditors					43
Being the correction of an incorrectly posted accrual reversal					
		0	**0**	**43**	**43**
West Wickham Common and Spring Park Coulsdon & Other Commons					
Accruals				13	
Trade Creditors					13
Being the correction of misclassified accruals					
Cash				23	
Income			23		
Being the transfer of HLF income from City's Cash					
		0	**23**	**36**	**13**

Appendix 2 – Unadjusted misstatements

As summarised in Section 5, the following unadjusted items were identified during our audit work. It was agreed with the Chief Accountant and Group Accountant that these amounts were not considered material and thus they have not been incorporated into the financial statements.

	Statement of Financial Activity		Balance Sheet	
	Dr £'000	Cr £'000	Dr £'000	Cr £'000
Bridge House Estates				
Debtors				34
Income	34			
Being the correction of income recognition				
Debtors			26	
Income		26		
Being the correction of cut-off error				
Rental debtors			377	
Rental income		377		
Being the correction of cut-off error				
Expenditure		68		
Retained earnings	68			
Being the correction of cut-off error				
Grants payable			25	
Grant expenditure		25		
Being the correction of the grants payable balance				
	102	**496**	**428**	**34**
City's Cash Trusts				
Epping Forest				
Accruals			5	
Expenditure		5		
Being the correction of costs over accrued				
	0	**5**	**5**	**0**
Hampstead Heath				
Accruals			3	
Expenditure		3		
Being the correction of costs over accrued				
	0	**3**	**3**	**0**
West Ham Park				
Accruals			8	
Expenditure		8		
Being the correction of costs over accrued				
	0	**8**	**8**	**0**

	Statement of Financial Activity		Balance Sheet	
	Dr £'000	Cr £'000	Dr £'000	Cr £'000
Sundry Trusts				
Corporation of London Charities Pool				
Interest receivable	2			
Investment income				2
Being the correction of investment income				
	2	**0**	**0**	**2**
City of London Almshouses				
Depreciation expense	2			
Accumulated depreciation				2
Being the correction of depreciation charge for the year				
	2	**0**	**0**	**2**

Appendix 3 – List of entities key financials

The list of entities on which we have reported on, and which are covered by this document are included in the table below. We have included in the table incoming resources, surplus/deficit and net assets along with the materiality level we have used during the audit. Materiality was calculated based on either the net assets of the entity or incoming resources.

Activities	Incoming Resources £'000	Surplus/ (Deficit) £'000	Net Assets £'000	Materiality £'000
Bridge House Estates	39,300	-	1,023,500	1,500
City's Cash Trusts				
Ashtead Common	538	-	-	5
Preservation of the common at Ashtead				
Burnham Beeches	890	(17)	821	9
Preservation of the Open Space known as Burnham Beeches				
Epping Forest	7,214	302	6,774	69
Preservation of Epping Forest in perpetuity				
Hampstead Heath	9,370	947	2,031	89
Preservation of Hampstead Heath for the recreation and enjoyment of the public				
Highgate Wood & Queens Park Kilburn	1,421	7	438	14
Preservation of the Open Space know as Highgate Wood & Queens Park Kilburn				
Sir Thomas Gresham Charity	26	-	1	0.5
To provide a programme of public lectures				
West Ham Park	1,559	(33)	116	16
To maintain and preserve the Open Space known as West Ham Park				
West Wickham Common and Spring Park Coulsdon & Other Commons	1,108	12	12	11
Preservation of West Wickham Common and Spring Park Coulsdon & Other Commons				
Sundry Trusts				
Aida Lewis Winter Distress Fund	8	6	233	5
Assistance and relief for the poor and distressed during winter months				
Charities Administered ICW the City of London Freemen's School	11	3	16	8
Promotion of education through prizes				
City Educational Trust Fund	159	(28)	3,391	48
Advancement of education through grants				
City of London Almshouses	375	173	1,484	33
Almshouses for poor or aged people				

Activities	Incoming Resources £'000	Surplus/ (Deficit) £'000	Net Assets £'000	Materiality £'000
Sundry Trusts Continued				
City of London Corporation Combined Education Charity	39	7	1,044	21
Advancing education by the provision of grants and financial assistance				
City of London Corporation Relief of Poverty Charity	4	4	154	2
Relief of poverty for widows, widowers or children of a Freemen of the City of London				
City of London Freemen's School Bursary Fund	49	29	743	15
Promotion of education through bursaries				
City of London School Bursary Fund	224	120	3,240	65
Promotion of education through bursaries, scholarships and prizes				
City of London School Educational Trust	5	(9)	6	0.5
Advancing education				
City of London School for Girls Bursary Fund	676	(38)	3,740	80
Promotion of education through bursaries, scholarships and prizes				
Corporation of London Charities Pool	1,458	531	20,317	295
Investments pool for Sundry Trusts				
Emmanuel Hospital	83	18	2,214	44
Payment of pensions and financial assistance to poor persons				
Guildhall Library Centenary Fund	1	1	21	1
Provision of education and training in library, archives, museum, and gallery services				
Hampstead Heath Trust	1,349	(32)	28,919	585
To meet a proportion of the maintenance cost of Hampstead Heath				
Keats House	342	6	200	5
Maintenance of Keats' House				
King George's Field	13	-	-	1
Open space for sports, games and recreation				
Samuel Wilson's Loan Trust	75	61	2,019	40
Granting of low interest loans to young people who have or are about to set up in business				
Signore Pasquale Favale Bequest	0.5	0.5	12	1
Granting of assistance to eligible persons in the form of marriage portions				

Activities	Incoming Resources £'000	Surplus/ (Deficit) £'000	Net Assets £'000	Materiality £'000
Sundry Trusts Continued				
Sir William Coxen Trust Fund	115	15	2,527	51
Granting of assistance to eligible charitable trusts in the form of donations				
Vickers Dunfee Memorial Benevolent Fund	7	(3)	188	4
Financial assistance to distressed past and present members of the CoL Special Constabulary and their dependents				

Appendix 4 – Management representation letters for Bridge House Estates and the Charities

LETTER OF REPRESENTATION: BRIDGE HOUSE ESTATES

Dear Sirs

City of London - Bridge House Estates

This representation letter is provided in connection with your audit of the financial statements of Bridge House Estates for the year ended 31 March 2014 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view in accordance with UK Generally Accepted Accounting Practice and the Charities Statement of Recommended Practice 2005.

By a resolution of the board, passed today, I am directed to confirm to you, in respect of the financial statements of the charity for the period ended 31 March 2014, the following:-

1. We have fulfilled our responsibilities under the Charities Act 2011 for preparing financial statements which give a true and fair view in accordance with UK Generally Accepted Accounting Practice and the Charities Statement of Recommended Practice 2005 and for making accurate representations to you.
2. We have provided you with:
   - access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
   - additional information that you have requested from us for the purpose of the audit; and
   - unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
3. All transactions have been recorded in the accounting records and are reflected in the financial statements.
4. We acknowledge as trustee our responsibilities for the design and implementation of internal control in order to prevent and detect fraud and to prevent and detect error.
5. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
6. We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the entity and involves:
   - management
   - employees who have significant roles in internal control
   - others where the fraud could have a material effect on the financial statements.
7. We are not aware of any allegations of fraud or suspected fraud with a potential effect on the financial statements which have been communicated to us by employees, former employees, regulators or other third parties.
8. We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing the financial statements.
9. In our opinion, the significant assumptions that have been used in determining fair values, whether such values are disclosed or applied in the financial statements, are reasonable and reflect our ability and intent to carry out specific courses of action, where this is relevant to the determination of those values.
10. In our opinion the significant assumptions used by us in making accounting estimates are reasonable.
11. We have disclosed to you the identity of the charity's related parties and all related party relationships and transactions of which we are aware.
12. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of UK Generally Accepted Accounting Practice and the Charities Statement of Recommended Practice 2005.

13. In particular, no trustee, shadow trustee, their connected persons or other officers had any indebtedness, agreement concerning indebtedness or disclosable interest in a transaction with the charity at any time during the year, other than as indicated in the financial statements or, in the case of items not required to be disclosed, in the attached schedule.

14. The following have been properly recorded and, when appropriate, adequately disclosed in the financial statements:

- losses arising from sale and purchase commitments;
- agreements and options to buy back assets previously sold;
- assets pledged as collateral.

15. We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.

16. We have no plans to abandon activities or other plans or intentions that will result in any excess or obsolete stocks, and no stock is stated at an amount in excess of net realisable value.

17. The charity has satisfactory title to all assets and there are no liens or encumbrances on the charity's assets, other than as disclosed in the financial statements.

18. We have recorded or disclosed, as appropriate, all liabilities, both actual and contingent, and all guarantees that we have given to third parties.

19. All events subsequent to the date of the financial statements and for which UK Generally Accepted Accounting Practice and the Charities Statement of Recommended Practice 2005 require adjustment or disclosure have been adjusted or disclosed. Should any material events occur which may necessitate revision of the figures included in the financial statements or inclusion in the notes thereto, we will advise you accordingly.

20. The charity has complied with all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance.

21. Except as disclosed in the financial statements, the results for the year were not materially affected by:

- any change in accounting policies;
- transactions of a type not usually undertaken by the charity;
- circumstances of an exceptional or non-recurrent nature; or
- charges or credits relating to prior periods.

22. We have disclosed to you all known actual or possible litigation or claims whose effects should be considered when preparing the financial statements and that they have been accounted for and disclosed in accordance with UK Generally Accepted Accounting Practice and the Charities Statement of Recommended Practice 2005.

23. We have reviewed going concern considerations and are satisfied that it is appropriate for the financial statements to have been drawn up on the going concern basis. In reaching this opinion we have taken into account all relevant matters of which we are aware and have considered a future period of at least one year from the date on which the financial statements are to be approved.

    We have also considered the adequacy of the disclosures in the financial statements relating to going concern and are satisfied that sufficient disclosure has been made in order to give a true and fair view.

24. We confirm the financial statements are free of material misstatements, including omissions. We believe that those uncorrected misstatements identified during the audit are immaterial both individually and in aggregate to the financial statements as a whole. A list of these items is attached to this letter of representation, together with our reasons for not correcting them

25. All grants, donations and other incoming resources, the receipt of which is subject to specific terms and conditions, have been notified to you. There have been no breaches of terms or conditions in the application of such incoming resources.

26. We confirm that we are not aware of any breaches of charity regulations and that we have advised you of the existence of all endowments and funds maintained by us.

27. All income has been recorded, all restricted funds have been properly applied and all constructive obligations have been recognised.

28. All correspondence with regulators has been made available to you, including any serious incidents reports.

29. There is no further requirement for payment to be made for claims from Bovis Lend Lease at 31 March 2014.

30. Except as disclosed in Note 16 to the BHE accounts, as at 31 March 2013 there were no significant capital commitments contracted for by BHE.

31. We are of the opinion that the costs involved in the reconstruction or analysis of past accounting records of heritage assets (bridges) or in valuation are onerous compared with the additional benefit derived by users of the accounts in assessing the trustees' stewardship of the assets.

32. We confirm that the allocations of Town Clerk support costs is appropriate and based on an appropriate methodology ie apportioning costs on an estimated time basis.

33. We are of the opinion that the property valuations at 31 March 2014 as updated from the internal valuations at 31 March 2013 are not materially misstated

We confirm that the above representations are made on the basis of enquiries of management and staff with relevant knowledge and experience (and, where appropriate, of inspection of supporting documentation) sufficient to satisfy ourselves that we can properly make each of the above representations to you.

Yours faithfully

....
The Chamberlain of London
Signed on behalf of the Trustee
On ________ (date)

LETTER OF REPRESENTATION: CITY'S CASH TRUSTS (OPEN SPACES)

Dear Sirs

City's Cash Trusts – Open Spaces

This representation letter is provided in connection with your audit of the financial statements of the City's Cash Trusts (Open Spaces) for the period ended 31 March 2014 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view in accordance with UK Generally Accepted Accounting Practice and the Charities Statement of Recommended Practice 2005.

By a resolution of the board, passed today, I am directed to confirm to you, in respect of the financial statements of the trusts for the period ended 31 March 2014, the following:-

1. We have fulfilled our responsibilities under the Charities Act 2011 for preparing financial statements which give a true and fair view in accordance with UK Generally Accepted Accounting Practice and the Charities Statement of Recommended Practice 2005 and for making accurate representations to you.
2. We have provided you with:
    - access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
    - additional information that you have requested from us for the purpose of the audit; and
    - unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
3. All transactions have been recorded in the accounting records and are reflected in the financial statements.
4. We acknowledge as trustee our responsibilities for the design and implementation of internal control in order to prevent and detect fraud and to prevent and detect error.
5. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
6. We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the entity and involves:
    - management
    - employees who have significant roles in internal control
    - others where the fraud could have a material effect on the financial statements.
7. We are not aware of any allegations of fraud or suspected fraud with a potential effect on the financial statements which have been communicated to us by employees, former employees, regulators or other third parties.
8. We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing the financial statements.
9. In our opinion, the significant assumptions that have been used in determining fair values, whether such values are disclosed or applied in the financial statements, are reasonable and reflect our ability and intent to carry out specific courses of action, where this is relevant to the determination of those values.
10. In our opinion the significant assumptions used by us in making accounting estimates are reasonable.
11. We have disclosed to you the identity of the Trusts related parties and all related party relationships and transactions of which we are aware.
12. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of UK Generally Accepted Accounting Practice and the Charities SORP 2005.
13. In particular, no trustee, shadow trustee, their connected persons or other officers had any indebtedness, agreement concerning indebtedness or disclosable interest in a transaction with the Trusts at any time during the year.
14. We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.

15. The Trusts have satisfactory title to all assets and there are no liens or encumbrances on the Trusts' assets, other than as disclosed in the financial statements.

16. We have recorded or disclosed, as appropriate, all liabilities, both actual and contingent, and all guarantees that we have given to third parties.

17. All events subsequent to the date of the financial statements and for which UK Generally Accepted Accounting Practice and the Charities SORP 2005 require adjustment or disclosure have been adjusted or disclosed. Should any material events occur which may necessitate revision of the figures included in the financial statements or inclusion in the notes thereto, we will advise you accordingly.

18. The Trusts have complied with all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance.

19. Except as disclosed in the financial statements, the results for the year were not materially affected by:

- any change in accounting policies;
- transactions of a type not usually undertaken by the Trusts;
- circumstances of an exceptional or non-recurrent nature; or
- charges or credits relating to prior periods.

20. We have disclosed to you all known actual or possible litigation or claims whose effects should be considered when preparing the financial statements and that they have been accounted for and disclosed in accordance with UK Generally Accepted Accounting Practice and the Charities SORP 2005.

21. We have reviewed going concern considerations and are satisfied that it is appropriate for the financial statements to have been drawn up on the going concern basis. In reaching this opinion we have taken into account all relevant matters of which we are aware and have considered a future period of at least one year from the date on which the financial statements are to be approved.

    We have also considered the adequacy of the disclosures in the financial statements relating to going concern and are satisfied that sufficient disclosure has been made in order to give a true and fair view.

22. We confirm the financial statements are free of material misstatements, including omissions. We believe that those uncorrected misstatements identified during the audit are immaterial both individually and in aggregate to the financial statements as a whole. A list of these items is attached to this letter of representation, together with our reasons for not correcting them.

23. All grants, donations and other incoming resources, the receipt of which is subject to specific terms and conditions, have been notified to you. There have been no breaches of terms or conditions in the application of such incoming resources.

24. We confirm that we are not aware of any breaches of charity regulations and that we have advised you of the existence of all endowments and funds maintained by us.

25. All income has been recorded, all restricted funds have been properly applied and all constructive obligations have been recognised.

26. All correspondence with regulators has been made available to you, including any serious incidents reports.

27. We confirm that the allocations of Town Clerk support costs is appropriate and based on an appropriate methodology ie apportioning costs on an estimated time basis.

28. We are of the opinion that the costs involved in the reconstruction or analysis of past accounting records of heritage assets (open spaces) or in valuation are onerous compared with the additional benefit derived by users of the accounts in assessing the trustees' stewardship of the assets.

We confirm that the above representations are made on the basis of enquiries of management and staff with relevant knowledge and experience sufficient to satisfy ourselves that we can properly make each of the above representations to you.

Yours faithfully

....
The Chamberlain of London
Signed on behalf of the Trustee
On ________ (date)

LETTER OF REPRESENTATION: CITY OF LONDON CORPORATION SUNDRY TRUSTS AND OTHER ACCOUNTS

Dear Sirs

City of London - Sundry and Other Trusts

This representation letter is provided in connection with your audit of the financial statements of The City of London Corporation Sundry Trusts and Other accounts for the period ended 31 March 2014 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view in accordance with UK Generally Accepted Accounting Practice and the Charities Statement of Recommended Practice 2005.

By a resolution of the board, passed today, I am directed to confirm to you, in respect of the financial statements of the charities for the period ended 31 March 2014, the following:-

1. We have fulfilled our responsibilities under the Charities Act 2011 for preparing financial statements which give a true and fair view in accordance with UK Generally Accepted Accounting Practice and the Charities Statement of Recommended Practice 2005 and for making accurate representations to you.
2. We have provided you with:
   - access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
   - additional information that you have requested from us for the purpose of the audit; and
   - unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
3. All transactions have been recorded in the accounting records and are reflected in the financial statements.
4. We acknowledge as trustee our responsibilities for the design and implementation of internal control in order to prevent and detect fraud and to prevent and detect error.
5. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
6. We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the entity and involves:
   - management
   - employees who have significant roles in internal control
   - others where the fraud could have a material effect on the financial statements.
7. We are not aware of any allegations of fraud or suspected fraud with a potential effect on the financial statements which have been communicated to us by employees, former employees, regulators or other third parties.
8. We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing the financial statements.
9. In our opinion, the significant assumptions that have been used in determining fair values, whether such values are disclosed or applied in the financial statements, are reasonable and reflect our ability and intent to carry out specific courses of action, where this is relevant to the determination of those values.
10. In our opinion the significant assumptions used by us in making accounting estimates are reasonable.
11. We have disclosed to you the identity of the charities related parties and all related party relationships and transactions of which we are aware.
12. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of UK Generally Accepted Accounting Practice and the Charities SORP 2005.
13. In particular, no trustee, shadow trustee, their connected persons or other officers had any indebtedness, agreement concerning indebtedness or disclosable interest in a transaction with the charities at any time during the year.
14. We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.

15. The Trusts have satisfactory title to all assets and there are no liens or encumbrances on the Trusts' assets, other than as disclosed in the financial statements.

16. We have recorded or disclosed, as appropriate, all liabilities, both actual and contingent, and all guarantees that we have given to third parties.

17. All events subsequent to the date of the financial statements and for which UK Generally Accepted Accounting Practice and the Charities SORP 2005 require adjustment or disclosure have been adjusted or disclosed. Should any material events occur which may necessitate revision of the figures included in the financial statements or inclusion in the notes thereto, we will advise you accordingly.

18. The Trusts have complied with all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance.

19. Except as disclosed in the financial statements, the results for the year were not materially affected by:

    - any change in accounting policies;
    - transactions of a type not usually undertaken by the charities;
    - circumstances of an exceptional or non-recurrent nature; or
    - charges or credits relating to prior periods.

20. We have disclosed to you all known actual or possible litigation or claims whose effects should be considered when preparing the financial statements and that they have been accounted for and disclosed in accordance with UK Generally Accepted Accounting Practice and the Charities SORP 2005.

21. We have reviewed going concern considerations and are satisfied that it is appropriate for the financial statements to have been drawn up on the going concern basis. In reaching this opinion we have taken into account all relevant matters of which we are aware and have considered a future period of at least one year from the date on which the financial statements are to be approved.

    We have also considered the adequacy of the disclosures in the financial statements relating to going concern and are satisfied that sufficient disclosure has been made in order to give a true and fair view.

22. We confirm the financial statements are free of material misstatements, including omissions. We believe that those uncorrected misstatements identified during the audit are immaterial both individually and in aggregate to the financial statements as a whole. A list of these items is attached to this letter of representation, together with our reasons for not correcting them.

23. All grants, donations and other incoming resources, the receipt of which is subject to specific terms and conditions, have been notified to you. There have been no breaches of terms or conditions in the application of such incoming resources.

24. We confirm that we are not aware of any breaches of our charity regulations and that we have advised you of the existence of all endowments and funds maintained by us.

25. All income has been recorded, all restricted funds have been properly applied and all constructive obligations have been recognised.

26. All correspondence with regulators has been made available to you, including any serious incidents reports.

We confirm that the above representations are made on the basis of enquiries of management and staff with relevant knowledge and experience (and, where appropriate, of inspection of supporting documentation) sufficient to satisfy ourselves that we can properly make each of the above representations to you.

Yours faithfully

....
The Chamberlain of London
Signed on behalf of the Trustee
On ________ (date)

LETTER OF REPRESENTATION: CITY OF LONDON ALMSHOUSES

Dear Sirs

The City of London Almshouses

This representation letter is provided in connection with your audit of the financial statements of the City of London Almshouses for the period ended 31 March 2014 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view in accordance with UK Generally Accepted Accounting Practice, the Registered Social Landlord Statement of Recommended Practice 2010 and the Charities Statement of Recommended Practice 2005.

By a resolution of the board, passed today, I am directed to confirm to you, in respect of the financial statements of the City of London Almshouses for the year ended 31 March 2014, the following:-

1. We have fulfilled our responsibilities under section 1(2) of the Housing Act 1996 for preparing financial statements which give a true and fair view in accordance with UK Generally Accepted Accounting Practice, the Registered Social Landlord Statement of Recommended Practice 2010 and the Charities Statement of Recommended Practice 2005 and for making accurate representations to you.
2. We have provided you with:
   - access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
   - additional information that you have requested from us for the purpose of the audit; and
   - unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
3. All transactions have been recorded in the accounting records and are reflected in the financial statements.
4. We acknowledge as Board members our responsibilities for the design and implementation of internal control in order to prevent and detect fraud and to prevent and detect error.
5. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
6. We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the entity and involves:
   - management;
   - employees who have significant roles in internal control; and
   - others where the fraud could have a material effect on the financial statements.
7. We are not aware of any allegations of fraud or suspected fraud with a potential effect on the financial statements which have been communicated to us by employees, former employees, regulators or other third parties.
8. We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing the financial statements.
9. In our opinion the significant assumptions used by us in making accounting estimates are reasonable.
10. We have disclosed to you the identity of the related parties and all related party relationships and transactions of which we are aware.
11. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of UK Generally Accepted Accounting Practice.
12. In particular, no Board member, shadow Board member, their connected persons or other officers had any indebtedness, agreement concerning indebtedness or disclosable interest in a transaction with the Almshouses at any time during the year.
13. We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.
14. The City of London Almshouses have satisfactory title to all assets and there are no liens or encumbrances on the Almshouses' assets, other than as disclosed in the financial statements.

15. We have recorded or disclosed, as appropriate, all liabilities, both actual and contingent, and all guarantees that we have given to third parties.

16. All events subsequent to the date of the financial statements and for which UK Generally Accepted Accounting Practice require adjustment or disclosure have been adjusted or disclosed. Should any material events occur which may necessitate revision of the figures included in the financial statements or inclusion in the notes thereto, we will advise you accordingly.

17. The City of London Almshouses have complied with all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance.

18. Except as disclosed in the financial statements, the results for the year were not materially affected by:

    - any change in accounting policies;
    - transactions of a type not usually undertaken by the Almshouses;
    - circumstances of an exceptional or non-recurrent nature; or
    - charges or credits relating to prior periods.

19. We have disclosed to you all known actual or possible litigation or claims whose effects should be considered when preparing the financial statements and that they have been accounted for and disclosed in accordance with UK Generally Accepted Accounting Practice.

20. We have reviewed going concern considerations and are satisfied that it is appropriate for the financial statements to have been drawn up on the going concern basis. In reaching this opinion we have taken into account all relevant matters of which we are aware and have considered a future period of at least one year from the date on which the financial statements are to be approved.

    We have also considered the adequacy of the disclosures in the financial statements relating to going concern and are satisfied that sufficient disclosure has been made in order to give a true and fair view.

21. We confirm the financial statements are free of material misstatements, including omissions. We believe that those uncorrected misstatements identified during the audit are immaterial both individually and in aggregate to the financial statements as a whole. A list of these items is attached to this letter of representation, together with our reasons for not correcting them.

22. The costs that have been capitalised in respect of the Almshouses are appropriate and that the carrying value at 31 March 2014, including the Social Housing Grant are considered to be reasonable. The useful economic life and assessment of depreciation are considered to be reasonable in respect of the future economic benefit that is expected to be derived from the Almshouses.

We confirm that the above representations are made on the basis of enquiries of management and staff with relevant knowledge and experience (and, where appropriate, of inspection of supporting documentation) sufficient to satisfy ourselves that we can properly make each of the above representations to you.

Yours faithfully

....
The Chamberlain of London
Signed on behalf of the Trustee
On ________ (date)

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