



Audit and Risk Management Committee

Date: MONDAY, 20 JULY 2015
Time: 1.45 pm
Venue: COMMITTEE ROOMS, 2ND FLOOR, WEST WING, GUILDHALL

7. **AUDITED 2014/15 CITY FUND AND PENSION FUND FINANCIAL STATEMENTS TOGETHER WITH DELOITTE'S REPORT THEREON**

For Decision
(Pages 1 - 222)

8. **AUDITED 2014/15 BRIDGE HOUSE ESTATES AND SUNDRY TRUSTS FINANCIAL STATEMENTS TOGETHER WITH MOORE STEPHENS REPORT THEREON**

For Decision
(Pages 223 - 364)

John Barradell
Town Clerk and Chief Executive

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| | |
|---|------------------------------|
| Committees: | Dates: |
| Audit and Risk Management Committee Finance Committee | 20 July 2015 21 July 2015 |
| Subject: City Fund and Pension Funds Financial Statements 2014/15 | Public |
| Report of: The Chamberlain | For Decision |

Summary

Attached to this report are the City Fund and Pension Funds Financial Statements for the year ended 31 March 2015. The key points are:

- Total reserves of £1,175.6m, an increase of £130.5m since last year. However, the City is committed to making a £200m contribution to Crossrail which is anticipated to be made in March 2016. A liability has not been recognised in the balance sheet for this sum as the payment is dependent on the fulfilment of a number of conditions. The inclusion of such a liability would reduce the City Fund total reserves to £975.6m. A footnote to this effect has been included on the balance sheet. **(See the Balance Sheet on page 13 and paras. 9 to 13 of this covering report).**
- The £1,175.6m comprises £337.3m in usable reserves and £838.3m in unusable reserves. This net asset position is after having deducted total pension funds liabilities of £1,064.3m.
- The usable reserves of £337.3m have increased by £122.5m from a year earlier primarily due to proceeds from disposals and a revenue surplus for the year, partly offset by the financing of capital expenditure. The reserves are allocated for the funding of the capital programme over the medium term, including the City Fund's £200m contribution to Crossrail, or are earmarked for specific purposes such as for Police, Highways and Housing Revenue Account. **(The £337.3m is shown in the Balance Sheet on page 13 and analysed in more detail in the Movement in Reserves Statement on page 10).**
- The unusable reserves of £838.3m have increased by £8m. The main movements were:
 - revaluation gains on investment and operational properties - £239m;
 - financing of capital expenditure - £54m;
 partly offset by:
 - an increase in pension liabilities - £171m (City £53m, Police £118m); and
 - disposals, depreciation and impairments - £114m.**(The £838.3m is shown on the Balance Sheet on page 13 and analysed in more detail in note 27 (page 57) to the financial statements).**
- A net revenue surplus of £12.9m on the City Fund, a better than budget position of £9.2m. **(The £12.9m is shown in the Movement in Reserves Statement on page 10 on the penultimate line of the first column of figures. The comparison to budget is set out in para 5 of this covering report).**

- Deloitte commenced its audit on 8 June. There are a number of items still being reviewed, particularly the treatment of receipts from property transactions, the provision for business rates appeal refunds, and recognition of police grant income. It is anticipated that these reviews will be concluded satisfactorily to enable Deloitte to issue unqualified opinions. Representatives of the auditors will be in attendance at the Audit and Risk Management Committee to present their progress reports which are annexes 2 and 3 to this report.

Recommendations

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

- a) consider the contents of Deloitte's management letters;
- b) recommend approval of the City Fund and Pension Funds Financial Statements for the year ended 31 March 2015 to the Finance Committee; and
- c) 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.

The **Finance Committee** is requested to:-

- a) 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 2015; and
- b) 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.

Main Report

Introduction

1. The City Fund and Pension Funds Financial Statements for 2014/15 are set out in Annex 1.
2. The Accounts and Audit Regulations 2011 require the approval and publication of the City Fund and Pension Funds Financial Statements for the year to 31 March 2015 to take place as soon as reasonably practicable, and in any event by 30 September 2015. Approval of each year's financial statements has been delegated by the Court of Common Council to the Finance Committee.

Revenue Position

3. As set out in the table below, the revenue account reveals an overall net surplus for 2014/15 of £12.9m which will be transferred to the City Fund

Unallocated Reserve. This is a better than budget position of £9.2m compared with the anticipated surplus of £3.7m.

| | Budget £m | Actual £m | Variation (Better) Worse £m |
|--|--------------|---------------|-----------------------------------|
| Net expenditure on services | 148.7 | 142.8 | (5.9) |
| Major revenue works projects and capital expenditure financed from revenue | 2.4 | 1.4 | (1.0) |
| Requirement before investment income from the City's Assets | 151.1 | 144.2 | (6.9) |
| Interest on balances | (2.5) | (4.1) | (1.6) |
| Estate rent income | (41.6) | (42.5) | (0.9) |
| City Fund Requirement | 107.0 | 97.6 | (9.4) |
| Financed by: | | | |
| Government formula grant | (72.6) | (72.6) | 0.0 |
| Business Rates Retention Scheme | (15.0) | (15.2) | (0.2) |
| City offset | (10.8) | (10.7) | 0.1 |
| Council tax | (5.8) | (5.8) | 0.0 |
| City premium | (6.5) | (6.2) | 0.3 |
| Net surplus transferred to unallocated reserve | (3.7) | (12.9) | (9.2) |

4. The better than budget position of £9.4m on the line 'City Fund Requirement' can be analysed on a committee basis as follows:

| 2014/15 Budget v Outturn - City Fund Summary by Committee | | | | | |
|---|---------------|------------------------|--------------------------|---------------|---|
| Net Expenditure (Income) | Budget Net | Provisional Outturn | Variation (Better)/Worse | | |
| | | | Total | Local Risk | Central Risk/ Support Services |
| | £m | £m | £m | £m | £m |
| Barbican Centre | 25.3 | 25.2 | (0.1) | (0.2) | 0.1 |
| Barbican Residential | 0.8 | 0.3 | (0.5) | (0.1) | (0.4) |
| Community and Children's Services | 11.8 | 12.1 | 0.3 | (0.3) | 0.6 |
| Culture Heritage and Libraries | 20.7 | 20.5 | (0.2) | (0.4) | 0.2 |
| Finance | (8.1) | (14.0) | (5.9) | (0.1) | (5.8) |
| Licensing | 0.2 | 0.1 | (0.1) | 0.0 | (0.1) |
| Markets | (0.8) | (0.8) | 0.0 | 0.0 | 0.0 |
| Open Spaces | 1.5 | 1.5 | 0.0 | 0.0 | 0.0 |
| Planning and Transportation | 12.6 | 11.9 | (0.7) | (1.2) | 0.5 |
| Police - excluding transfers from reserve | 67.5 | 64.9 | (2.6) | (1.7) | (0.9) |
| Police - transfers from reserve | (7.1) | (4.5) | 2.6 | 1.7 | 0.9 |
| Policy and Resources | 3.8 | 3.8 | 0.0 | (0.1) | 0.1 |
| Port Health and Environmental Services | 14.8 | 13.8 | (1.0) | (0.8) | (0.2) |
| Property Investment Board | (36.0) | (37.2) | (1.2) | (0.3) | (0.9) |
| City Fund requirement to be met from government grants, local taxation and transfers to/(from) reserves. | 107.0 | 97.6 | (9.4) | (3.5) | (5.9) |

The £5.8m reduced requirement against central risk/support services on Finance Committee relates to slippage/rephasing on major revenue repairs, maintenance and improvement projects; increased income from interest earnings; central contingencies and provisions not being required in full; rebates and lower than anticipated fees on corporate contracts; and a lower apportionment of support service costs.

The City Police reduced requirement of £2.6m primarily relates to a combination of slippage on the capital programme and lower net operating costs. Consequently, the net contribution required from police reserves was reduced from £7.1m to £4.5m.

5. More detailed analyses of the outturn compared to budget are currently being submitted to committees.
6. In accordance with the City's budget management arrangements, requests for the carry forward of City Fund resources totalling £2.2m 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 2015/16. In addition, £2.3m of projects and works programmes have slipped and/or been rephased to 2015/16.

NNDR Premium

7. Income from the Business Rates Premium has reduced from £6.5m in the budget to an outturn of £6.2m. This is due to an increase in the provision for outstanding rating appeals.

Capital Position

8. The approved capital budget for 2014/15 totalled £56.9m. Actual capital expenditure during the year was £45.6m. This reduction of £11.3m compared to budget was mainly due to slippage and/or rephasing of expenditure on a number of schemes, primarily relating to housing dwellings, investment properties and streetscene projects.

Balance Sheet

9. The Consolidated Balance Sheet indicates that the City Fund's total net assets increased by £130.5m (or 12%) to £1,175.6m from £1,045.1m a year earlier. The main reasons for this increase are set out below.

| | 2014/15 | |
|---|---------|--------------|
| | £m | £m |
| Long-Term Assets | | |
| Net unrealised gain on revaluation of investment properties | 130.0 | |
| Net unrealised gain on revaluation of other fixed assets | 108.8 | |
| Acquisitions | 53.8 | |
| Disposals (net book value) | (91.5) | |
| Depreciation, impairment and amortisation | (22.4) | |
| Reduction in long-term non-property investments | (7.9) | |
| Reduction in long-term debtors | (0.6) | |
| Sub-Total Increase in Long-Term Assets | | 170.2 |
| Increase in short-term investments | | 184.0 |
| Increase in cash and cash equivalents | | 26.1 |
| Increase in current liabilities (mainly business rates related) | | (82.7) |
| Increase in Pension liabilities | | (170.6) |
| Increase in other net assets | | 3.5 |
| Increase in net assets | | 130.5 |

10. This increase in net assets of £130.5m is reflected in the following movements in usable and unusable reserves.

| | 2014/15 £m | 2013/14 £m | (Increase)/ Decrease £m |
|---------------------------|----------------|----------------|-------------------------------|
| Usable reserves | | | |
| Revenue | 139.5 | 128.9 | (10.6) |
| Capital | 197.8 | 85.9 | (111.9) |
| Sub-total usable reserves | 337.3 | 214.8 | (122.5) |
| Unusable reserves | 838.3 | 830.3 | (8.0) |
| Total reserves | 1,175.6 | 1,045.1 | (130.5) |

11. The £10.6m increase in usable revenue reserves primarily relates to the transfer of £12.9m to the unallocated reserve (paragraph 3) and a £0.8m increase in the HRA reserve, partly offset by a reduction of £3.2m in earmarked reserves. The £111.9m increase in usable capital reserves is the proceeds from disposals during the year partly offset by the financing of capital expenditure.
12. Although usable reserves are a relatively healthy £337.3m they are already committed over the medium term. They are required for the funding of the capital programme including the City Fund's £200m contribution to Crossrail and also include sums earmarked, either by statute or as agreed by 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.

13. The main movements included within the overall net increase of £8m in unusable reserves are as follows:

- revaluation gains on investment and operational properties - £239m;
- financing of capital expenditure - £54m;

partly offset by:

- an increase in pension liabilities - £171m (City £53m, Police £118m); and
- disposals, depreciation and impairments - £114m.

Crossrail

14. 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 relating to the completion of certain works. It is anticipated that these conditions will be met in 2016. A liability has not been recognised in the financial statements pending fulfilment of the conditions. However, a footnote has been included on the balance sheet to indicate that the total reserves are before taking account of the £200m commitment to Crossrail. 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. It is anticipated that sufficient useable reserves will be available to fund the contribution.

Pension Liabilities

15. The City Fund's total net assets of £1,175.6m are after having deducted net pension liabilities totalling £1064.3m (City £249.1m, Police £813.2m, Judges £2m). The comparator for 31 March 2014 is £893.7m (City £196.7m, Police £695.2m, Judges £1.8m). 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

16. 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.

17. Although the Pension Fund net deficit cannot be attributed precisely between the City Fund, City's Cash and Bridge House Estates, 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 excluded. Accordingly an apportionment has been made which is based on employer's annual contributions to the fund.

18. The total net deficit in the City of London Pension Fund was £498.2m at 31 March 2015 (31 March 2014: £402m). The City Fund's estimated proportion of this deficit is £249.1m or 50% (31 March 2014: £196.7m or 49%).
19. Pension fund deficits (or surpluses) are relatively sensitive to movements in the underlying assumptions. The main reason for the increase in the City of London Pension Fund deficit is 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; partly offset by an increase in the fund's assets and reductions in the assumptions for salary and pension increases and inflation. The discount rate is required by regulations to be based on market yields on high quality corporate bonds.
20. The employer's pension contribution rate is a separate issue from the IAS19 calculations. It is considered and determined by the Finance Committee following each triennial valuation (updated by any subsequent interim valuations). 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% to recover the pension fund deficit over a period of 20 years.

City of London Police Pension Schemes

21. 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 2015 was £813.2m, an increase of £118m since last year. The main reasons for the increase in the deficit are the decrease in the discount rate used to value liabilities and an increase in longevity, partly offset by a reduction in the assumptions for salary and pension increases and inflation.
22. 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 £813.2m relating to benefits earned but to be paid in the future, will be covered by future contributions (employees' and employer's) and receipt of Home Office grant monies.

Audit Opinion and Letter

23. Deloitte commenced its audit on 8 June. There are a number of items still being reviewed, particularly the treatment of receipts from property transactions, the provision for business rates appeal refunds, and recognition of police grant income. These items are set out on pages 7, 12 and 13 of Deloitte's progress report on its audit of the City Fund (Annex 2). It is anticipated that these reviews will be concluded satisfactorily to enable Deloitte to issue unqualified opinions. Deloitte's draft report on the City of London Pension Fund is also set out in Annex 3. 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

24. 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

25. As soon as reasonably possible after the conclusion of the audit, and in any event by 30 September 2015, the City is required to publish the 2014/15 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

Contact:

Stephen Telling, Chief Accountant, Budget Division
020 7332 1284

steve.telling@cityoflondon.gov.uk

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 2015



CITY OF LONDON

Statement of Accounts for the City Fund and the Pension Funds Year Ended 31 March 2015

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Introduction

1. This document sets out the 2014/15 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 2014/15 issued by the Chartered Institute of Public Finance and Accountancy (CIPFA). The City also provides services and activities from City's Cash and from various charities including Bridge House Estates. These funds are accounted for and reported on separately.
2. This document comprises the following statements and notes. The purpose of each statement is set out as part of that statement.
 - City Fund Core Financial Statements
 - Movement in Reserves Statement (page 10)
 - Comprehensive Income and Expenditure Statement (page 12)
 - Balance Sheet (page 13)
 - Cash Flow Statement (page 14)
 - Explanatory Notes to the Core Financial Statements including Accounting Policies (pages 15 to 96)
 - Supplementary Financial Statements
 - Housing Revenue Account (HRA) (pages 97 to 103)
 - Collection Fund (pages 104 to 107)
 - City of London Corporation Pension Fund (pages 108 to 125)
 - Police Pension Fund (pages 126 and 127)

Key Points

3. Total reserves of £1,175.6m, an increase of £130.5m since last year. However, the City is committed to making a £200m contribution to Crossrail which is anticipated to be made in March 2016. A liability has not been recognised in the balance sheet for this sum as the payment is dependent on the fulfilment of a number of conditions. The inclusion of such a liability would reduce the City Fund total reserves to £975.6m.
4. The £1,175.6m comprises £337.3m in usable reserves and £838.3m in unusable reserves. This net asset position is after having deducted total pension funds liabilities of £1,064.3m.
5. The usable reserves of £337.3m have increased by £122.5m from a year earlier. The reserves are allocated for the funding of the capital programme over the medium term, including the City Fund's £200m contribution to Crossrail, or are earmarked for specific purposes such as for Police, Highways and Housing Revenue Account.

EXPLANATORY FOREWORD

6. The unusable reserves of £838.3m have increased by £8m. The main movements were:
- revaluation gains on investment and operational properties - £239m;
 - financing of capital expenditure - £54m;
- partly offset by:
- an increase in pension liabilities - £171m (City £53m, Police £118m); and
 - disposals, depreciation and impairments - £114m.
7. A net revenue surplus of £12.9m on the City Fund, a better than budget position of £9.5m.

Overall Financial Position on the City Fund

8. 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 2014/15 was an increase of £12.9m compared to a £27.3m decrease in 2013/14. This year-on-year movement was largely attributable to the one-off financing of capital expenditure from revenue in 2013/14.

| | 2014/15 | 2013/14 |
|--|---------|---------|
| | £m | £m |
| Cost of services - excluding revaluations and impairments | 154.6 | 151.3 |
| Revaluations and impairments | (11.4) | (25.8) |
| Other operating income - net gain on disposal of fixed assets | (42.7) | (8.7) |
| Other operating expenditure | 1.0 | 1.0 |
| Financing and investment income - gain on revaluation of investment properties | (130.0) | (105.9) |
| Financing and investment income - other | (5.0) | (5.7) |
| Taxation and non-specific revenue grant income | (112.0) | (116.4) |
| Capital grants, contributions and donations | (23.2) | (7.8) |
| Surplus on the provision of services | (168.7) | (118.0) |
| Adjust for HRA | 20.7 | 19.9 |
| Adjustments between accounting basis and funding basis under regulation | 138.3 | 152.2 |
| Transfers (from)/to Earmarked Reserves | (3.2) | (26.8) |
| Decrease/(Increase) in City Fund Unallocated Reserve | (12.9) | 27.3 |

EXPLANATORY FOREWORD

9. As at 31 March 2015 the City Fund had reserves of £1,166.7m, an increase of £121.6m 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.

| | 2014/15 £m | 2013/14 £m | (Increase)/ Decrease £m |
|---------------------------|----------------|----------------|-------------------------------|
| Usable reserves | | | |
| Revenue | 139.5 | 128.9 | (10.6) |
| Capital | 197.8 | 85.9 | (111.9) |
| Sub-total usable reserves | 337.3 | 214.8 | (122.5) |
| Unusable reserves | 838.3 | 830.3 | (8.0) |
| Total reserves | 1,175.6 | 1,045.1 | (130.5) |

10. The £10.6m increase in usable revenue reserves primarily relates to the transfer of £12.9m to the unallocated reserve (paragraph 8) and a £0.8m increase in the HRA reserve, partly offset by a reduction of £3.2m in earmarked reserves. The £111.9m increase in usable capital reserves is the proceeds from disposals during the year partly offset by the financing of capital expenditure.
11. The usable reserves are required for the funding of the capital programme over the medium term, including the City Fund's £200m contribution to Crossrail, 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 are placing significant financial pressure on the City Fund with potential annual revenue deficits being forecast over the medium term.

Crossrail

12. 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. A liability has not therefore been recognised in the financial statements pending fulfilment of the conditions but will be recognised when it becomes payable – currently estimated to be March 2016.

EXPLANATORY FOREWORD

2014/15 Revenue Outturn compared to Budget

13. 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 | Actual | Variation (Better) Worse |
|--|--------------|---------------|-----------------------------|
| | £m | £m | £m |
| Net expenditure on services | 148.7 | 142.8 | (5.9) |
| Major revenue works projects and capital expenditure financed from revenue | 2.4 | 1.4 | (1.0) |
| Requirement before investment income from the City's Assets | 151.1 | 144.2 | (6.9) |
| Interest on balances | (2.5) | (4.1) | (1.6) |
| Estate rent income | (41.6) | (42.5) | (0.9) |
| City Fund Requirement | 107.0 | 97.6 | (9.4) |
| Financed by: | | | |
| Government formula grant | (72.6) | (72.6) | 0.0 |
| Business Rates Retention Scheme | (15.0) | (15.2) | (0.2) |
| City offset | (10.8) | (10.7) | 0.1 |
| Council tax | (5.8) | (5.8) | 0.0 |
| City premium | (6.5) | (6.2) | 0.3 |
| Net surplus transferred to unallocated reserve | (3.7) | (12.9) | (9.2) |

EXPLANATORY FOREWORD

14. This better than budget position of £9.5m is summarised in the City's management accounts as follows:

| | (Better)/Worse than Budget £m | |
|---|--|--------------|
| Chief Officers' cash limited budgets | | |
| City Police | (2.6) | |
| Built Environment | (1.2) | |
| Open Spaces | (0.5) | |
| Community and Children's Services | (0.7) | |
| Markets and Consumer Protection | (0.2) | |
| Barbican Centre | (0.2) | |
| | | (5.4) |
| Increased transfer to earmarked City Police reserve | | 2.6 |
| Works programmes - slippage/rephasing | | (2.3) |
| Interest earned on cash balances | | (1.6) |
| Investment property estate rent income | | (0.9) |
| Corporate contracts - rebates and lower than anticipated fees | | (0.9) |
| Unused contingencies | | (0.8) |
| Reduction in City Premium | | 0.3 |
| Other net variations | | (0.2) |
| Total increase in transfer to the Unallocated Reserve | | (9.2) |

2014/15 Capital Outturn compared to Budget

15. The approved capital budget for 2014/15 totalled £56.9m. Actual expenditure during the year was £45.6m, an underspend of £11.3m compared with the budget. This reduction was mainly due to slippage and/or rephasing of expenditure on a number of schemes, primarily relating to housing dwellings, investment properties and streetscene projects.

16. The actual capital expenditure included:

- £15.7m on the acquisition and redevelopment of investment properties;
- £10m on highways and streetscene improvement;
- £4.5m on construction and refurbishment of Housing Revenue Account Properties;
- £4.8m on new accommodation for the Police;
- £3.2m on the waterproofing of the Barbican Estate Highwalk; and
- £2m on Phase 1 of the replacement of the mechanical and electrical infrastructure of the Central Criminal Court.

City Fund Total Assets and Liabilities

17. As at 31 March 2015, the City Fund Balance Sheet indicates that total assets exceed total liabilities (i.e. net assets) by £1,175.6m, an increase of £130.5m compared to the previous year. The main reasons for the increase in net assets are set out below:

| | 2014/15 | |
|---|---------|--------------|
| | £m | £m |
| Long-Term Assets | | |
| Net unrealised gain on revaluation of investment properties | 130.0 | |
| Net unrealised gain on revaluation of other fixed assets | 108.8 | |
| Acquisitions | 53.8 | |
| Disposals (net book value) | (91.5) | |
| Depreciation, impairment and amortisation | (22.4) | |
| Reduction in long-term non-property investments | (7.9) | |
| Reduction in long-term debtors | (0.6) | |
| Sub-Total Increase in Long-Term Assets | | 170.2 |
| Increase in short-term investments | | 184.0 |
| Increase in cash and cash equivalents | | 26.1 |
| Increase in current liabilities (mainly business rates related) | | (82.7) |
| Increase in Pension liabilities | | (170.6) |
| Increase in other net assets | | 3.5 |
| Increase in net assets | | 130.5 |

Capital Borrowing

18. 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 2015/16. However, the ‘borrowing option’ is kept under review.

Pension Liabilities

19. The 2014/15 Balance Sheet includes pension liabilities of £1,064.3m (2013/14: £893.7m). 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 £118m, and the City Fund’s share of the deficit in the City of London Scheme which has increased by £53m. Pension fund deficits (or surpluses) are relatively sensitive to movements in the underlying assumptions.

20. The main reason for the increase in the Police pension deficit is 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.

21. The reduction in the discount rate has also increased the deficit on the City of London Pension Fund. In addition the City Fund's share of the deficit in the City of London Scheme, based on employer's annual contributions from the City's various funds, has increased from 49% to 50%. However, as the City of London Scheme is funded (i.e. it has assets) the value of the Scheme's investments have to be taken into account when assessing the net deficit. In 2014/15 there was a gain in the value of the Scheme's investments which partly offset the increased liabilities.

Impact of Economic Climate

22. The outlook for local government and police forces remains particularly challenging due to significant and continuing reductions in Government grants.

Local Government Services

23. For 2015/16 the grant to the City has again been cut - 20% (£6.6m) in cash terms with further reductions signalled for the foreseeable future.

24. 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 continues to look for opportunities to invest part of its cash backed reserves into such assets.

25. Notwithstanding additional rent income, the medium-term financial forecasts indicate that, if left unchecked, the City Fund would incur increasing annual deficits from 2015/16, rising to £10m by 2018/19.

26. A Service Based Review was therefore undertaken during 2014/15 to identify a range of options for further efficiencies, budget reductions, and income generation opportunities. The package of measures agreed by the Policy and Resources Committee will deliver the savings/increased incomes necessary to balance the budget in 2015/16 and in each of the other years of the planning period (to 2018/19) – subject to there being no significant adverse changes in financial planning assumptions across the period.

27. In addition, cross-departmental reviews are being undertaken to identify further potential savings/increased incomes. The activities subject to review include:

- grant giving; operational assets; contract management; asset, facilities and project management;
- income generation from filming; conference and business events; advertising, and by raising the profile of visitor attractions.

City Police

28. The City of London Police manages its budget on a ring-fenced basis and also faces significant and continuing reductions in Government Grants – 5% (£2.8m) in cash terms for 2015/16 with further cuts anticipated in subsequent years. Again, if left unchecked, such reductions would result in increasing annual deficits. A financial strategy to balance the budget over the medium term, including the retention of a

EXPLANATORY FOREWORD

minimum general reserve balance for unforeseen or exceptional operational requirements, is currently being prepared.

Capital and Major Revenue Projects

29. 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 and/or the depletion of reserves.

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 Audit and Risk Management Committee monitors and oversees the City's Risk Management Strategy and undertakes a systematic programme of detailed reviews of each of the risks on the City's Corporate Risk Register. Following the independent review of the City's Risk Management arrangements (by Zurich Municipal) in the summer 2013, the Committee has overseen and supported officers in the development and agreement of a new Risk Management Strategy.

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

33. The Officer Risk Management Group has a remit 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.

34. A Governance Statement is reviewed and updated annually. The Annual Governance Statement is considered and approved by the Audit and Risk Management Committee, based on its evaluation of the effectiveness of the risk and governance framework. The Governance Statement for the year ended 31 March 2015 is set out on pages 130 to 144.

Statement of Responsibilities

35. 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 9.

Website

36. 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; and
- 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 2014/15 ("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; and
- 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 2015.

Dr Peter Kane
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.

| | Notes | Usable Reserves | | | | | | Unusable Reserves | Total Reserves | |
|--|-------|-------------------------------|--------------------|-------------------------|--------------------------|--------------------------|-----------------------|-------------------|----------------|-----------------------|
| | | City Fund Unallocated Reserve | Earmarked Reserves | Housing Revenue Account | Capital Receipts Reserve | Capital Grants Unapplied | Major Repairs Reserve | | | Total Usable Reserves |
| | | £m | £m | £m | £m | £m | £m | £m | £m | |
| Balance at 31 March 2014 | | (43.6) | (78.5) | (6.8) | (80.5) | (0.5) | (4.9) | (214.8) | (830.3) | (1,045.1) |
| Movement in reserves during 2014/15 | | | | | | | | | | |
| (Surplus) or deficit on provision of services | | (148.0) | 0.0 | (20.7) | 0.0 | 0.0 | 0.0 | (168.7) | 0.0 | (168.7) |
| Other Comprehensive Income & Expenditure | | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 38.2 | 38.2 |
| Total Comprehensive Income & Expenditure | | (148.0) | 0.0 | (20.7) | 0.0 | 0.0 | 0.0 | (168.7) | 38.2 | (130.5) |
| Adjustments between accounting basis & funding basis under regulations | 6 | 138.3 | 0.0 | 19.9 | (109.6) | (0.2) | (2.2) | 46.2 | (46.2) | 0.0 |
| Net (increase) or decrease before transfers to earmarked reserves | | (9.7) | 0.0 | (0.8) | (109.6) | (0.2) | (2.2) | (122.5) | (8.0) | (130.5) |
| Transfers (to) or from earmarked reserves | 7 | (3.2) | 3.2 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| (Increase) or decrease in 2014/15 | | (12.9) | 3.2 | (0.8) | (109.6) | (0.2) | (2.2) | (122.5) | (8.0) | (130.5) |
| Balance at 31 March 2015 | | (56.5) | (75.3) | (7.6) | (190.1) | (0.7) | (7.1) | (337.3) | (838.3) | (1,175.6) |

CITY FUND MOVEMENT IN RESERVES STATEMENT

| | Notes | Usable Reserves | | | | | | Unusable Reserves | Total Reserves | |
|--|-------|-------------------------------|--------------------|-------------------------|--------------------------|--------------------------|-----------------------|-------------------|----------------|-----------------------|
| | | City Fund Unallocated Reserve | Earmarked Reserves | Housing Revenue Account | Capital Receipts Reserve | Capital Grants Unapplied | Major Repairs Reserve | | | Total Usable Reserves |
| | | £m | £m | £m | £m | £m | £m | £m | £m | |
| Balance at 31 March 2013 | | (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 | | (98.1) | 0.0 | (19.9) | 0.0 | 0.0 | 0.0 | (118.0) | 0.0 | (118.0) |
| Other Comprehensive Income & Expenditure | | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 32.9 | 32.9 |
| Total Comprehensive Income & Expenditure | | (98.1) | 0.0 | (19.9) | 0.0 | 0.0 | 0.0 | (118.0) | 32.9 | (85.1) |
| Adjustments between accounting basis & funding basis under regulations | 6 | 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 | | 54.1 | 0.0 | (0.8) | 9.1 | 0.8 | (2.1) | 61.1 | (146.2) | (85.1) |
| Transfers (to) or from earmarked reserves | 7 | (26.8) | 26.8 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| (Increase) or decrease in 2013/14 | | 27.3 | 26.8 | (0.8) | 9.1 | 0.8 | (2.1) | 61.1 | (146.2) | (85.1) |
| Balance at 31 March 2014 | | (43.6) | (78.5) | (6.8) | (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.

| 2013/14 | | | | 2014/15 | | | |
|-------------------------|--------------------|-----------------------------------|---|---------|-------------------------|--------------------|-----------------------------------|
| Gross Expenditure £m | Gross Income £m | Net Expenditure (Income) £m | | Notes | Gross Expenditure £m | Gross Income £m | Net Expenditure (Income) £m |
| 103.2 | (47.1) | 56.1 | Services | | | | |
| | | | Police Services | | 113.4 | (53.8) | 59.6 |
| | | | Cultural & Related Services | | | | |
| 44.4 | (18.1) | 26.3 | Barbican Centre | 8 | 44.9 | (22.6) | 22.3 |
| 25.7 | (3.4) | 22.3 | Other Cultural & Related Services | | 25.3 | (2.9) | 22.4 |
| 19.0 | (11.9) | 7.1 | Environmental & Regulatory Services | | 19.0 | (12.6) | 6.4 |
| 12.5 | (7.6) | 4.9 | Planning Services | | 11.8 | (7.6) | 4.2 |
| 33.2 | (20.5) | 12.7 | Highways & Transport Services | | 33.8 | (21.9) | 11.9 |
| 8.2 | (5.1) | 3.1 | Children's & Education Services | | 8.8 | (4.6) | 4.2 |
| 5.7 | (0.7) | 5.0 | Adult Social Care | | 6.1 | (0.6) | 5.5 |
| 2.2 | (2.5) | (0.3) | Public Health | | 1.9 | (2.2) | (0.3) |
| | | | Housing Services | | | | |
| | | | Housing Revenue Account (HRA) | | | | |
| 13.3 | (14.1) | (0.8) | Operations | | 14.3 | (15.2) | (0.9) |
| (19.1) | 0.0 | (19.1) | Revaluation gain on dwellings | 44 | (5.7) | 0.0 | (5.7) |
| 19.0 | (18.6) | 0.4 | Other Housing Services | | 19.9 | (19.1) | 0.8 |
| | | | Central Services | | | | |
| 4.4 | (5.0) | (0.6) | Court Services | | 9.2 | (4.9) | 4.3 |
| 8.9 | (2.5) | 6.4 | Corporate & Democratic Core | | 7.9 | (2.5) | 5.4 |
| 0.8 | (0.2) | 0.6 | Emergency Planning | | 0.9 | (0.1) | 0.8 |
| 3.4 | (1.9) | 1.5 | Local Tax Collection | | 3.8 | (1.9) | 1.9 |
| 0.4 | 0.0 | 0.4 | Elections | | 0.3 | 0.0 | 0.3 |
| (0.5) | 0.0 | (0.5) | Non Distributed Costs | 39 | 0.1 | 0.0 | 0.1 |
| 284.7 | (159.2) | 125.5 | Cost of Services | | 315.7 | (172.5) | 143.2 |
| | | (7.7) | Other Operating Income | 9 | | | (41.7) |
| | | (111.6) | Financing & Investment Income & Expenditure | 10 | | | (135.0) |
| | | (124.2) | Taxation & Non-Specific Grant Income | 11 | | | (135.2) |
| | | (118.0) | Surplus on the Provision of Services | | | | (168.7) |
| | | (59.1) | Surplus on the Revaluation of Property, Plant & Equipment | 27A | | | (97.4) |
| | | 92.0 | Remeasurements of the Pensions Liability | 50 | | | 135.6 |
| | | 32.9 | Other Comprehensive (Income) & Expenditure | | | | 38.2 |
| | | (85.1) | TOTAL COMPREHENSIVE (INCOME) & EXPENDITURE | | | | (130.5) |

CITY FUND BALANCE SHEET

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 2014 | | Notes | 31 March 2015 |
|------------------|--|-------|------------------|
| £m | | | £m |
| 705.1 | Property, Plant and Equipment | 12,13 | 804.5 |
| 8.9 | Heritage Assets | 14 | 8.9 |
| 1,016.3 | Investment Property | 16 | 1,088.7 |
| 0.4 | Intangible Assets | 17 | 0.1 |
| 7.9 | Long-Term Investments | 19 | 0.0 |
| 11.2 | Long-Term Debtors | 21 | 10.6 |
| 1,749.8 | Long-Term Assets | | 1,912.8 |
| 331.6 | Short-Term Investments | 19 | 515.6 |
| 0.0 | Assets Held for Sale | 15 | 7.2 |
| 0.3 | Inventories | | 0.3 |
| 0.0 | Intangible Current Assets | | 0.4 |
| 68.9 | Short-Term Debtors | 22 | 71.0 |
| 40.2 | Cash and Cash Equivalents | 23 | 66.3 |
| 441.0 | Current Assets | | 660.8 |
| (144.7) | Short-Term Creditors | 24 | (206.0) |
| (35.1) | Provisions* | 25 | (56.5) |
| (179.8) | Current Liabilities | | (262.5) |
| (893.7) | Pensions Liability | 50 | (1,064.3) |
| (71.8) | Capital Grants and Contributions Received in Advance | 41 | (70.8) |
| (0.4) | Other Long-Term Liabilities | 43 | (0.4) |
| (965.9) | Long-Term Liabilities | | (1,135.5) |
| 1,045.1 | NET ASSETS | | 1,175.6 |
| (214.8) | Usable Reserves* | 26 | (337.3) |
| (830.3) | Unusable Reserves | 27 | (838.3) |
| (1,045.1) | TOTAL RESERVES | | (1,175.6) |

Dr Peter Kane
Chamberlain of London

Date:

*This is before a £200m commitment towards Crossrail, anticipated to be paid in March 2016 (see explanatory foreword)

CITY FUND CASH FLOW STATEMENT

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.

| 2013/14 £m | | Notes | 2014/15 £m |
|---------------|---|-------|---------------|
| (118.0) | Net surplus on the provision of services | | (168.7) |
| (15.0) | Adjustments for non-cash movements | | (42.6) |
| 89.2 | Adjustments for items that are investing and financing activities | | 157.7 |
| (43.8) | Net cash inflows from operating activities | 28 | (53.6) |
| 30.5 | Investing activities | 29 | 76.3 |
| (12.8) | Financing activities | 30 | (48.8) |
| (26.1) | Net increase in cash and cash equivalents | | (26.1) |
| (14.1) | Cash and cash equivalents at the beginning of the reporting period | 23 | (40.2) |
| (40.2) | Cash and cash equivalents at the end of the reporting period | 23 | (66.3) |

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 2014/15 financial year and its position at the year end of 31 March 2015. 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 2014/15 (the Code) and the Service Reporting Code of Practice for Local Authorities 2014/15 (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 it is subsequently identified that 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's 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; and
- 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; and

- 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; and
 - 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 City considers that heritage assets will have indeterminate lives and high residual values; hence the City does not consider it appropriate to charge depreciation for these assets.

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 carbon reduction commitment allowances, are carried at cost.

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 asset disposal (less any balance transferred from the Donated Assets Account).

If the asset derecognised was carried at a revalued 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 property, plant and equipment 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 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 property, plant and equipment 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 long-term 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 long-term 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 Energy Efficiency Scheme. Participants are required to purchase allowances, either prospectively or retrospectively, and surrender them on the

basis of emissions, i.e. carbon dioxide produced as energy is used. As carbon dioxide is emitted (i.e. as energy is used), 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. Accounting Standards That Have Been Issued but Not Yet Adopted

The Code of Practice on Local Council Accounting in the United Kingdom 2015/16 (the Code) has introduced several changes in accounting policies which will be required from 1 April 2015. If these had been adopted for the financial year 2014/15 there would be no material or significant change to the Statement of Accounts.

The standards introduced by the 2015/16 Code include:

- IFRS 13 Fair Value Measurement
- Annual Improvements to IFRSs 2011 – 2013 Cycle
- IFRIC 21 Levies

The issues included in the Annual Improvements to IFRSs 2011 – 2013 cycle are:

- IFRS 1: Meaning of effective IFRSs;
- IFRS 3: Scope exceptions for joint ventures;
- IFRS 13: Scope of paragraph 52 (portfolio exception); and
- IAS 40: Clarifying the interrelationship of IFRS 3 Business Combinations and IAS 40 Investment Property when classifying property as investment property or owner-occupied property.

3. 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. The critical judgements that management consider will have a material effect on the amounts recognised in the financial statements are disclosed in the summary of significant accounting policies (note 1) and in the following note (4).

4. 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 2015. 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 2015.

(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 £21.8m. 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 £10.8m 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 2015, the City Fund had a balance for rents and sundry debtors of £36.7m. A review of the length of time past due and progress on recovery action suggested that an impairment allowance for doubtful debts of £2.9m was appropriate. If collection rates were to deteriorate an increase in the amount of the impairment of the doubtful debts would be required.

5. 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.

6. 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.

EXPLANATORY NOTES TO THE CITY FUND FINANCIAL STATEMENTS

| 2014/15 | Usable Reserves | | | | | Movement in Unusable Reserves £m |
|--|------------------------------------|----------------------------------|-----------------------------------|-----------------------------------|--------------------------------|---|
| | City Fund General Reserve £m | Housing Revenue Account £m | Capital Receipts Reserve £m | Capital Grants Unapplied £m | Major Repairs Reserve £m | |
| Adjustments primarily involving the Capital Adjustment Account: | | | | | | |
| <i>Reversal of items debited or credited to the Comprehensive Income & Expenditure Statement:</i> | | | | | | |
| Charges for depreciation & impairment of non-current assets | (19.4) | (2.7) | | | | 22.1 |
| Revaluation gains on Property, Plant & Equipment | 5.7 | 5.7 | | | | (11.4) |
| Movements in the fair value of Investment Properties | 124.4 | 5.6 | | | | (130.0) |
| Amortisation of intangible assets | (0.3) | | | | | 0.3 |
| Capital grants, contributions & donations applied | 14.0 | 8.4 | | | | (22.4) |
| Revenue expenditure funded from capital under statute | (0.3) | | | | | 0.3 |
| Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income & Expenditure Statement | (91.4) | | | | | 91.4 |
| <i>Insertion of items not debited or credited to the Comprehensive Income & Expenditure Statement:</i> | | | | | | |
| Income from finance lease | (0.6) | | | | | 0.6 |
| Capital expenditure charged against the City Fund & HRA balances | 6.0 | | | | | (6.0) |
| Adjustments primarily involving the Capital Grants Unapplied Account: | | | | | | |
| Capital grants & contributions unapplied credited to the Comprehensive Income & Expenditure Statement | 1.1 | | | (1.1) | | 0.0 |
| Application of grants to capital financing transferred to the Capital Adjustment Account | | | | 0.9 | | (0.9) |
| 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 & Expenditure Statement | 134.2 | | (134.2) | | | 0.0 |
| Sub-total | 173.4 | 17.0 | (134.2) | (0.2) | 0.0 | (56.0) |

EXPLANATORY NOTES TO THE CITY FUND FINANCIAL STATEMENTS

| 2014/15 | Usable Reserves | | | | | Movement in Unusable Reserves £m |
|--|------------------------------------|----------------------------------|-----------------------------------|-----------------------------------|--------------------------------|---|
| | City Fund General Reserve £m | Housing Revenue Account £m | Capital Receipts Reserve £m | Capital Grants Unapplied £m | Major Repairs Reserve £m | |
| Brought forward | 173.4 | 17.0 | (134.2) | (0.2) | 0.0 | (56.0) |
| Use of the Capital Receipts Reserve to finance new capital expenditure | | | 24.3 | | | (24.3) |
| 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: | | | | | | |
| Transfer to Major Repairs Reserve | | 2.7 | | | (2.7) | 0.0 |
| Use of the Major Repairs Reserve to finance new capital expenditure | | | | | 0.5 | (0.5) |
| Adjustments primarily involving the Pensions Reserve: | | | | | | |
| Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income & Expenditure Statement | (35.0) | (0.1) | | | | 35.1 |
| Adjustments primarily involving the Collection Fund Adjustment Account: | | | | | | |
| Amount by which council tax income credited to the Comprehensive Income & Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements | 0.6 | | | | | (0.6) |
| Amount by which national business rates income credited to the Comprehensive Income & Expenditure Statement is different from national business rates income calculated for the year in accordance with statutory requirements | (0.2) | | | | | 0.2 |
| Adjustments primarily involving the Accumulated Absences Account: | | | | | | |
| Amount by which officer remuneration charged to the Comprehensive Income & Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements | 0.1 | | | | | (0.1) |
| Other Adjustments | (0.3) | 0.3 | | | | 0.0 |
| Total Adjustments | 138.3 | 19.9 | (109.6) | (0.2) | (2.2) | (46.2) |

EXPLANATORY NOTES TO THE CITY FUND FINANCIAL STATEMENTS

| 2013/14 | Usable Reserves | | | | | Movement in Unusable Reserves £m |
|---|------------------------------------|----------------------------------|-----------------------------------|-----------------------------------|--------------------------------|---|
| | City Fund General Reserve £m | Housing Revenue Account £m | Capital Receipts Reserve £m | Capital Grants Unapplied £m | Major Repairs Reserve £m | |
| Adjustments primarily involving the Capital Adjustment Account: <i>Reversal of items debited or credited to the Comprehensive Income & Expenditure Statement:</i> Charges for depreciation & impairment of non-current assets Revaluation gains/losses on Property, Plant & Equipment Movements in the fair value of Investment Properties Amortisation of intangible assets Capital grants, contributions & donations applied Revenue expenditure funded from capital under statute Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income & Expenditure Statement <i>Insertion of items not debited or credited to the Comprehensive Income & Expenditure Statement:</i> Income from finance lease Capital expenditure charged against the City Fund & HRA balances Adjustments primarily involving the Capital Grants Unapplied Account: Capital grants & contributions unapplied credited to the Comprehensive Income & Expenditure Statement Application of grants to capital financing transferred to the Capital Adjustment Account 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 & Expenditure Statement | | | | | | |
| | (17.9) | (2.5) | | | | 20.4 |
| | 6.8 | 19.1 | | | | (25.9) |
| | 105.9 | | | | | (105.9) |
| | (0.2) | | | | | 0.2 |
| | 7.3 | | | | | (7.3) |
| | (0.4) | | | | | 0.4 |
| | (72.2) | | | | | 72.2 |
| | (0.5) | | | | | 0.5 |
| | 84.7 | | | | | (84.7) |
| | 0.9 | | | (0.9) | | 0.0 |
| | | | | 1.7 | | (1.7) |
| | 81.0 | | (81.0) | | | 0.0 |
| Sub-total | 195.4 | 16.6 | (81.0) | 0.8 | 0.0 | (131.8) |

EXPLANATORY NOTES TO THE CITY FUND FINANCIAL STATEMENTS

| 2013/14 | Usable Reserves | | | | | Movement in Unusable Reserves £m |
|--|------------------------------------|----------------------------------|-----------------------------------|-----------------------------------|--------------------------------|---|
| | City Fund General Reserve £m | Housing Revenue Account £m | Capital Receipts Reserve £m | Capital Grants Unapplied £m | Major Repairs Reserve £m | |
| Brought forward | 195.4 | 16.6 | (81.0) | 0.8 | 0.0 | (131.8) |
| 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 |
| 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: | | | | | | |
| Transfer to Major Repairs Reserve | | 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 & 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 & 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 & 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 & 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) |

EXPLANATORY NOTES TO THE CITY FUND FINANCIAL STATEMENTS

7. 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 2014/15.

| | Notes | Balance at 31 March 2013 £m | Transfers Out 2013/14 £m | Transfers In 2013/14 £m | Balance at 31 March 2014 £m | Transfers Out 2014/15 £m | Transfers In 2014/15 £m | Balance at 31 March 2015 £m |
|--|--------|--------------------------------------|-----------------------------------|----------------------------------|--------------------------------------|-----------------------------------|----------------------------------|--------------------------------------|
| Resilience Reserve | (i) | (46.4) | 46.4 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Highway Improvements | (ii) | (14.5) | 4.2 | (5.4) | (15.7) | 6.5 | (5.8) | (15.0) |
| Police Future Expenditure | (iii) | (15.3) | 0.2 | 0.0 | (15.1) | 6.1 | 0.0 | (9.0) |
| Crime Reduction Initiatives | (iv) | (1.5) | 0.0 | (0.9) | (2.4) | 0.1 | (1.9) | (4.2) |
| Crossrail | (v) | (17.5) | 0.0 | (3.0) | (20.5) | 0.0 | (2.4) | (22.9) |
| Judges Pensions | (vi) | (1.6) | 0.2 | 0.0 | (1.4) | 0.2 | 0.0 | (1.2) |
| Service Projects | (vii) | (2.9) | 0.2 | (0.8) | (3.5) | 2.0 | (1.8) | (3.3) |
| 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) | 0.1 | 0.0 | (0.2) |
| VAT reserve | (xi) | (4.2) | 0.0 | 0.0 | (4.2) | 0.0 | 0.0 | (4.2) |
| Asset Realisation Costs Fund | (xii) | (0.3) | 0.1 | (0.1) | (0.3) | 0.1 | 0.0 | (0.2) |
| Business Rates Safety Net Equalisation | (xiii) | 0.0 | 0.0 | (14.3) | (14.3) | 0.0 | 0.0 | (14.3) |
| Total | | (105.3) | 51.3 | (24.5) | (78.5) | 15.1 | (11.9) | (75.3) |

- (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 was 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.
- (iv) Under the guidelines of the Proceeds of Crime scheme funds received by the City Police 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 2015/16 and is held temporarily in the Collection Fund Adjustment Account as a negative reserve (see note 27 D). This liability will be largely offset by a payment from the Government to bring the City's retained

EXPLANATORY NOTES TO THE CITY FUND FINANCIAL STATEMENTS

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.

8. Arts Council England

The Barbican Centre's income for 2014/15 includes a grant of £0.6m from Arts Council England (2013/14 £0.6m).

9. Other Operating Income and Expenditure

| | 2014/15 Net Expenditure/ (Income) £m | 2013/14 Net Expenditure/ (Income) £m |
|---------------------------------------|--|--|
| Net Gain on Disposal of Fixed Assets | (42.7) | (8.7) |
| Inner and Middle Temple Precepts | 0.3 | 0.3 |
| Local levies | 0.2 | 0.2 |
| Payment to Government Housing Capital | 0.3 | 0.3 |
| Receipts Pool | 0.3 | 0.3 |
| Pension Fund Administration Expenses | 0.2 | 0.2 |
| Total | (41.7) | (7.7) |

10. Financing and Investment Income and Expenditure

| | 2014/15 Net Expenditure/ (Income) £m | 2013/14 Net Expenditure/ (Income) £m |
|--|--|--|
| Investment Properties | | |
| Operational | (38.7) | (33.6) |
| Gain on revaluation | (130.0) | (105.9) |
| Interest receivable and similar income | (4.5) | (5.5) |
| Pension Interest Cost | 38.8 | 34.1 |
| Contribution from Trading Services | (0.6) | (0.7) |
| Total | (135.0) | (111.6) |

11. Taxation and Non-Specific Grant Income

| | 2014/15 Income £m | 2013/14 Income £m |
|--|----------------------------------|----------------------------------|
| Retained National Business Rates | (14.7) | (13.5) |
| City Non Domestic Rates Premium | (6.2) | (5.7) |
| City Offset | (10.7) | (10.5) |
| Council Tax Income | (6.3) | (5.7) |
| Non Ringfenced Government Revenue Grants | | |
| Revenue Support Grant | (17.4) | (22.2) |
| Police Core Grant | (55.2) | (57.8) |
| Other | (1.5) | (1.0) |
| Donated Assets | (8.4) | 0.0 |
| Capital Grants & Contributions | (14.8) | (7.8) |
| Total | (135.2) | (124.2) |

12. Property, Plant and Equipment

| Movements on Balances 2014/15 | Council Dwellings | Other Land & Buildings | Leasehold Improvements | Vehicles, Plant & Equipment | Infrastructure | Community Assets | Assets Under Construction | Total |
|--|-------------------|------------------------|------------------------|-----------------------------|----------------|------------------|---------------------------|---------------|
| | £m | £m | £m | £m | £m | £m | £m | £m |
| Cost or valuation | | | | | | | | |
| at 1 April 2014 | 236.9 | 388.5 | 56.3 | 30.9 | 57.9 | 0.7 | 2.8 | 774.0 |
| Additions | 11.7 | 0.6 | 4.1 | 5.3 | 13.0 | 0.0 | 3.4 | 38.1 |
| Transfers | 1.2 | (21.6) | 0.0 | 0.0 | 0.0 | 0.0 | (1.2) | (21.6) |
| Revaluation increases/(decreases) recognised in the Revaluation Reserve | 67.2 | 18.3 | 0.0 | 0.2 | 0.0 | 0.0 | 0.0 | 85.7 |
| Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services | 5.2 | 4.9 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 10.1 |
| Derecognition - disposals | (4.0) | 0.0 | 0.0 | (0.2) | 0.0 | 0.0 | 0.0 | (4.2) |
| at 31 March 2015 | 318.2 | 390.7 | 60.4 | 36.2 | 70.9 | 0.7 | 5.0 | 882.1 |
| Accumulated Depreciation and Impairment | | | | | | | | |
| at 1 April 2014 | (0.1) | (5.0) | (13.0) | (23.4) | (27.4) | 0.0 | 0.0 | (68.9) |
| Depreciation Charge | (2.3) | (9.6) | (2.5) | (2.5) | (5.2) | 0.0 | 0.0 | (22.1) |
| Depreciation written out to the Revaluation Reserve | 1.8 | 9.9 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 11.7 |
| Depreciation written out to the Surplus/Deficit on the Provision of Services | 0.5 | 0.7 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 1.2 |
| 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 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Derecognition - disposals | 0.0 | 0.0 | 0.0 | 0.1 | 0.0 | 0.0 | 0.0 | 0.1 |
| Transfers | 0.0 | 0.4 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.4 |
| at 31 March 2015 | (0.1) | (3.6) | (15.5) | (25.8) | (32.6) | 0.0 | 0.0 | (77.6) |
| Net Book Value | | | | | | | | |
| at 31 March 2014 | 236.8 | 383.5 | 43.3 | 7.5 | 30.5 | 0.7 | 2.8 | 705.1 |
| at 31 March 2015 | 318.1 | 387.1 | 44.9 | 10.4 | 38.3 | 0.7 | 5.0 | 804.5 |

EXPLANATORY NOTES TO THE CITY FUND FINANCIAL STATEMENTS

13. Property, Plant and Equipment (continued)

| Movements on Balances Comparative for 2013/2014 | Council Dwellings | Other Land & Buildings | Leasehold Improvements | Vehicles, Plant & Equipment | Infrastructure | Community Assets | Assets Under Construction | Total |
|--|-------------------|------------------------|------------------------|-----------------------------|----------------|------------------|---------------------------|---------------|
| | £m | £m | £m | £m | £m | £m | £m | £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 | 0.1 | (15.5) | 0.0 | 0.0 | 0.0 | 0.0 | (0.4) | (15.8) |
| 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 increases/(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 | (4.8) | (0.2) | 0.0 | (0.4) | 0.0 | 0.0 | 0.0 | (5.4) |
| 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 |

EXPLANATORY NOTES TO THE CITY FUND FINANCIAL STATEMENTS

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. 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 March 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.

In addition, significant capital commitments of some £22.8m were outstanding at 31 March 2015, detailed as follows

- £6.3m relating to a scheme to construct eighteen new council dwellings to replace a redundant community centre on the Avondale Estate.
- £5.5m outstanding in respect of the replacement of windows and cladding on a block of dwellings at the Golden Lane Estate.
- £5.2m for Phase 1 of a scheme to replace the mechanical infrastructure of the Central Criminal Court.

EXPLANATORY NOTES TO THE CITY FUND FINANCIAL STATEMENTS

- £3m relating to various highways and public open space works in the Aldgate area.
- £2.8m in respect of works to refurbish an investment property with a view to increasing the total return.

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 2015 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)
- Islington Arts Factory and the service station on the Holloway Estate
- Community Education Centre
- Properties at the City of London Cemetery and Crematorium
- Guildhall Art Gallery, City Marketing Suite and the Manuscript Stores, all located in the East Wing of the Guildhall
- Other land and buildings in the Guildhall complex owned by the City Fund
- Public Conveniences
- 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
- Spitalfields Market
- Investment Properties

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

EXPLANATORY NOTES TO THE CITY FUND FINANCIAL STATEMENTS

Recreation Centre, Woodredon and Warlies Park, Cemetery and Crematorium, Police Stations and Section House, Barbican Hostel, Animal Reception Centre and 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 (2013/14 £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. Assets Held for Sale

The Police Section House was declared surplus to operational requirements during the year and has been reclassified as an asset held for sale. A marketing exercise has been undertaken and a sale is anticipated during 2015/16.

16. 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:

| | 2014/15 | 2013/14 |
|---|---------------|---------------|
| | £m | £m |
| Income from investment properties | (52.6) | (46.0) |
| Operating expenses arising from investment property | 13.9 | 12.4 |
| Net gain | (38.7) | (33.6) |

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.

EXPLANATORY NOTES TO THE CITY FUND FINANCIAL STATEMENTS

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

| | 2014/15 | 2013/14 |
|---------------------------------------|----------------|----------------|
| | £m | £m |
| Balance at start of the year | 1,016.3 | 794.1 |
| Transfers | 14.1 | 15.8 |
| Additions: | | |
| Purchases | 10.3 | 162.2 |
| Construction | 3.5 | 4.6 |
| Subsequent expenditure | 1.9 | 0.7 |
| Disposals | (87.4) | (67.0) |
| Revaluations: | | |
| Net gains from fair value adjustments | 130.0 | 105.9 |
| Balance at end of the year | 1,088.7 | 1,016.3 |

17. 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:

| | 2014/15 | 2013/14 |
|--------------------------------------|------------|------------|
| | £m | £m |
| Balance at start of year: | | |
| Gross carrying amounts | 1.4 | 1.3 |
| Accumulated amortisation | (1.0) | (0.8) |
| Net carrying amount at start of year | 0.4 | 0.5 |
| Additions | 0.0 | 0.1 |
| Amortisation for the period | (0.3) | (0.2) |
| Net carrying amount at end of year | 0.1 | 0.4 |
| Comprising | | |
| Gross carrying amounts | 1.4 | 1.4 |
| Accumulated amortisation | (1.3) | (1.0) |
| Balance at end of the year | 0.1 | 0.4 |

18. 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.

| | 2014/15 £m | 2013/14 £m |
|---|---------------|---------------|
| Opening Capital Financing Requirement | (2.5) | (2.5) |
| Capital Investment | | |
| Property, Plant and Equipment | 38.1 | 15.7 |
| Investment Properties | 15.7 | 167.5 |
| Intangible Assets | 0.0 | 0.1 |
| Revenue Expenditure Funded from Capital Under Statute | 0.3 | 0.4 |
| Sources of Finance | | |
| Capital Receipts | (24.3) | (89.8) |
| Capital grants, contributions and donations | (23.3) | (9.0) |
| Direct revenue contributions | (6.5) | (84.9) |
| Closing Capital Financing Requirement | (2.5) | (2.5) |

EXPLANATORY NOTES TO THE CITY FUND FINANCIAL STATEMENTS

19. 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 2015 | 31 March 2014 | 31 March 2015 | 31 March 2014 |
| | £m | £m | £m | £m |
| Investments | | | | |
| Loans and receivables | 0.0 | 7.9 | 515.6 | 331.6 |
| Total Investments | 0.0 | 7.9 | 515.6 | 331.6 |
| Debtors | | | | |
| Loans and receivables | 10.6 | 11.2 | 35.2 | 24.7 |
| Total Debtors | 10.6 | 11.2 | 35.2 | 24.7 |
| Creditors | | | | |
| Financial liabilities at amortised cost | 0.0 | 0.0 | (37.8) | (36.2) |
| Total Creditors | 0.0 | 0.0 | (37.8) | (36.2) |
| Long Term Liabilities | | | | |
| Finance Leases | (0.4) | (0.4) | 0.0 | 0.0 |
| Total Long Term Liabilities | (0.4) | (0.4) | 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.

EXPLANATORY NOTES TO THE CITY FUND FINANCIAL STATEMENTS

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:

| | 2014/15 Financial Assets Loans and Receivables £m | 2013/14 Financial Assets Loans and Receivables £m |
|--|--|--|
| Impairment (gains)/losses | (0.1) | (0.7) |
| Total (Gains)/Losses in Surplus or Deficit on the Provision of Services | (0.1) | (0.7) |
| Interest Income | (4.5) | (5.5) |
| Total Income in Surplus or Deficit on the Provision of Services | (4.5) | (5.5) |
| Net gain for year | (4.6) | (6.2) |

Fair Value of Assets and Liabilities

Financial liabilities, financial assets represented by investments (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 2015 | | 31 March 2014 | |
|-----------------------|----------------------|------------|----------------------|------------|
| | Carrying Amount | Fair Value | Carrying Amount | Fair Value |
| | £m | £m | £m | £m |
| Loans and receivables | 515.6 | 515.6 | 339.5 | 339.5 |

20. 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 or Support 3 or are building societies with assets over £9bn. 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 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.

EXPLANATORY NOTES TO THE CITY FUND FINANCIAL STATEMENTS

| | Amount as at 31 March 2015 £000s | Amount as at 31 March 2014 £000s |
|------------------------|--|--|
| Less than three months | 12.6 | 11.3 |
| Three to six months | 2.0 | 0.8 |
| Six months to one year | 0.6 | 0.4 |
| More than one year | 0.4 | 0.5 |
| Total | 15.6 | 13.0 |

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 2014/15 continue to have a severe adverse impact on the income earnings of the City Fund and HRA, which is anticipated to continue in 2015/16, 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:

| | 2014/15 £m | 2013/14 £m |
|---|---------------|---------------|
| Increase in interest receivable on investments held at variable rates | | |
| City Fund | 2.1 | 1.2 |
| HRA | 0.1 | 0.0 |
| Total | 2.2 | 1.2 |

EXPLANATORY NOTES TO THE CITY FUND FINANCIAL STATEMENTS

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 therefore has no exposure to loss arising from movements in exchange rates.

21. Long Term Debtors

| | 31 March 2015 | 31 March 2014 |
|--|---------------|---------------|
| | £m | £m |
| Loans to Museum of London (repayable by 2032) | 2.3 | 2.4 |
| Museum of London - Net Investment in Finance Lease | 8.0 | 8.5 |
| Museum in Docklands Loan | 0.2 | 0.2 |
| Service Charge Loans | 0.1 | 0.1 |
| | 10.6 | 11.2 |

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

| | 31 March 2015 | | 31 March 2014 |
|--|---------------|-------------|---------------|
| | £m | £m | £m |
| Central Government Bodies | | 20.2 | 28.5 |
| Greater London Authority | | 2.6 | 1.7 |
| Rents | 10.9 | | 8.6 |
| less impairment allowance for bad and doubtful debts | (1.0) | | (0.8) |
| | | 9.9 | 7.8 |
| Sundry | 25.8 | | 17.8 |
| less impairment allowance for bad and doubtful debts | (1.9) | | (2.2) |
| | | 23.9 | 15.6 |
| City's share of national business rates arrears | 6.1 | | 5.4 |
| less impairment allowance for bad and doubtful debts | (3.3) | | (3.0) |
| | | 2.8 | 2.4 |
| Museum of London Net Investment in Finance Lease | | 0.6 | 0.5 |
| Season Ticket and Loans to Employees | | 0.8 | 0.8 |
| Prepayments | | 10.2 | 11.6 |
| | | 71.0 | 68.9 |

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.

23. Cash and Cash Equivalents

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

| | 31 March 2015 | 31 March 2014 |
|--------------|---------------|---------------|
| | £m | £m |
| Cash at bank | 66.3 | 40.2 |
| | 66.3 | 40.2 |

24. Creditors and Receipts in Advance

| | 31 March 2015 | 31 March 2014 |
|---|----------------------|----------------------|
| | £m | £m |
| Central Government Bodies | (86.7) | (46.1) |
| Greater London Authority and Transport for London | (34.2) | (25.0) |
| City's share of national business rates creditors and receipts in advance | (13.2) | (10.4) |
| Deposits | (6.2) | (8.5) |
| Sundry | (31.6) | (27.7) |
| Receipts in advance | (33.2) | (26.0) |
| Spitalfields Market Tenants Fund | (0.9) | (1.0) |
| | (206.0) | (144.7) |

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, the Greater London Authority and Transport for London there are no material amounts due from other general government bodies. The City acts as an agent; on behalf of central government and the Greater London Authority in collecting sums due from business rates; and on behalf of Transport for London by collecting Mayoral Community Infrastructure Levy (CIL) and Section 106 agreements planning obligations. Sums collected, but not yet paid over, by the City as an agent for these bodies are included as creditors.

25. Provisions

| | National Business Rates | | City Premium on Business Rates | | Total |
|---------------------------------|-----------------------------------|-------------------------------------|-----------------------------------|-------------------------------------|---------------|
| | Appeals relating to 2014/15 £m | Backdated Appeals adjustments £m | Appeals relating to 2014/15 £m | Backdated Appeals adjustments £m | |
| Balance at 1 April 2014 | 0.0 | (34.1) | 0.0 | (1.0) | (35.1) |
| Appeals settled in 2014/15 | 0.0 | 13.9 | 0.0 | 0.4 | 14.3 |
| Provisions made in 2014/15 | (15.3) | (19.5) | (0.4) | (0.5) | (35.7) |
| Balance at 31 March 2015 | (15.3) | (39.7) | (0.4) | (1.1) | (56.5) |

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. The City's proportionate share is 30%. A provision is recognised for the best estimate of the City's liability at the year-end for known appeals. The estimate has been calculated using the Valuation Office (VAO) ratings list of appeals outstanding as at 31 March 2015 and an analysis of successful appeals in 2014/15.

26. Usable Reserves

Movements in the City's usable reserves are detailed in the Movement in Reserves Statement on page 10 and Notes 6 and 7.

27. Unusable Reserves

| | Note | 31 March 2015 | 31 March 2013 |
|------------------------------------|------|----------------|----------------|
| | | £m | Restated £m |
| Revaluation Reserve | A | (232.3) | (151.9) |
| Capital Adjustment Account | B | (1,687.5) | (1,589.8) |
| Pensions Reserve | C | 1,064.3 | 893.7 |
| Collection Fund Adjustment Account | D | 14.4 | 14.8 |
| Accumulated Absences Account | E | 2.8 | 2.9 |
| Total Unusable Reserves | | (838.3) | (830.3) |

EXPLANATORY NOTES TO THE CITY FUND FINANCIAL STATEMENTS

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).

| | 2014/15 | | 2013/14 |
|--|---------|----------------|----------------|
| | £m | £m | £m |
| Balance at 1 April | | (151.9) | (99.0) |
| Upward revaluation of assets | (97.6) | | (60.7) |
| Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services | 0.2 | | 1.6 |
| Surplus on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services | | (97.4) | (59.1) |
| Difference between fair value depreciation and historical cost depreciation | 2.8 | | 1.7 |
| Assets reclassified as investments | 12.1 | | 3.1 |
| Accumulated losses on assets sold or scrapped | 2.1 | | 1.4 |
| Amount written off to the Capital Adjustment Account | | 17.0 | 6.2 |
| Balance at 31 March | | (232.3) | (151.9) |

EXPLANATORY NOTES TO THE CITY FUND FINANCIAL STATEMENTS

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 long-term assets. The account contains accumulated gains and losses on Investment Properties. It 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.

| | 2014/15 | | 2013/14 |
|--|---------|------------------|------------------|
| | £m | £m | £m |
| Balance at 1 April | | (1,589.8) | (1,361.9) |
| 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 | 22.1 | | 20.4 |
| Revaluation gains on Property, Plant and Equipment | (11.4) | | (25.9) |
| Amortisation of intangible assets | 0.3 | | 0.2 |
| Revenue expenditure funded from capital under statute | 0.3 | | 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 Account | 91.4 | | 72.2 |
| | 102.7 | | 67.3 |
| Adjusting amounts written out of the Revaluation Reserve | (17.0) | | (6.2) |
| Net written out amount of the cost of non-current assets consumed in the year | | 85.7 | 61.1 |
| Capital financing applied in the year: | | | |
| Use of the Capital Receipts Reserve to finance new capital expenditure | (24.3) | | (89.8) |
| Use of the Major Repairs Reserve to finance new capital expenditure | (0.5) | | (0.2) |
| Capital grants, contributions & donations credited to the Comprehensive Income & Expenditure Statement that have been applied to capital financing | (22.4) | | (7.3) |
| Application of grants to capital financing from the Capital Grants Unapplied Account | (0.9) | | (1.7) |
| Capital expenditure charged against the City Fund & HRA balances | (6.0) | | (84.7) |
| | | (54.1) | (183.7) |
| Movements in the market value of Investment Properties debited or credited to the Comprehensive Income & Expenditure Statement | | (130.0) | (105.9) |
| Museum of London finance lease & loan principle | | 0.7 | 0.6 |
| Balance at 31 March | | (1,687.5) | (1,589.8) |

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 47 to 48).

| | 2014/15 £m | 2013/14 £m |
|--|----------------|---------------|
| Balance at 1 April | 893.7 | 774.2 |
| Remeasurements of the net defined benefit liability | 135.5 | 91.9 |
| 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 | 66.9 | 60.0 |
| Employer's pension contributions less direct payments to pensioners payable in the year | (31.8) | (32.4) |
| Balance at 31 March | 1,064.3 | 893.7 |

EXPLANATORY NOTES TO THE CITY FUND FINANCIAL STATEMENTS

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.

| | 2014/15 £m | 2013/14 £m |
|--|---------------|---------------|
| Balance at 1 April | 14.8 | (0.6) |
| 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 | (0.4) | 15.4 |
| Balance at 31 March | 14.4 | 14.8 |

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.

| | 2014/15 | | 2013/14 |
|---|---------|------------|------------|
| | £m | £m | £m |
| Balance at 1 April | | 2.9 | 3.2 |
| Settlement or cancellation of accrual made at the end of the preceding year | (2.9) | | (3.2) |
| Amounts accrued at the end of the current year | 2.8 | | 2.9 |
| 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 | | (0.1) | (0.3) |
| Balance at 31 March | | 2.8 | 2.9 |

28. Cash Flow Statement – Interest Received

The cash flows from operating activities include the following item:

| | 2014/15 £m | 2013/14 £m |
|-------------------|---------------|---------------|
| Interest received | (4.5) | (5.5) |

29. Cash Flow Statement – Investing Activities

| | 2014/15 £m | 2013/14 £m |
|--|---------------|---------------|
| Purchase of property, plant and equipment, investment property and intangible assets | 56.5 | 183.8 |
| Movement in short-term and long-term investments | 176.1 | (56.1) |
| Other payments for investing activities | 0.0 | 1.0 |
| Proceeds from the sale of property, plant and equipment, investment property and intangible assets | (133.1) | (80.9) |
| Income from finance lease | (0.5) | (0.5) |
| Other receipts from investing activities | (22.7) | (16.8) |
| Net cash outflows from investing activities | 76.3 | 30.5 |

30. Cash Flow Statement – Financing Activities

| | 2014/15 £m | 2013/14 £m |
|--|---------------|---------------|
| Billing Authorities - Council Tax and NNDR Adjustments | (55.1) | (9.4) |
| 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 | 2.5 | (2.4) |
| 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 | 3.8 | (1.1) |
| Reduction in finance lease liability | 0.0 | 0.1 |
| Net cash inflows from financing activities | (48.8) | (12.8) |

31. 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 property, plant and equipment 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.

EXPLANATORY NOTES TO THE CITY FUND FINANCIAL STATEMENTS

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

| Committee Income and Expenditure 2014/15 | Police | Barbican Centre | Community & Children's Services | Planning & Transportation | Port Health & Environmental Services | Other | Total |
|---|---------------|------------------------|--|--------------------------------------|---|----------------|----------------|
| | £m | £m | £m | £m | £m | £m | £m |
| Fees, charges & other service income | (6.3) | (20.0) | (16.9) | (19.5) | (11.9) | (81.6) | (156.2) |
| Interest & investment income | 0.0 | 0.0 | (0.1) | 0.0 | 0.0 | (4.1) | (4.2) |
| Government grants and contributions | (47.5) | (2.3) | (12.8) | (4.7) | (0.4) | (9.5) | (77.2) |
| Transfers from reserves | (5.9) | 0.0 | (1.0) | (2.2) | (0.1) | (5.7) | (14.9) |
| Reversal of capital charges | (2.9) | 0.0 | (2.7) | 0.0 | 0.0 | (9.0) | (14.6) |
| Total Income | (62.6) | (22.3) | (33.5) | (26.4) | (12.4) | (109.9) | (267.1) |
| Employee expenses | 87.1 | 16.5 | 10.6 | 9.3 | 10.1 | 22.7 | 156.3 |
| Other service expenses | 29.6 | 27.7 | 27.7 | 16.4 | 14.2 | 57.7 | 173.3 |
| Transfers to reserves | 1.8 | 0.0 | 4.2 | 5.8 | 0.0 | 2.7 | 14.5 |
| Capital Charges | | | | | | | |
| Depreciation, amortisation and impairment | 2.9 | 3.4 | 3.0 | 5.7 | 0.7 | (4.7) | 11.0 |
| Notional interest charges | 0.0 | 0.0 | 0.0 | 0.0 | 0.7 | 2.9 | 3.6 |
| Revenue contributions to capital expenditure | 1.5 | 0.0 | 0.0 | 0.0 | 0.0 | 4.5 | 6.0 |
| | 122.9 | 47.6 | 45.5 | 37.2 | 25.7 | 85.8 | 364.7 |
| City Fund Requirement - Net Expenditure/(Income) | 60.3 | 25.3 | 12.0 | 10.8 | 13.3 | (24.1) | 97.6 |

| Committee Income and Expenditure 2013/14 | Police | Barbican Centre | Community & Children's Services | Planning & Transportation | Port Health & Environmental Services | Other | Total |
|---|---------------|------------------------|--|--------------------------------------|---|----------------|----------------|
| | £m | £m | £m | £m | £m | £m | £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 |

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.

| | 2014/15 £m | 2013/14 £m |
|---|-----------------------|-----------------------|
| Net expenditure in the Committee Analysis | 97.6 | 190.3 |
| Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the Analysis | (4.3) | (7.1) |
| Amounts included in the Analysis not included in the cost of services in the Comprehensive Income and Expenditure Statement | 49.9 | (57.7) |
| Cost of Services in the Comprehensive Income and Expenditure Statement | 143.2 | 125.5 |

EXPLANATORY NOTES TO THE CITY FUND FINANCIAL STATEMENTS

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.

| 2014/15 | 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 | (156.2) | 0.0 | 59.8 | (96.4) | (59.1) | (155.5) |
| Interest and investment income | (4.2) | 0.0 | 4.2 | 0.0 | (134.4) | (134.4) |
| National Business Rates | 0.0 | 0.0 | 0.0 | 0.0 | (219.0) | (219.0) |
| City Offset | 0.0 | 0.0 | 0.0 | 0.0 | (10.7) | (10.7) |
| City Premium | 0.0 | 0.0 | 0.0 | 0.0 | (6.2) | (6.2) |
| Income from council tax | 0.0 | 0.0 | 0.0 | 0.0 | (6.3) | (6.3) |
| Government grants and contributions | (77.2) | 0.0 | 1.2 | (76.0) | (97.3) | (173.3) |
| Transfers from reserves | (14.9) | 0.0 | 14.9 | 0.0 | 0.0 | 0.0 |
| Reversal of capital charges | (14.6) | 0.0 | 14.6 | 0.0 | 0.0 | 0.0 |
| City funding for refcus | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Total Income | (267.1) | 0.0 | 94.7 | (172.4) | (533.0) | (705.4) |
| Employee expenses | 156.3 | (4.3) | (1.5) | 150.5 | 1.6 | 152.1 |
| Other service expenses | 172.5 | 0.0 | (17.8) | 154.7 | 17.8 | 172.5 |
| Transfers to reserves | 14.5 | 0.0 | (14.5) | 0.0 | 0.0 | 0.0 |
| Depreciation, amortisation and impairment | 11.0 | 0.0 | (0.6) | 10.4 | 0.6 | 11.0 |
| Notional interest charges | 3.6 | 0.0 | (3.6) | 0.0 | 0.0 | 0.0 |
| Revenue contributions to capital expenditure | 6.0 | 0.0 | (6.0) | 0.0 | 0.0 | 0.0 |
| Interest Payments | 0.0 | 0.0 | 0.0 | 0.0 | 38.8 | 38.8 |
| 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 | 204.3 | 204.3 |
| 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 | (42.8) | (42.8) |
| Total Expenditure | 364.7 | (4.3) | (44.8) | 315.6 | 221.1 | 536.7 |
| Surplus or deficit on the provision of services | 97.6 | (4.3) | 49.9 | 143.2 | (311.9) | (168.7) |

EXPLANATORY NOTES TO THE CITY FUND FINANCIAL STATEMENTS

| 2013/14 | Committee Analysis | Amounts not reported for decision making | Amounts not included in Cost of Services | Cost of Services | Corporate Amounts | Total |
|--|--------------------|--|--|------------------|-------------------|----------------|
| | £m | £m | £m | £m | £m | £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 and contributions | (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) |

32. Trading Operations

| | 2014/15 £m | 2013/14 £m |
|---------------------|---------------|---------------|
| Spitalfields Market | | |
| Turnover | (6.2) | (5.9) |
| Expenditure | 5.6 | 5.2 |
| Surplus | (0.6) | (0.7) |

Spitalfields Market is a horticultural market serving wholesalers, retailers and caterers from London and a wide area in the Home Counties.

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 (2013/14: £2.5m) and £5.5m (2013/14: £2.4m) 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 £8,396 (2013/14: £10,100) 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 2014/15 and 2013/14 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. The information in table 1 relates to those officers' full salary and not just the part charged to the City Fund.

Table 1 – Remuneration in bands

| Salary Range £ | Wholly charged to City Fund | | | | Partially Charged to City Fund | |
|-------------------|-----------------------------|---------|---------|---------|--------------------------------------|---------|
| | 2014/15 | 2013/14 | 2014/15 | 2013/14 | 2014/15 | 2013/14 |
| | Police Officers | | Other | | Other | |
| 50 - 54,999 | 122 | 114 | 59 | 50 | 59 | 61 |
| 55 - 59,999 | 72 | 62 | 38 | 32 | 42 | 38 |
| 60 - 64,999 | 49 | 55 | 19 | 18 | 33 | 25 |
| 65 - 69,999 | 24 | 24 | 12 | 15 | 17 | 22 |
| 70 - 74,999 | 11 | 13 | 5 | 2 | 7 | 8 |
| 75 - 79,999 | 8 | 1 | 1 | 2 | 5 | 6 |
| 80 - 84,999 | 0 | 1 | 0 | 3 | 2 | 0 |
| 85 - 89,999 | 4 | 1 | 3 | 3 | 0 | 0 |
| 90 - 94,999 | 1 | 1 | 2 | 3 | 3 | 6 |
| 95 - 99,999 | 1 | 1 | 2 | 3 | 4 | 2 |
| 100 - 104,999 | 1 | 1 | 3 | 1 | 6 | 5 |
| 105 - 109,999 | 1 | 1 | 1 | 1 | 2 | 1 |
| 110 - 114,999 | 0 | 0 | 1 | 0 | 0 | 0 |
| 115 - 119,999 | 2 | 0 | 0 | 0 | 2 | 1 |
| 120 - 124,999 | 2 | 0 | 1 | 1 | 1 | 2 |
| 125 - 129,999 | 1 | 0 | 0 | 1 | 1 | 2 |
| 130 - 134,999 | 2 | 0 | 1 | 1 | 1 | 1 |
| 135 - 139,999 | 0 | 0 | 1 | 0 | 0 | 0 |
| 140 - 144,999 | 1 | 1 | 0 | 1 | 1 | 1 |
| 145 - 149,999 | 1 | 0 | 0 | 0 | 1 | 0 |
| 155 - 159,999 | 0 | 0 | 0 | 0 | 1 | 0 |
| 175 - 179,999 | 0 | 1 | 0 | 0 | 0 | 1 |
| 185 - 189,999 | 0 | 0 | 1 | 1 | 0 | 0 |
| 205 - 209,999 | 0 | 0 | 0 | 0 | 0 | 1 |
| 220 - 224,999 | 1 | 0 | 0 | 0 | 1 | 0 |

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

EXPLANATORY NOTES TO THE CITY FUND FINANCIAL STATEMENTS

Table 2 - 2014/15 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 | Compensation for Loss of Office £000 | Other Payments (Police Officers only) £000 | Total Remuneration excluding pension contributions £000 | Pension Contributions £000 | Total Remuneration including Pension Contributions £000 |
|---|----------------------------------|-------|---|--|---------------|------------------|--------------------------|---|---|---|-------------------------------|---|
| Salary is £150,000 or more a year | | | | | | | | | | | | |
| Town Clerk & Chief Executive | J. Barradell | i | 55% | 122 | | | | | | 122 | 11 | 133 |
| Chamberlain | P. Kane | i | 60% | 95 | | | | | | 95 | 17 | 112 |
| Chamberlain | C. Bilsland (left 5 May 2014) | i | 60% | 10 | | | | | | 10 | 0 | 10 |
| Police Commissioner | A. Leppard | | | 167 | 40 | | | | 14 | 221 | 0 | 221 |
| Managing Director Barbican Centre | N. Kenyon | | | 182 | 5 | | | | | 187 | 33 | 220 |
| Salary is between £50,000 and £150,000 | | | | | | | | | | | | |
| Director of Built Environment | - | | | 117 | 4 | | | | | 121 | 0 | 121 |
| Director of Community & Children's Services | - | | | 126 | 5 | | | | | 131 | 23 | 154 |
| Director of Culture, Heritage & Libraries | - | i | 65% | 69 | 1 | | | | | 70 | 12 | 82 |
| Deputy Town Clerk | - | i | 55% | 69 | 2 | | | | | 71 | 12 | 83 |
| Director of Markets & Consumer Protection | - | i | 55% | 57 | 6 | | | | | 63 | 11 | 74 |
| Director of Open Spaces | - | i | 30% | 28 | 1 | | 6 | | | 35 | 6 | 41 |
| Comptroller & City Solicitor | - | i | 65% | 92 | | | | | | 92 | 16 | 108 |
| City Surveyor | - | i | 40% | 56 | 2 | | | | | 58 | 0 | 58 |
| | | | | 1,190 | 66 | 0 | 6 | 0 | 14 | 1,276 | 141 | 1,417 |

Table 3 - 2013/14 remuneration for those senior employees and relevant police officers required to be disclosed individually

EXPLANATORY NOTES TO THE CITY FUND FINANCIAL STATEMENTS

| 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 | Compensation for Loss of Office £000 | Other Payments (Police Officers only) £000 | Total Remuneration excluding pension contributions £000 | Pension Contributions £000 | Total Remuneration including Pension Contributions £000 |
|---|--------------|-------|---|--|---------------|------------------|--------------------------|---|---|--|-------------------------------|--|
| Salary is £150,000 or more a year | | | | | | | | | | | | |
| Town Clerk & Chief Executive | J. Barradell | i | 60% | 125 | 0 | 0 | 0 | 0 | 0 | 125 | 22 | 147 |
| Chamberlain | C. Bilsland | i | 65% | 114 | 3 | 0 | 0 | 0 | 0 | 117 | 1 | 118 |
| Police Commissioner | A. Leppard | | | 165 | 0 | 0 | 0 | 0 | 13 | 178 | 33 | 211 |
| Managing Director Barbican Centre | N. Kenyon | | | 180 | 5 | 0 | 0 | 0 | 0 | 185 | 32 | 217 |
| Salary is between £50,000 and £150,000 | | | | | | | | | | | | |
| Director of Built Environment | - | | | 139 | 4 | 0 | 0 | 0 | 0 | 143 | 25 | 168 |
| Director of Community & Children's Services | - | | | 124 | 0 | 0 | 0 | 0 | 0 | 124 | 22 | 146 |
| Director of Culture, Heritage & Libraries | - | i | 65% | 68 | 1 | 0 | 0 | 0 | 0 | 69 | 12 | 81 |
| City Planning Officer | - | | | 128 | 1 | 0 | 0 | 0 | 0 | 129 | 1 | 130 |
| Deputy Town Clerk | - | i | 60% | 74 | 0 | 0 | 0 | 0 | 0 | 74 | 13 | 87 |
| Director of Markets & Consumer Protection | - | i | 65% | 64 | 0 | 0 | 0 | 0 | 0 | 64 | 11 | 75 |
| Director of Open Spaces | - | i | 25% | 23 | 0 | 0 | 6 | 0 | 0 | 29 | 5 | 34 |
| Comptroller & City Solicitor | - | i | 60% | 81 | 0 | 0 | 0 | 0 | 0 | 81 | 14 | 95 |
| City Surveyor | - | i | 30% | 42 | 1 | 0 | 0 | 0 | 0 | 43 | 0 | 43 |
| | | | | 1,327 | 15 | 0 | 6 | 0 | 13 | 1,361 | 191 | 1,552 |

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 tables 2 and 3 relates to the proportion charged to local authority and police activities. The total salary for each of these officers is as follows:

| | 2014/15 Total Salary £000 | 2013/14 Total Salary £000 |
|--|--|--|
| Town Clerk and Chief Executive | 222 | 208 |
| Chamberlain (P. Kane started 1 April 2014) | 158 | 0 |
| Chamberlain (C. Bilsland left 5 May 2014) | 17 | 175 |
| Director of Culture, Heritage & Libraries | 106 | 105 |
| Deputy Town Clerk | 125 | 123 |
| Director of Markets & Consumer Protection | 104 | 98 |
| Director of Open Spaces | 93 | 92 |
| Comptroller & City Solicitor | 142 | 135 |
| City Surveyor | 140 | 140 |

36. Exit Packages

2014/15

| | Exit Package Cost Band | | | | | | | Total |
|---|------------------------|-------------------|-------------------|-------------------|--------------------|---------------------|---------------------|--------------|
| | £0 - £20,000 | £20,001 - £40,000 | £40,001 - £60,000 | £60,001 - £80,000 | £80,001 - £100,000 | £100,001 - £150,000 | £150,001 - £170,000 | |
| Number of compulsory redundancies (FTE No.) | 6.0 | 4.0 | 1.0 | 0.0 | 0.0 | 0.0 | 0.0 | 11.0 |
| Number of Other Departures Agreed (FTE No.) | 1.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 1.0 |
| Packages by Cost Band (FTE No.) | 7.0 | 4.0 | 1.0 | 0.0 | 0.0 | 0.0 | 0.0 | 12.0 |
| Total Cost of Exit Packages in Each Band (£'000) | 106.0 | 115.0 | 52.0 | 0.0 | 0.0 | 0.0 | 0.0 | 273.0 |

2013/14

| | Exit Package Cost Band | | | | | | | Total |
|---|------------------------|-------------------|-------------------|-------------------|--------------------|---------------------|---------------------|--------------|
| | £0 - £20,000 | £20,001 - £40,000 | £40,001 - £60,000 | £60,001 - £80,000 | £80,001 - £100,000 | £100,001 - £150,000 | £150,001 - £170,000 | |
| Number of compulsory redundancies (FTE No.) | 4.0 | 3.0 | 3.0 | 1.0 | 1.0 | 0.0 | 0.0 | 12.0 |
| Number of Other Departures Agreed (FTE No.) | 2.0 | 1.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 3.0 |
| Packages by Cost Band (FTE No.) | 6.0 | 4.0 | 3.0 | 1.0 | 1.0 | 0.0 | 0.0 | 15.0 |
| Total Cost of Exit Packages in Each Band (£'000) | 92.0 | 110.0 | 151.0 | 71.0 | 85.0 | 0.0 | 0.0 | 509.0 |

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.

| | 2014/15 £m | 2013/14 £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. | 0.12 | 0.12 |
| 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 | 0.01 | 0.03 |
| | 0.15 | 0.17 |

The fees for other services payable in both 2013/14 and 2014/15 related to property advisory services.

Audit Fees of £0.02m (2013/14 £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 2014/15, the City of London received a specific grant from the Department for Education, the Dedicated Schools Grant (DSG), of £m (2013/14: £2.48m). 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 2014/15 are as follows:

| | Schools Budget Funded by Dedicated Schools Grant | | |
|---|--|--------------------------|-------------|
| | Central Expenditure | Individual School Budget | Total |
| | £m | £m | £m |
| Final DSG for 2014/15 before Academy recoupment | 0.66 | 1.80 | 2.46 |
| Academy Figure recouped for 2014/15 | 0.00 | 0.00 | 0.00 |
| Total DSG after Academy recoupment for 2014/15 | | | 2.46 |
| Brought forward from 2013/14 | 0.88 | 0.00 | 0.88 |
| Carry forward to 2014/15 agreed in advance | | | 0.00 |
| Agreed initial budgeted distribution in 2014/15 | 1.54 | 1.80 | 3.34 |
| In year adjustments | 0.04 | 0.00 | 0.04 |
| Final budgeted distribution in 2014/15 | 1.58 | 1.80 | 3.38 |
| Less actual central expenditure | (0.62) | | (0.62) |
| Less actual ISB deployed to schools | | (1.80) | (1.80) |
| Local authority contribution for 2014/15 | 0.00 | 0.00 | 0.00 |
| Carry forward to 2015/16 | 0.96 | 0.00 | 0.96 |

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.

EXPLANATORY NOTES TO THE CITY FUND FINANCIAL STATEMENTS

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.

| | 2014/15 £m | 2013/14 £m |
|---|----------------|---------------|
| Credited to Taxation and Non Specific Grant Income | | |
| <u>Revenue Grants</u> | | |
| City Offset | (10.7) | (10.5) |
| Revenue Support Grant | (17.4) | (22.2) |
| Police Grant | (55.2) | (57.8) |
| Council Tax Freeze Grant | (0.1) | (0.1) |
| New Homes Bonus | (0.8) | (0.4) |
| Council Tax Localisation | 0.0 | (0.1) |
| Capitalisation and Provision Redistribution Grant | 0.0 | (0.1) |
| BRAS Compensation Grant | (0.3) | 0.0 |
| Other Non-Specific Government Grants | (0.3) | (0.3) |
| <u>Capital Grants and contributions</u> | | |
| Home Office | (1.2) | (0.8) |
| Transport for London | (5.5) | (2.3) |
| Section 106/278 Contributions | (7.3) | (4.0) |
| Donated Assets | (8.4) | 0.0 |
| Other capital grants and contributions | (0.8) | (0.7) |
| Total | (108.0) | (99.3) |
| Credited to Services | | |
| <u>Revenue Grants (Government)</u> | | |
| Home Office | | |
| Counter Terrorism | (7.8) | (8.4) |
| Police Pensions | (14.1) | (15.4) |
| National Fraud Intelligence Bureau | (10.6) | (3.2) |
| National Cyber Security Programme | 0.0 | (2.2) |
| National Lead Force for Fraud | (2.9) | (2.8) |
| Regional Capability on Economic Crime | 0.0 | (0.4) |
| Innovation Fund | (0.2) | 0.0 |
| Other | (0.5) | (0.9) |
| Department for Work and Pensions | | |
| Housing and Council Tax Benefit | (6.1) | (6.0) |
| HM Courts and Tribunals Service | (4.9) | (4.9) |
| Department for Education | | |
| Dedicated Schools Grant | (2.4) | (2.3) |
| Other | (0.2) | (0.1) |
| Department for Communities and Local Government | | |
| Cost of Collection Allowance | (1.7) | (1.7) |
| Other | 0.0 | (0.1) |
| Department for Health | | |
| Public Health | (1.7) | (1.7) |
| Other | (0.1) | (0.4) |
| Transport for London | (4.2) | (4.1) |
| Intellectual Property Office | (1.2) | (0.8) |
| Greater London Authority | (0.6) | (0.6) |
| Department for International Development | (1.2) | (1.1) |
| Other revenue grants (Government) | (2.9) | (2.0) |
| <u>Non Government revenue grants and contributions</u> | | |
| S106/S278 contributions | (1.9) | (1.5) |
| UK Payments Administration Ltd | (2.3) | (2.6) |
| Association of British Insurers | (3.2) | (2.4) |
| European Commission | (0.3) | 0.0 |
| Other | (4.1) | (3.8) |
| <u>Capital Grants and contributions (funding revenue expenditure under statute)</u> | | |
| Section 106 contributions | 0.0 | 0.0 |
| Other | (0.3) | (0.4) |
| Total | (75.4) | (69.8) |

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

| | 2014/15 £m | 2013/14 £m |
|---|---------------|---------------|
| Capital Grants and Contributions Receipts in Advance | | |
| S106/S278 Capital Contributions | 70.7 | 71.4 |
| Home Office | 0.0 | 0.3 |
| Other | 0.1 | 0.1 |
| Total | 70.8 | 71.8 |

Short Term

| | 2014/15 £m | 2013/14 £m |
|--|---------------|---------------|
| Revenue Grants Receipts in Advance | | |
| Department for Education | 0.9 | 0.9 |
| Skills Funding Agency | 0.7 | 0.9 |
| Cabinet Office | 0.2 | 0.0 |
| Department of Health | 0.1 | 0.0 |
| Department for Environment, Food and Rural Affairs | 0.0 | 0.1 |
| Other | 0.1 | 0.1 |
| Total | 2.0 | 2.0 |

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 2014/15 including instances where their close family has made transactions with the City of London.

During 2014/15 the following transactions were disclosed;

- a Member declared an interest in the London Symphony Orchestra which was paid £1,947,000 for performances at the Barbican Centre. Premises and services were provided to the Orchestra for which £46,000 was received;
- the City Corporation nominates ten Members to the various committees of London Councils and another Member declared that he has an independent place on the Leaders Committee. London Councils was paid £289,000 for various subscriptions and services;
- a Member is a Trustee of the City of London Festival. This charity received £436,000 from the City Corporation in relation to payments for services and a loan;
- two Members declared interests in PWC LLP which was paid £399,000 for consultancy services. £115,000 was received from the company for the hire of an event space;
- a Member is a Director of the Keepmoat Regeneration Ltd which provided services to the Corporation at a cost of £236,000;
- four Members and one Chief Officer are Directors of the ‘Lord Mayors Show Ltd’. The company received £31,000 for participation in the Lord Mayor’s Show and paid the City Corporation £20,000 for the provision of services;
- a former common councillor represents the City Corporation on Age UK London which was paid £20,000 towards a project;
- a Member is a Board Member of London and Partners which was paid £55,000 for participation in workshops and exhibitions;

EXPLANATORY NOTES TO THE CITY FUND FINANCIAL STATEMENTS

- one Member declared that a member of their family worked for Knight Frank which was paid £25,000 for services;
- a Member is a Director of Museum of London Archaeology which provided services to the City Corporation at a cost of £20,000; and
- the City Corporation nominates a Member to the Local Government Association which was paid a subscription of £13,000.

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.

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 2014/15 was £5.3m (2013/14: £5.3m). 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 2015 are shown in notes 21 and 22.

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

During 2014/15 there were no significant transactions between the City Fund and the other main funds of the City Corporation.

During 2013/14 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 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 2015 are shown in notes 22 and 24 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 2015 | 31 March 2014 |
|-------------------------------|----------------------|----------------------|
| | £m | £m |
| Property, Plant and Equipment | | |
| Other Land and Buildings | 2.6 | 2.3 |
| Vehicles, Plant and Equipment | 0.2 | 0.2 |
| Investment Properties | 3.4 | 2.2 |
| | 6.2 | 4.7 |

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 2015 | 31 March 2014 |
|-----------------------|----------------------|----------------------|
| | £m | £m |
| Long Term Liabilities | 0.4 | 0.4 |

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

EXPLANATORY NOTES TO THE CITY FUND FINANCIAL STATEMENTS

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 2015 | 31 March 2014 |
|--|---------------|---------------|
| | £m | £m |
| Finance lease debtor (net present value of minimum lease payments) | | |
| current | 0.6 | 0.5 |
| non-current | 7.9 | 8.6 |
| Unearned finance income | 1.2 | 1.3 |
| Gross investment in the lease | 9.7 | 10.4 |

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 2015 | 31 March 2014 | 31 March 2015 | 31 March 2014 |
| | £m | £m | £m | £m |
| Not later than one year | 0.7 | 0.7 | 0.7 | 0.7 |
| Later than one year and not later than five years | 2.9 | 2.9 | 2.9 | 2.9 |
| Later than five years | 6.1 | 6.8 | 6.1 | 6.8 |
| | 9.7 | 10.4 | 9.7 | 10.4 |

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

Income from investment properties is set out in note 16.

EXPLANATORY NOTES TO THE CITY FUND FINANCIAL STATEMENTS

Operating Leases

City as Lessee

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

| | 31 March 2015 | 31 March 2014 |
|---|---------------|---------------|
| | £m | £m |
| Not later than one year | 1.3 | 1.5 |
| Later than one year and not later than five years | 3.2 | 3.0 |
| Later than five years | 16.3 | 19.5 |
| | 20.8 | 24.0 |

The expenditure charged to the provision of services in the Comprehensive Income and Expenditure Statement during the year in relation to these leases was £1.3m (2013/14: £1.5m).

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 2015 | 31 March 2014 |
|---|---------------|---------------|
| | £m | £m |
| Not later than one year | 47 | 44 |
| Later than one year and not later than five years | 147 | 137 |
| Later than five years | 2,523 | 2,119 |
| | 2,717 | 2,300 |

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. Revaluation and Impairment Losses and Reversals

Losses on revaluation amount to £0.2m in 2014/15 (2013/14: £1.6m) have been offset against the balances on the revaluation reserve. Losses reflected in the Comprehensive Income and Expenditure Statement are nil (2013/14: £0.8m). Reversals of previous revaluation and impairment losses amounting to £11.4m (2013/14: £26.6m) have been credited to the Comprehensive Income and Expenditure Statement. Revaluation and impairment losses and reversals have been charged or credited to the following lines in the Comprehensive Income and Expenditure Account:

| | 2014/15 | | 2013/14 | |
|---------------------------------------|--------------|-----------------|--------------|-----------------|
| | Losses £m | Reversals £m | Losses £m | Reversals £m |
| Police Services | 0.0 | (0.7) | 0.0 | (0.8) |
| Cultural and Related Services | | | | |
| Barbican Centre | 0.0 | (3.4) | 0.1 | 0.0 |
| Other Cultural and Related Services | 0.0 | (0.2) | 0.0 | 0.0 |
| Environmental and Regulatory Services | 0.0 | (0.8) | 0.0 | (1.0) |
| Planning Services | 0.0 | (0.1) | 0.0 | 0.0 |
| Highways and Transport Services | 0.0 | (0.4) | 0.7 | (0.6) |
| Housing Services | | | | |
| Housing Revenue Account | 0.0 | (5.7) | 0.0 | (19.1) |
| Other Housing Services | 0.0 | 0.0 | 0.0 | (0.3) |
| Central Services | | | | |
| Court Services | 0.0 | (0.1) | 0.0 | (4.8) |
| | 0.0 | (11.4) | 0.8 | (26.6) |

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.

EXPLANATORY NOTES TO THE CITY FUND FINANCIAL STATEMENTS

Assets and Liabilities in Relation to Retirement Benefits

a. Reconciliation of present value of the scheme liabilities

| | CITY OF LONDON CORPORATION | | CITY FUND SHARE | |
|---|----------------------------|---------------------|----------------------------|----------------------------|
| | 31 March 2015 £m | 31 March 2014 £m | 50% 31 March 2015 £m | 49% 31 March 2014 £m |
| 1 April | (1,065.0) | (988.7) | (521.9) | (484.4) |
| Current Service Cost | (25.0) | (24.8) | (12.5) | (12.2) |
| Interest Cost | (46.2) | (43.8) | (23.1) | (21.5) |
| Remeasurement gains/losses: | | | | |
| Actuarials Gains/losses arising from demographic assumptions | 0.0 | (37.1) | 0.0 | (18.2) |
| Actuarials gains/losses arising from changes in financial assumptions | (143.3) | (11.6) | (82.2) | (5.7) |
| Other Actuarial Gains/Losses | (0.3) | 10.7 | (0.2) | 5.2 |
| Past Service Cost, including curtailments | (0.2) | (0.5) | (0.1) | (0.2) |
| Liabilities extinguished on settlements | 0.5 | 3.7 | 0.3 | 1.8 |
| Benefits paid | 36.7 | 33.8 | 18.4 | 16.6 |
| Contributions from scheme participants | (8.3) | (7.3) | (4.2) | (3.6) |
| Unfunded Pension Payments | 0.6 | 0.6 | 0.3 | 0.3 |
| 31 March | (1,250.5) | (1,065.0) | (625.2) | (521.9) |

Liabilities are discounted to their value at current prices, using a discount rate of 3.3% (based on the annualised yield at the 18 year point on the Merrill Lynch AA rated corporate bond yield curve).

EXPLANATORY NOTES TO THE CITY FUND FINANCIAL STATEMENTS

b. Reconciliation of fair value of the scheme assets

| | CITY OF LONDON CORPORATION | | CITY FUND SHARE | |
|--------------------------------------|----------------------------|---------------|-----------------|--------------|
| | 31 March 2015 | 31 March 2014 | 50% | 49% |
| | £m | £m | £m | £m |
| 1 April | 663.5 | 646.9 | 325.2 | 317.0 |
| Interest on Assets | 29.0 | 28.9 | 14.5 | 14.1 |
| Remeasurement gains/losses: | | | | |
| Return on Assets less interest | 69.7 | (5.7) | 34.9 | (2.8) |
| Other actuarial gains/losses | 0.0 | 4.8 | 6.6 | 2.4 |
| Administration expenses | (0.5) | (0.5) | (0.3) | (0.2) |
| Contributions by Employer | 19.8 | 18.5 | 9.9 | 9.1 |
| Contributions by Scheme Participants | 8.4 | 7.3 | 4.2 | 3.6 |
| Benefits Paid | (37.3) | (34.4) | (18.7) | (16.9) |
| Settlement Prices Received/(Paid) | (0.3) | (2.3) | (0.1) | (1.1) |
| 31 March | 752.3 | 663.5 | 376.2 | 325.2 |

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

| | 31 March 2015 | 31 March 2014 |
|--------------------|---------------|---------------|
| | % | % |
| Equity Investments | 84 | 83 |
| Gilts | 13.6 | 11 |
| Cash | n/a | 5 |
| Bonds | 2.4 | 1 |
| | 100 | 100 |

c. Overall net deficit

| | CITY OF LONDON CORPORATION | | CITY FUND SHARE | |
|-----------------------|----------------------------|----------------|-----------------|----------------|
| | 31 March 2015 | 31 March 2014 | 50% | 49% |
| | £m | £m | £m | £m |
| 1 April | (401.5) | (341.8) | (196.7) | (167.4) |
| change in liabilities | (185.5) | (76.3) | (103.3) | (37.5) |
| change in assets | 88.8 | 16.6 | 51.0 | 8.2 |
| 31 March | (498.2) | (401.5) | (249.0) | (196.7) |

EXPLANATORY NOTES TO THE CITY FUND FINANCIAL STATEMENTS

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.

| | 2014/15 | 2013/14 |
|--|---------|---------|
| Mortality assumptions: | | |
| Life expectancy in years from age 65 | | |
| Retiring today | | |
| Men | 22.9 | 22.9 |
| Women | 25.3 | 25.2 |
| Retiring in 20 years | | |
| Men | 24.7 | 24.6 |
| Women | 27.2 | 27.1 |
| Rate of Inflation - RPI | 3.2% | 3.6% |
| Rate of Inflation - CPI | 2.4% | 2.8% |
| Salary Increases | 3.9% | 4.3% |
| Pension Increases | 2.4% | 2.8% |
| Discount Rate | 3.3% | 4.4% |
| Take-up of option to convert annual pension into retirement lump sum | 75.0% | 75.0% |

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 2015

| | CITY OF LONDON CORPORATION | | CITY FUND | |
|--|----------------------------|----------------|----------------|----------------|
| | Increase £m | Decrease £m | Increase £m | Decrease £m |
| 0.1% change in rate for discounting scheme liabilities | (21.8) | 22.2 | (10.7) | 10.9 |
| 0.1% change in rate of increase in salaries | 2.9 | (2.8) | 1.4 | (1.4) |
| 0.1% change in rate of increase in pensions | 19.5 | (19.1) | 9.6 | (9.4) |
| One year change in rate of mortality assumption | (44.1) | 44.5 | (21.6) | 21.8 |

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 £258.0m 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 2016 are £19.9m (estimated City Fund Share £9.95m).

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 Police Pension Scheme 2015 will come into effect from 1 April 2015 and any benefits accrued from that date will be based on career average revalued salaries, with exceptions for those members that have transitional protection in their existing scheme. The last full valuation of the Police Pension Scheme was at 31 March 2012 by the Government Actuary's Department. The next combined actuarial valuation will be carried out as at March 2016.

EXPLANATORY NOTES TO THE CITY FUND FINANCIAL STATEMENTS

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 2015 | | 31 March 2014 | |
|---|---------------|----------------|---------------|----------------|
| | 2006 | 1987 | 2006 | 1987 |
| | Scheme £m | Scheme £m | Scheme £m | Scheme £m |
| 1 April | (14.0) | (681.1) | (10.5) | (594.7) |
| Current Service Cost | (1.5) | (13.8) | (1.2) | (12.7) |
| Interest Cost | (0.6) | (29.5) | (0.5) | (26.2) |
| Remeasurement gains/losses: | | | | |
| Actuarials Gains/losses arising from demographic assumptions | 0.0 | 0.0 | (0.4) | (30.0) |
| Actuarials gains/losses arising from changes in financial assumptions | (4.7) | (89.8) | (0.3) | (24.0) |
| Other Actuarial Gains/Losses | 0.0 | 0.0 | (0.5) | (17.5) |
| Benefits paid | 0.0 | 25.3 | 0.0 | 26.8 |
| Contributions from scheme participants | (0.7) | (3.4) | (0.6) | (3.3) |
| Injury Benefits Paid | 0.0 | 0.6 | 0.0 | 0.5 |
| 31 March | (21.5) | (791.7) | (14.0) | (681.1) |

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: | 2014/15 | 2013/14 |
|--------------------------------------|----------------|----------------|
| Life expectancy in years from age 65 | | |
| Retiring today | | |
| Men | 23.0 | 22.9 |
| Women | 25.3 | 25.2 |
| Retiring in 20 years | | |
| Men | 25.3 | 24.6 |
| Women | 27.7 | 27.1 |
| Rate of Inflation - RPI | 3.2% | 3.6% |
| Rate of Inflation - CPI | 2.4% | 2.8% |
| Salary Increases | 4.2% | 4.6% |
| Pension Increases | 2.4% | 2.8% |
| Discount Rate | 3.3% | 4.4% |

EXPLANATORY NOTES TO THE CITY FUND FINANCIAL STATEMENTS

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 2015

| | Increase | | Decrease | |
|--|-------------|-------------|-------------|-------------|
| | £'m | £m | £m | £m |
| | 2006 Scheme | 1987 Scheme | 2006 Scheme | 1987 Scheme |
| 0.1% change in rate for discounting scheme liabilities | (0.7) | (13.7) | 0.8 | 13.9 |
| 0.1% change in rate of increase in salaries | 0.2 | 1.6 | (0.2) | (1.6) |
| 0.1% change in rate of increase in pensions | 0.5 | 12.5 | (0.5) | (12.2) |
| One year change in rate of mortality assumption | (0.7) | (28.0) | 0.7 | 28.2 |

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 £813.2m 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.

From 1 April 2015, the Police Pension Scheme 2015 came into force. The total employer contributions for the combined position of the Police Pension Schemes 1987, 2006 and 2015 for the year to 31 March 2016 are expected to be £7.4m and the expected top up grant from the Government is £13.4m.

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 2015 | 31 March 2014 |
|--|----------------------|----------------------|
| | £m | £m |
| 1 April | (1.8) | (1.6) |
| Current Service Cost | (0.1) | (0.1) |
| Interest Cost | (0.1) | 0.0 |
| Remeasurement gains/losses: | | |
| Actuarial gains/losses arising from changes in financial assumptions | (0.1) | 0.1 |
| Other Actuarial Gains/Losses | 0.0 | (0.2) |
| Benefits paid | 0.1 | 0.0 |
| Contributions from scheme participants | 0.0 | 0.0 |
| 31 March | (2.0) | (1.8) |

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 2015

| | Increase | Decrease |
|--|-----------------|-----------------|
| | £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 | (0.07) | 0.07 |

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 £2.0m has an impact on the net worth of the City Fund as recorded in the Balance Sheet. However, as set out in note 7, 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 13 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 2014/15 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% (2013/14: £0.1m and 14.1%). Following the last valuation of the Scheme as at 31 March 2014 by the Government Actuary's Department the employer's contribution rate will increase to 16.4% from 1 September 2015.

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 2014/15 no payments were made (2013/14: £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.

2014/15 Transactions

| | Police | Judges | City of London | Total |
|---|---------|--------|----------------|---------|
| | £m | £m | £m | £m |
| Comprehensive Income & Expenditure Statement | | | | |
| Cost of Services: | | | | |
| Current service cost | 15.3 | 0.1 | 12.5 | 27.9 |
| Past service costs | 0.0 | 0.0 | 0.1 | 0.1 |
| (gain)/loss from settlements | 0.0 | 0.0 | (0.2) | (0.2) |
| Other Operating Income | | | | |
| administration expenses | 0.0 | 0.0 | 0.3 | 0.3 |
| Financing & Investment Income & Expenditure | | | | |
| Interest cost | 30.1 | 0.1 | 8.6 | 38.8 |
| Total Retirement Benefit Charged to the Surplus or Deficit on the Provision of Services | 45.4 | 0.2 | 21.4 | 67.0 |
| Other Retirement Benefit Charged to the Comprehensive Income & Expenditure Statement | | | | |
| Remeasurement of the net defined benefit liability: | | | | |
| Return on plan assets | 0.0 | 0.0 | (34.9) | (34.9) |
| Actuarial (gains) & losses - changes in demographic assumptions | 0.0 | 0.0 | 0.0 | 0.0 |
| Actuarial (gains) & losses - changes in financial assumptions | 94.5 | 0.1 | 82.2 | 176.8 |
| Actuarial (gains) & losses - Other | 0.0 | 0.0 | (6.5) | (6.5) |
| Total Retirement Benefit Charged/(Credited) to the Comprehensive Income & Expenditure Statement | 139.9 | 0.3 | 62.2 | 202.4 |
| Movement in Reserves Statement | | | | |
| Reversal of net charges/credits for retirement benefits in accordance with the Code | (139.9) | (0.3) | (62.2) | (202.4) |
| Actual amount charged against the City Fund General Reserve | 21.8 | 0.1 | 9.9 | 31.8 |

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 2015 a loss of £135.5m and at 31 March 2014 was a loss of £91.9m.

EXPLANATORY NOTES TO THE CITY FUND FINANCIAL STATEMENTS

2013/14 Transactions

| | Police | Judges | City of London | Total |
|---|---------------|---------------|-----------------------|--------------|
| | £m | £m | £m | £m |
| Comprehensive Income & Expenditure Statement | | | | |
| Cost of Services: | | | | |
| Current service cost | 13.9 | 0.1 | 12.2 | 26.2 |
| Past service costs | 0.0 | 0.0 | 0.2 | 0.2 |
| (gain)/loss from settlements | 0.0 | 0.0 | (0.7) | (0.7) |
| Other Operating Income | | | | |
| administration expenses | 0.0 | 0.0 | 0.2 | 0.2 |
| Financing & Investment Income & Expenditure | | | | |
| Interest cost | 26.7 | 0.0 | 7.4 | 34.1 |
| Total Retirement Benefit Charged to the Surplus or Deficit on the Provision of Services | 40.6 | 0.1 | 19.3 | 60.0 |
| Other Retirement Benefit Charged to the Comprehensive Income & Expenditure Statement | | | | |
| Remeasurement of the net defined benefit liability: | | | | |
| Return on plan assets | 0.0 | 0.0 | 2.8 | 2.8 |
| Actuarial (gains) & losses - changes in demographic assumptions | 30.4 | 0.0 | 18.2 | 48.6 |
| Actuarial (gains) & losses - changes in financial assumptions | 24.3 | (0.1) | 5.7 | 29.9 |
| Actuarial (gains) & losses - Other | 18.0 | 0.2 | (7.6) | 10.6 |
| Total Retirement Benefit Charged/(Credited) to the Comprehensive Income & Expenditure Statement | 113.3 | 0.2 | 38.4 | 151.9 |
| Movement in Reserves Statement | | | | |
| Reversal of net charges/credits for retirement benefits in accordance with the Code | (113.3) | (0.2) | (38.4) | (151.9) |
| Actual amount charged against the City Fund General Reserve | 23.4 | 0.0 | 9.1 | 32.5 |

EXPLANATORY NOTES TO THE CITY FUND FINANCIAL STATEMENTS

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 2015 | 31 March 2014 |
|---|---------------|---------------|
| | £m | £m |
| Present Value of the defined benefit obligation | | |
| City of London Pension Scheme | (621.7) | (518.6) |
| Police Pension Schemes | (811.6) | (693.3) |
| Judges Pension Scheme | (2.0) | (1.8) |
| Fair Value of plan assets | | |
| City of London Pension Scheme | 376.1 | 325.2 |
| Present value of unfunded obligation | | |
| City of London Pension Scheme | (3.5) | (3.3) |
| Police Pension Schemes | (1.6) | (1.9) |
| Net liability on balance sheet | (1,064.3) | (893.7) |

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; the City of London Corporation Combined Education Charity and Keats House. In neither case do the funds represent assets to the City Fund and therefore they have not been included in the Balance Sheet.

Keats House (charity registration number 1053381)

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". As at 31 March 2015 the Trust's net assets were £0.2m (2014: £0.2m).

The City of London Corporation Combined Education Charity (charity registration number 312836)

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. As at 31 March 2015 the Trust's net assets were £1.1m (2014: £1.2m).

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

| 2013/14 £m | | Notes | 2014/15 | |
|---------------|--|-------|---------|---------------|
| | | | £m | £m |
| | Expenditure | | | |
| 4.5 | Repairs and maintenance | | 4.8 | |
| 6.3 | Supervision and management | | 6.6 | |
| 2.5 | Depreciation of non-current assets | | 2.7 | |
| (19.1) | Revaluation gain on HRA dwellings | | (5.7) | |
| 0.0 | Movement in the allowance for bad debts | 1 | 0.2 | |
| (5.8) | Total Expenditure | | | 8.6 |
| | Income | | | |
| (9.5) | Dwelling rents | | (10.0) | |
| (1.6) | Non-dwelling rents | | (1.7) | |
| (2.8) | Charges for services and facilities | | (3.4) | |
| (0.2) | Contributions towards expenditure | | (0.1) | |
| (14.1) | Total Income | | | (15.2) |
| (19.9) | Net Expenditure/(Income) of HRA Services as included in the City Fund Comprehensive Income and Expenditure Statement cost of services | | | (6.6) |
| | HRA share of the operating income and expenditure included in the City Fund Comprehensive Inc.and Exp. Statement | | | |
| (0.1) | Interest and investment income | | | (0.1) |
| 0.0 | Investment property gain on revaluation | 7 | | (5.6) |
| 0.0 | Donated assets | 9 | | (8.4) |
| (19.9) | Deficit/(Surplus) for the year on HRA Services | | | (20.7) |

Movement on the HRA Statement

| 2013/14 £m | | Notes | 2014/15 | |
|---------------|--|-------|---------|--------------|
| | | | £m | £m |
| (6.0) | Balance on the HRA at the end of the previous year | | | (6.8) |
| (19.9) | Deficit/(Surplus) for the year on the HRA Income and Expenditure Statement | | (20.7) | |
| 19.1 | Adjustments between accounting basis and funding basis under statute | 2 | 19.9 | |
| (0.8) | Increase in year on the HRA | | | (0.8) |
| (6.8) | Balance on the HRA at the end of the current year | | | (7.6) |

1. Provision for Bad and Doubtful Debts

| | 2014/15 £m | 2013/14 £m |
|----------------------------------|---------------|---------------|
| Provision at 1 April | 0.30 | 0.39 |
| Bad Debts written off | (0.01) | (0.01) |
| Increase/(Decrease) in Provision | 0.24 | (0.08) |
| Provision at 31 March | 0.53 | 0.30 |

2. Adjustments between Accounting Basis and Funding Basis under Statute

Note 6 to the City Fund Financial Statements (page 33) provides further analysis of the adjustments between the accounting basis and funding basis under statute.

3. Housing Stock

As at 31 March 2015 the City of London's HRA rental stock was 1,891 dwellings. The HRA also includes costs and service charge income relating to properties sold on long leases of which there were 897 as at 31 March 2015 (2014: 888).

| | 31 March 2015 No. | 31 March 2014 No. |
|----------------------|----------------------|----------------------|
| Houses and Bungalows | 27 | 27 |
| Flats | 1,864 | 1,873 |
| Total | 1,891 | 1,900 |

| | 31 March 2015 No. | 31 March 2014 No. |
|-------------------|----------------------|----------------------|
| Stock at 1 April | 1,900 | 1,894 |
| Sales | (9) | (14) |
| New Build | 0 | 20 |
| Stock at 31 March | 1,891 | 1,900 |

NOTES TO THE HOUSING REVENUE ACCOUNT

4. Arrears of Rent, Service and Other Charges

As at 31 March 2015 the total arrears for rent, service charges and other charges were £1.55m (31 March 2014: £0.81m) as follows:

| | 31 March 2015 | 31 March 2014 |
|-----------------------------|---------------|---------------|
| | £m | £m |
| Former residential tenants | 0.11 | 0.09 |
| Current residential tenants | 0.23 | 0.17 |
| Commercial tenants | 0.24 | 0.08 |
| Service charges | 0.89 | 0.38 |
| Other charges | 0.08 | 0.09 |
| Total arrears | 1.55 | 0.81 |

5. HRA Property, Plant and Equipment

| Movements on Balances 2014/15 | Council Dwellings £m | Other Land & Buildings £m | Vehicles, Plant & Equipment £m | Assets under construction £m | Total £m |
|--|-------------------------|------------------------------|--------------------------------------|------------------------------------|--------------|
| Cost or valuation | | | | | |
| at 1 April 2014 | 175.9 | 32.5 | 0.2 | 1.6 | 210.2 |
| Additions | 11.7 | 0.0 | 0.0 | 1.1 | 12.8 |
| Transfers | 1.2 | (9.7) | 0.0 | (1.2) | (9.7) |
| Revaluation increases/(decreases) recognised in the Revaluation Reserve | 23.4 | 0.4 | 0.0 | 0.0 | 23.8 |
| Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services | 5.2 | 0.0 | 0.0 | 0.0 | 5.2 |
| Derecognition - disposals | (0.8) | 0.0 | 0.0 | 0.0 | (0.8) |
| at 31 March 2015 | 216.6 | 23.2 | 0.2 | 1.5 | 241.5 |
| Accumulated Depreciation and Impairment | | | | | |
| at 1 April 2014 | (0.1) | (0.6) | (0.2) | 0.0 | (0.9) |
| Depreciation Charge | (2.3) | (0.4) | 0.0 | 0.0 | (2.7) |
| Depreciation written out to the Revaluation Reserve | 1.8 | 0.0 | 0.0 | 0.0 | 1.8 |
| Depreciation written out to the Surplus/Deficit on the Provision of Services | 0.5 | 0.0 | 0.0 | 0.0 | 0.5 |
| Transfers | 0.0 | 0.4 | 0.0 | 0.0 | 0.4 |
| at 31 March 2015 | (0.1) | (0.6) | (0.2) | 0.0 | (0.9) |
| Net Book Value | | | | | |
| at 1 April 2014 | 175.8 | 31.9 | 0.0 | 1.6 | 209.3 |
| at 31 March 2015 | 216.5 | 22.6 | 0.0 | 1.5 | 240.6 |

6. HRA Property, Plant and Equipment - continued

| Movements on Balances 2013/14 | Council Dwellings £m | Other Land & Buildings £m | Vehicles, Plant & 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 increases/(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 |

NOTES TO THE HOUSING REVENUE ACCOUNT

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 2014 is estimated to be £585.9m (1 April 2013: £488m) which has been reduced by 70% to £175.8m (1 April 2013: £146m) to reflect social housing use. The reduction of £410.1m (1 April 2013: £342m) 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.

7. Investment Property

| | 2014/15 | 2013/14 |
|---------------------------------------|-------------|------------|
| | £m | £m |
| Balance at start of the year | 0.0 | 0.0 |
| Transfers | 14.1 | 0.0 |
| Additions | 0.0 | 0.0 |
| Disposals | 0.0 | 0.0 |
| Revaluations: | | |
| Net gains from fair value adjustments | 5.6 | 0.0 |
| Balance at end of the year | 19.7 | 0.0 |

8. Major Repairs Reserve

| | 2014/15 | 2013/14 |
|---|---------|---------|
| | £m | £m |
| Balance 1 April | (4.9) | (2.8) |
| Transfer from HRA equal to depreciation | | |
| dwellings | (2.3) | (2.1) |
| non dwellings | (0.4) | (0.3) |
| Capital expenditure (dwellings) | 0.5 | 0.3 |
| Balance 31 March | (7.1) | (4.9) |

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

9. HRA Capital Expenditure

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

| | 2014/15 | 2013/14 |
|---|---------|---------|
| | £m | £m |
| Expenditure in year | | |
| Fixed assets | | |
| Assets under construction | 1.1 | 1.4 |
| Dwellings | 11.6 | 1.0 |
| Other Land and Buildings | | |
| Revenue expenditure funded from capital under statute | 0.2 | 0.1 |
| | 12.9 | 2.5 |
| Methods of financing | | |
| Major Repairs Reserve | 0.5 | 0.3 |
| Reimbursements and Donations | 12.4 | 2.2 |
| | 12.9 | 2.5 |

During the year the HRA received a donation, valued at £8.4m, of 43 dwellings in Southwark as part of the Potters Field redevelopment. The dwellings were available for letting from June 2015.

10. Interest Charges

Interest charges met by the HRA 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.

COLLECTION FUND for the year ended 31 March 2015

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

| 2013/14 | | | | Notes | 2014/15 | | |
|-------------------|----------------------|-------------|---|-------|-------------------|----------------------|-------------|
| Council Tax £m | Business Rates £m | Total £m | | | Council Tax £m | Business Rates £m | Total £m |
| (6.0) | | (6.0) | | | INCOME | | |
| (0.2) | | (0.2) | Council Tax Receivable | 1 | (6.8) | (6.8) | |
| | | | Transfer from City Fund (Reliefs) | | (0.2) | (0.2) | |
| | (791.2) | (791.2) | National Business Rates | | | (814.6) | |
| | | | Deferrals | | | (0.8) | |
| | (1.5) | (1.5) | National Business Rates transitional protection payments | | | 0.0 | |
| | (31.0) | (31.0) | GLA Business Rate Supplement | | | (30.9) | |
| | (6.7) | (6.7) | City Business Rate Premium | | | (6.7) | |
| (6.2) | (830.4) | (836.6) | TOTAL INCOME | | (7.0) | (860.0) | |
| | | | EXPENDITURE | | | | |
| | | | Council Tax Precepts and Demands | | | | |
| 5.1 | | 5.1 | City | 2 | 5.3 | 5.3 | |
| 0.5 | | 0.5 | GLA | | 0.5 | 0.5 | |
| | | | National Business Rates Precepts and Demands | 2 | | | |
| | 215.0 | 215.0 | City | | | 219.1 | |
| | 143.3 | 143.3 | GLA | | | 146.1 | |
| | 358.4 | 358.4 | Central Government | | | 365.2 | |
| | | | National Business Rates transitional protection payments | | | 1.3 | |
| | 31.0 | 31.0 | Business Rate Supplement collected on behalf of GLA | | | 30.7 | |
| | 5.7 | 5.7 | City Business Rate Premium | | | 6.2 | |
| | 10.5 | 10.5 | City Offset | 5 | | 10.7 | |
| | | | Impairment of debts for Business Rates | | | | |
| | 1.8 | 1.8 | National | | | 1.8 | |
| | | | GLA | | | 0.1 | |
| | | | Impairment of appeals for Business Rates | | | | |
| | 113.7 | 113.7 | National | | | 69.7 | |
| | 1.0 | 1.0 | Premium | | | 0.6 | |
| | 1.7 | 1.7 | Cost of Collection Allowance | | | | |
| | | | National Business Rates | | | 1.7 | |
| | | | GLA Business Rate Supplement | | | 0.1 | |
| | | | Contributions towards previous year's estimated Collection Fund Surplus | | | | |
| | | | City | | 0.5 | 0.1 | |
| | | | GLA | | 0.1 | 0.1 | |
| | | | Central Government | | | 0.1 | |
| 6.1 | 882.1 | 888.2 | Total Expenditure | | 6.4 | 860.0 | |
| (0.1) | | (0.1) | (Surplus)/Deficit for Year | | (0.6) | 0.0 | |
| | 51.7 | 51.7 | National Business Rates | | | 0.6 | |
| | 0.0 | 0.0 | GLA Business Rate Supplement | | | 0.0 | |
| | 0.0 | 0.0 | City Premium | | | 0.0 | |
| (0.7) | 0.0 | (0.7) | Balance 1 April | | (0.8) | 50.9 | |
| (0.8) | 51.7 | 50.9 | Balance 31 March | | (1.4) | 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 2014/15 the City of London set a non-domestic rating multiplier of 0.486 (48.6p in the £) and a small business non-domestic rating multiplier of 0.475 (47.5p in the £). This comprises the NNDR and SBNDR multipliers of 0.482 and 0.471 respectively, plus a premium of 0.4p in the £ to provide additional funding to enable the City to continue to support Police, security, resilience 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 2014-15 financial year to finance the Crossrail project. The City collects the BRS on an agency basis on behalf of the GLA.

| | 2014/15 | 2013/14 |
|---|----------------|----------------|
| | £m | £m |
| National Business Rates | (863.3) | (843.4) |
| Government transition scheme | (1.3) | 1.5 |
| Non-domestic rates income after transition scheme | (864.6) | (841.9) |
| Less: Voids | 33.1 | 34.8 |
| Mandatory and discretionary relief | 13.3 | 11.2 |
| Partly occupied allowance | 3.6 | 4.7 |
| Net income from national business rates | (814.6) | (791.2) |

The total rateable value of the City at 31 March 2015 was £1,866m (31 March 2014: £1,866m).

2. 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 2014/15 calculated as follows:

| | £m | £m |
|---|--------|--------------|
| City of London's Original Budget | | 110.5 |
| Less: | | |
| Share of national business rates | (14.9) | |
| Non-Domestic rates premium | (6.5) | |
| Government grants | (72.6) | |
| City's Offset | (10.7) | |
| Estimated Collection Fund surplus | (0.5) | |
| | | (105.2) |
| Estimated amounts to be raised from Council Tax | | 5.3 |
| Divided by: | | |
| Council Tax base for the City area (number of Band D equivalent properties) | | No: 6,187.65 |
| Basic amount for Band D Property | | £ 857.31 |

To this £857.31 is added £84.48 in respect of the precept from the Greater London Authority to arrive at the total Council Tax of £941.79 for a Band D property in 2014/15. 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 | 627.86 |
| B | 7/9 | 732.51 |
| C | 8/9 | 837.14 |
| D | 9/9 | 941.79 |
| E | 11/9 | 1,151.07 |
| F | 13/9 | 1,360.37 |
| G | 15/9 | 1,569.65 |
| H | 18/9 | 1,883.58 |

NOTES TO THE COLLECTION FUND

3. Tax Bases 2014/15

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 | 5.33 | 5.33 |
| B | 0.00 | 0.00 | 167.61 | 167.61 |
| C | 0.00 | 0.00 | 485.78 | 485.78 |
| D | 0.00 | (1.25) | 339.88 | 338.63 |
| E | 7.94 | 3.67 | 2,372.64 | 2,384.25 |
| F | 39.36 | 23.47 | 1,345.14 | 1,407.97 |
| G | 26.25 | 57.50 | 1,405.00 | 1,488.75 |
| H | 0.00 | 4.00 | 231.00 | 235.00 |
| AGGREGATE RELEVANT AMOUNTS | 73.55 | 87.39 | 6,352.38 | 6,513.32 |
| COLLECTION RATE | 95% | 95% | 95% | 95% |
| TAX BASES | 69.87 | 83.02 | 6,034.76 | 6,187.65 |

4. 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 2014/15 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 may 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 2014/15.
- 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 2010 and again as at 31 March 2013 using the projected unit method. The changes in employer contribution rates as a result of the March 2010 and March 2013 valuations were effective from 1 April 2010 and 1 April 2014 respectively.

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

| | March 2010 | | March 2013 | |
|---------------------------|------------|-------------|------------|-------------|
| | % p.a. | Real % p.a. | % p.a. | Real % p.a. |
| Financial Assumptions | | | | |
| 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 | March 2013 |
|--------------------------|--------------|--------------|
| | £m | £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 | March 2013 |
|--------------------------------|---------------------|---------------------|
| | Contribution rate % | 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.

CITY OF LONDON PENSION FUND

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 2014/15 amounting to £20.7m, the amounts attributable to "deficit funding" are as follows:

| | Future Funding | Past-service Deficit Funding | Total Contributions |
|--|---------------------------|---|--------------------------------|
| | £m | £m | £m |
| Scheduled Bodies City of London | 13.0 | 6.2 | 19.2 |
| 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 | 0.1 | 0.3 |
| Other | 0.2 | 0.1 | 0.3 |
| Brookwood | | | |
| E&J Smithfield | | | |
| ETDE | | | |
| Enterprise | | | |
| Fusion Lifestyle | | | |
| Agilisys | | | |
| | 14.0 | 6.7 | 20.7 |

In the following tables and notes, the Admitted Bodies under "Other" are those listed above.

Fund Account for the year ended 31 March 2015

| 2013/14 £m | | Notes | 2014/15 £m |
|---------------|--|-------|---------------|
| | Contributions and benefits | | |
| (27.2) | Contributions receivable | 2 | (29.7) |
| (3.2) | Transfers in | | (2.8) |
| (0.4) | Other Income | | (0.4) |
| (30.8) | | | (32.9) |
| 36.7 | Benefits Payable | 3 | 40.7 |
| 2.1 | Payments to and on account of leavers | 4 | 1.5 |
| 0.6 | Administrative Expenses | 5 | 0.7 |
| 0.2 | Other Expenses | 6 | 0.0 |
| 39.6 | | | 42.9 |
| 8.8 | Net deductions | | 10.0 |
| | Returns on investments | | |
| (23.3) | Income from Investments | 7 | (5.2) |
| (25.7) | Change in market value of investment (realised and unrealised) | | (86.3) |
| 3.2 | Investment Management Expenses | 8 | 4.1 |
| (45.8) | Net Returns on Investment | | (87.4) |
| (37.0) | Net increase in the fund during the year | | (77.4) |
| (709.3) | Opening net assets of the scheme | | (746.3) |
| (746.3) | Closing net assets of the scheme | | (823.7) |

Net Assets Statement as at 31 March 2015

| 2013/14 Restated £m | | Notes | 2014/15 £m |
|---------------------------|---------------------------|-------|---------------|
| (729.0) | Investment assets | 9-13 | (817.0) |
| | Current Assets | 15 | |
| (17.9) | Cash and cash equivalents | | (7.5) |
| | Current liabilities | 16 | |
| 0.6 | Creditors | | 0.8 |
| (746.3) | Net assets | | (823.7) |

NOTES TO THE CITY OF LONDON PENSION FUND

1. Membership of the Fund

| | 2014/15 | | | | 2013/14 |
|------------------------------|----------------------|-------------------------------------|-------------------|---------------|---------------|
| | Current Contributors | Beneficiaries In Receipt of Pension | Deferred Benefits | Total | Total |
| | No. | No. | No. | No. | No. |
| CITY OF LONDON | 3,847 | 3,448 | 3,629 | 10,924 | 10,458 |
| SCHEDULED BODIES: | | | | | |
| Museum of London | 217 | 211 | 553 | 981 | 945 |
| Magistrates Court | 0 | 19 | 18 | 37 | 39 |
| Probation Committee | 0 | 3 | 0 | 3 | 3 |
| | 217 | 233 | 571 | 1,021 | 987 |
| ADMITTED BODIES: | | | | | |
| Irish Society | 6 | 9 | 2 | 17 | 17 |
| City Arts Trust | 0 | 0 | 0 | 0 | 1 |
| Parking Committee for London | 0 | 3 | 9 | 12 | 12 |
| Guildhall Club | 1 | 5 | 4 | 10 | 12 |
| City Academy - Southwark | 64 | 1 | 85 | 150 | 135 |
| Sir John Cass (Brookwood) | 2 | 0 | 0 | 2 | 2 |
| AMEY (Enterprise) | 9 | 3 | 3 | 15 | 15 |
| E & J | 0 | 0 | 1 | 1 | 1 |
| Agilysis | 25 | 0 | 3 | 28 | 26 |
| Bouygues (EDTE) | 1 | 0 | 1 | 2 | 2 |
| Cook & Butler | 3 | 0 | 0 | 3 | 0 |
| 1SC | 0 | 0 | 1 | 1 | 1 |
| | 111 | 21 | 109 | 241 | 224 |
| GRAND TOTAL | 4,175 | 3,702 | 4,309 | 12,186 | 11,669 |

2. Contributions

| | | 2014/15 | 2013/14 |
|----------------------------|--------------------------|----------------|----------------|
| | | £m | £m |
| Employers: | | | |
| Scheduled bodies | City of London | (19.22) | (17.96) |
| | Museum of London | (0.94) | (0.83) |
| Admitted bodies | Irish Society | (0.03) | (0.03) |
| | Guildhall Club | (0.01) | (0.03) |
| | City Academy - Southwark | (0.25) | (0.23) |
| | Other | (0.24) | (0.20) |
| | | (20.69) | (19.28) |
| Employees of: | | | |
| Scheduled bodies | City of London | (8.35) | (7.33) |
| | Museum of London | (0.47) | (0.43) |
| Admitted bodies | Irish Society | (0.01) | (0.01) |
| | Guildhall Club | 0.00 | (0.01) |
| | City Academy - Southwark | (0.10) | (0.08) |
| | Other | (0.11) | (0.06) |
| | | (9.04) | (7.92) |
| Total Contributions | | (29.73) | (27.20) |

AVC'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. AVC's of £0.50m were paid in 2014/15 (2013/14: £0.47m).

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

| | 2014/15 £m | 2013/14 £m |
|-------------------------------|---------------|---------------|
| Total Benefits Paid | | |
| Retired Employees pensions | 28.2 | 26.2 |
| lump sums | 8.1 | 6.7 |
| Lump sum on death | 1.3 | 0.9 |
| Widows' or Widowers' pensions | 3.0 | 2.8 |
| Children's pensions | 0.1 | 0.1 |
| | 40.7 | 36.7 |

| | 2014/15 £m | 2013/14 £m |
|--------------------------------|---------------|---------------|
| Benefits Paid Comprises | | |
| Scheduled Bodies | 40.6 | 36.3 |
| Admitted Bodies | 0.1 | 0.4 |
| | 40.7 | 36.7 |

4. Payments to and on account of leavers

| | 2014/15 £m | 2013/14 £m |
|--------------------------|---------------|---------------|
| Individual Transfers Out | 1.5 | 2.1 |

5. Administrative expenses

| | 2014/15 £m | 2013/14 £m |
|------------------------|---------------|---------------|
| Central administration | 0.5 | 0.5 |
| Computer costs | 0.2 | 0.1 |
| | 0.7 | 0.6 |

Audit fees of £18,842 have been charged to the Pension Fund (2013/14: £22,900).

6. Other Expenses

Other expenses of £0.2m in 2013/14 relates to miscellaneous investment payables accruing to the Artemis segregated fund.

7. Income from investments

| | 2014/15 £m | 2013/14 £m |
|--------------------------------------|---------------|---------------|
| Fixed Interest : | | |
| UK | (1.4) | (4.3) |
| Overseas | (0.6) | (0.9) |
| UK pooled units | 0.0 | (0.1) |
| UK equities | (1.2) | (9.5) |
| Overseas equities | (2.0) | (9.5) |
| Withholding tax on overseas equities | 0.2 | 1.0 |
| Interest on Cash Instruments | (0.2) | 0.0 |
| | (5.2) | (23.3) |

Investment income of £5.2m (2013/14 £23.3m) reflects the former investments the Pension Fund had in principally segregated equity and bond funds.

The revised investment policies of the Pension Fund are focussed on pooled vehicles and private equity investments. Dividends and interest are traditionally not paid across on these types of investments, but the value of the investments in the pooled vehicles is expected to increase more than with funds invested in segregated equities and bonds.

Where the shortfall of the Net Deductions on Contributions and Benefits Paid was previously covered by the investment income, it is intended to sell a part of the pooled vehicles as necessary to cover any shortfalls. There are no limitations imposed by the fund managers on the selling of these pooled vehicle funds.

8. Investment Management Expenses

In 2014/15, the City of London Pension Fund incurred investment management expenses of £4.09m (2013/14 £3.22m) and actuarial fees of £0.04m (2013/14 £0.03m).

NOTES TO THE CITY OF LONDON PENSION FUND

9. Investment Assets

The table below shows the movement in Market Values by asset type between 1 April 2014 and 31 March 2015.

| | Market Value at 01/04/2014 | Purchases at Cost | Sales Proceeds | Net (gain)/loss | Market Value at 31/03/2015 |
|----------------------------------|-------------------------------|----------------------|----------------|-----------------|-------------------------------|
| | £m | £m | £m | £m | £m |
| Managed Investments | | | | | |
| Fixed interest securities: | | | | | |
| UK | (81.0) | (66.4) | 147.8 | (0.4) | 0.0 |
| North America | (29.7) | (33.4) | 64.8 | (1.7) | 0.0 |
| Europe | (6.9) | 0.0 | 6.6 | 0.3 | 0.0 |
| Pooled Units | | | | | |
| UK | (151.1) | 0.0 | 0.8 | (12.4) | (162.7) |
| Global | (378.6) | (269.9) | 77.5 | (70.5) | (641.5) |
| Listed Equities: | | | | | |
| UK | (32.6) | (0.7) | 35.3 | (2.0) | (0.0) |
| Europe | (13.0) | (0.9) | 13.5 | 0.4 | 0.0 |
| North America | (4.1) | 0.0 | 4.5 | (0.4) | (0.0) |
| Japan | (1.5) | 0.0 | 1.7 | (0.2) | (0.0) |
| Pacific (Ex-Japan) | (12.5) | (0.4) | 14.1 | (1.2) | 0.0 |
| Emerging Markets | (2.8) | (0.2) | 3.2 | (0.2) | (0.0) |
| Private Equity | (10.6) | (3.3) | 1.9 | 0.5 | (11.5) |
| Total Managed Investments | (724.4) | (375.2) | 371.7 | (87.8) | (815.7) |
| Fund Managers Cash | (1.7) | | | 1.4 | (0.3) |
| Accrued Income | (3.1) | | | | (1.2) |
| Investment Creditor | 0.2 | | | | 0.2 |
| Total Investment assets | (729.0) | | | | (817.0) |

10. Fair Value of Financial Instruments

a. Classification of Financial Instruments

| | 31 March 2015 | 31 March 2014 |
|-------------------------------|---------------|---------------|
| | £m | £m |
| Financial Assets | | |
| Fixed Interest Securities | 0.0 | (117.6) |
| Equities | 0.0 | (66.5) |
| Pooled Investments | (804.2) | (529.7) |
| Private Equity/Infrastructure | (11.5) | (10.6) |
| Cash | (0.3) | (1.7) |
| Debtors | (1.2) | (3.1) |
| | (817.2) | (729.2) |
| Financial Liabilities | | |
| Creditors | 0.2 | 0.2 |
| | 0.2 | 0.2 |
| | (817.0) | (729.0) |

b. Net (Gains) and Losses on Financial Instruments

| | 31 March 2015 | 31 March 2014 |
|------------------------------------|---------------|---------------|
| | £m | £m |
| Financial Assets | | |
| Fair value through profit and loss | (86.4) | (25.7) |
| Financial Liabilities | | |
| Fair value through profit and loss | 0.0 | 0.0 |
| | (86.4) | (25.7) |

NOTES TO THE CITY OF LONDON PENSION FUND

c. Fair Value

| | 31 March 2015 | 31 March 2015 | 31 March 2014 | 31 March 2014 |
|------------------------------------|----------------------|-----------------------|----------------------|-----------------------|
| | £m | £m | £m | £m |
| | Fair Value | Carrying Value | Fair Value | Carrying Value |
| Financial Assets | | | | |
| Fair value through profit and loss | (816.0) | (816.0) | (726.1) | (726.1) |
| Loans and receivables | (1.2) | (1.2) | (3.1) | (3.1) |
| | (817.2) | (817.2) | (729.2) | (729.2) |
| Financial Liabilities | | | | |
| Fair value through profit and loss | 0.0 | 0.0 | 0.0 | 0.0 |
| Loans and payables | 0.2 | 0.2 | 0.2 | 0.2 |
| | 0.2 | 0.2 | 0.2 | 0.2 |

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 next 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.

NOTES TO THE CITY OF LONDON PENSION FUND

Values as at 31 March 2015

| | 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 | (804.5) | 0.0 | (11.5) | (816.0) |
| Loans and receivables | (1.2) | 0.0 | 0.0 | (1.2) |
| | (805.7) | 0.0 | (11.5) | (817.2) |
| Financial Liabilities | | | | |
| Fair value through profit and loss | 0.0 | 0.0 | 0.0 | 0.0 |
| Loans and payables | 0.2 | 0.0 | 0.0 | 0.2 |
| | 0.2 | 0.0 | 0.0 | 0.2 |
| Net Financial Assets | (805.5) | 0.0 | (11.5) | (817.0) |

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 | (715.5) | 0.0 | (10.6) | (726.1) |
| Loans and receivables | (3.1) | 0.0 | 0.0 | (3.1) |
| | (718.6) | 0.0 | (10.6) | (729.2) |
| Financial Liabilities | | | | |
| Fair value through profit and loss | 0.0 | 0.0 | 0.0 | 0.0 |
| Loans and payables | 0.2 | 0.0 | 0.0 | 0.2 |
| | 0.2 | 0.0 | 0.0 | 0.2 |
| Net Financial Assets | (718.4) | 0.0 | (10.6) | (729.0) |

11. Movements in Investment Assets

| | Value at 01/04/2014 £m | Purchases at Cost £m | Sales Proceeds £m | Net (gain)/loss £m | Value at 31/03/2015 £m |
|--------------------------------------|------------------------------|----------------------------|-------------------------|--------------------------|------------------------------|
| Segregated Funds : | | | | | |
| Pyrford Segregated | (184.1) | (102.0) | 291.6 | (5.5) | 0.0 |
| Equity Pooled Vehicles : | | | | | |
| Artemis Pooled | (74.5) | 0.0 | 0.5 | (7.7) | (81.7) |
| Carnegie Pooled | (79.1) | 0.0 | 0.8 | (22.1) | (100.4) |
| GMO Pooled | (76.7) | 0.0 | 0.3 | (4.7) | (81.1) |
| Southeastern Pooled | (79.9) | 0.0 | 0.7 | (6.7) | (85.9) |
| Veritas Pooled | (78.7) | 0.0 | 0.4 | (13.8) | (92.1) |
| Wellington Pooled | (78.9) | 0.0 | 0.4 | (14.0) | (92.5) |
| Multi-Asset Pooled Vehicles : | | | | | |
| Pyrford | 0.0 | (194.9) | 75.1 | (2.9) | (122.7) |
| Ruffer | 0.0 | (75.0) | 0.1 | (3.8) | (78.7) |
| Standard Life | (62.1) | 0.0 | 0.0 | (7.0) | (69.1) |
| Private Equity Funds : | | | | | |
| Ares | 0.0 | (0.5) | 0.0 | 0.0 | (0.5) |
| Crestview | 0.0 | (0.4) | 0.0 | 0.0 | (0.4) |
| Environmental Technologies | (1.1) | (0.1) | 0.0 | 0.2 | (1.0) |
| Exponent | 0.0 | (0.5) | 0.0 | 0.1 | (0.4) |
| Frontier | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| New Mountain | 0.0 | (0.6) | 0.1 | (0.1) | (0.6) |
| Standard Life | (7.7) | (1.0) | 1.6 | (0.1) | (7.2) |
| Yorkshire Fund Managers | (1.6) | (0.2) | 0.1 | 0.3 | (1.4) |
| Total Investments | (724.4) | (375.2) | 371.7 | (87.8) | (815.7) |
| Fund Managers Cash | (1.7) | | | | (0.3) |
| Accrued Income | (3.1) | | | | (1.2) |
| Investment Creditors | 0.2 | | | | 0.2 |
| Closing Balance | (729.0) | | | | (817.0) |

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 nine 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.

NOTES TO THE CITY OF LONDON PENSION FUND

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 the price movements of several categories of investments.

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 2015.

Potential Market Movements

| Asset Type | % Change |
|-------------|----------|
| Equities | |
| UK | 9.04% |
| Overseas | 10.40% |
| Multi-Asset | 3.22% |
| 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

| Asset Type | Value £m | Change % | Value on Increase £m | Value on Decrease £m |
|---------------------|--------------|-------------|----------------------------|----------------------------|
| Equities | | | | |
| UK | 164.1 | 9.04 | 178.9 | 149.3 |
| Overseas | 381.1 | 10.40 | 420.7 | 341.5 |
| | 545.2 | | | |
| Multi-Asset | 270.5 | 3.22 | 279.2 | 261.8 |
| Cash | 0.3 | 0.02 | 0.3 | 0.3 |
| Total Assets | 816.0 | | | |

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.

NOTES TO THE CITY OF LONDON PENSION FUND

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 2015.

| Currency | Value £m | Change % | Value on Increase £m | Value on Decrease £m |
|---------------------------|--------------|-------------|----------------------------|----------------------------|
| North America Investments | 269.8 | 7.41 | 289.8 | 249.8 |
| Europe Ex UK Investments | 120.7 | 3.78 | 125.3 | 116.1 |
| Asia Pacific Investments | 79.0 | 7.29 | 84.8 | 73.2 |
| Emerging Investments | 31.9 | 6.80 | 33.8 | 29.7 |
| Overseas Total | 501.4 | | 533.6 | 468.9 |
| UK Investments & Cash | 314.6 | - | | |
| Overall | 816.0 | | | |

The following analyses show a comparison of the same sensitivities but for the year ending 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% |

Price Risk

| Asset Type | Value £m | Change % | Value on Increase £m | Value on Decrease £m |
|---------------------|--------------|-------------|----------------------------|----------------------------|
| Equities | | | | |
| UK | 185.4 | 9.79 | 203.6 | 167.2 |
| Overseas | 359.3 | 12.46 | 404.1 | 314.5 |
| | 544.7 | | | |
| Bonds | | | | |
| UK | 81.0 | 1.27 | 82.0 | 80.0 |
| Overseas | 36.6 | 5.43 | 38.6 | 34.6 |
| Multi-Asset | 62.1 | 4.43 | 64.9 | 59.3 |
| Cash | 1.7 | 0.02 | 1.7 | 1.7 |
| Total Assets | 726.1 | | | |

Currency Risk

| Currency | Value £m | Change % | Value on Increase £m | Value on Decrease £m |
|---------------------------|--------------|-------------|----------------------------|----------------------------|
| North America Investments | 219.6 | 7.61 | 236.3 | 202.9 |
| Europe Ex UK Investments | 111.8 | 6.01 | 118.5 | 105.1 |
| Asia Pacific Investments | 53.9 | 7.18 | 57.8 | 50.0 |
| Emerging Investments | 18.8 | 6.37 | 20.0 | 17.6 |
| Overseas Total | 404.1 | | 432.6 | 375.6 |
| UK Investments & Cash | 322.0 | - | | |
| Overall | 726.1 | | | |

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 £7.5m.

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 £1,352.5m as at 31 March 2015 (£1,147.7m as at 31 March 2014). The Funded Obligation consists of £1,229.8m in respect of Vested Obligation and £122.7m 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.

19. Post Balance Sheet Events

In June 2015, the holdings in the global pooled vehicle managed by Southeastern Asset Management were divested and the funds involved split between the other fund managers of the equity pooled vehicles in which the Pension Fund invests.

POLICE PENSION FUND

Police Pension Fund Account for the year ended 31 March 2015

| 2013/14 £m | | 2014/15 | |
|---------------|--|---------|-------------|
| | | £m | £m |
| | Contributions receivable | | |
| | - from employer | | |
| (7.3) | normal | (7.1) | |
| (0.1) | early retirements | 0.0 | |
| (4.0) | - from members | (4.1) | |
| (11.4) | | | (11.2) |
| (0.2) | Transfers in from other Police Authorities | | (0.1) |
| | Benefits payable | | |
| 19.6 | - pensions | 20.6 | |
| 6.2 | - commutations and lump sums | 4.3 | |
| 25.8 | | | 24.9 |
| 1.2 | Payments to and on account of leavers | | |
| | - Transfers out to other Police Authorities | | 0.5 |
| 15.4 | Sub-total: Net amount payable for the year before transfer from Police Authority | | 14.1 |
| (15.4) | Additional contribution from Police Authority | | |
| 0.0 | Net amount payable/receivable for the year | | 14.1 |

Net Assets Statement as at 31 March

| 2013/14 £m | | 2014/15 £m |
|---------------|---------------------|---------------|
| 0.1 | Current assets | 0.0 |
| (0.1) | Current liabilities | 0.0 |
| 0.0 | | 0.0 |

NOTES TO THE POLICE PENSION FUND

- 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 FUND ACCOUNTS

The City Fund Accounts and Pension Fund Accounts were approved by the Finance Committee on 21 July 2015 and signed on its behalf by:

Roger A.H. Chadwick
Chairman of the Finance Committee

Jeremy Paul Mayhew MA MBA
Deputy Chairman of the Finance
Committee

Date:

Date:

Scope of Responsibility

1. The City of London Corporation is a diverse organisation with three main aims: to support and promote the City as the world leader in international finance and business services; to provide modern, efficient and high quality local services, including policing, within the Square Mile for workers, residents and visitors; and to provide valued services, such as education, employment, culture and leisure to London and the nation. Its unique franchise arrangements support the achievement of these aims.
2. Although this statement has been prepared to reflect the City of London Corporation in its capacity as a local authority and police authority, the governance arrangements are applied equally to its other funds – City’s Cash and Bridge House Estates.
3. The City of London Corporation (“the City”) is responsible for ensuring that its business is conducted in accordance with the law and proper standards; that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively; and that arrangements are made to secure continuous improvement in the way its functions are operated.
4. In discharging this overall responsibility, the City is responsible for putting in place proper arrangements for the governance of its affairs and facilitating the effective exercise of its functions, which includes arrangements for the management of risk.
5. The City has approved and adopted a code of corporate governance which is consistent with the principles of the CIPFA/SOLACE Framework Delivering Good Governance in Local Government. A copy of the code is on the City’s website at www.cityoflondon.gov.uk. This statement explains how the City has complied with the code and also meets the requirements of regulation 4(3) of the Accounts and Audit (England) Regulations 2011 which requires all relevant bodies to prepare an annual governance statement.

The Purpose of the Governance Framework

6. The governance framework comprises the systems and processes by which the City is directed and controlled and its activities through which it accounts to, engages with and leads its communities. It enables the City to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.
7. The system of internal control is a significant part of that framework and is designed to manage all risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable rather than absolute assurance of effectiveness. The City’s system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the City’s policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

8. The governance framework has been in place at the City for the year ended 31 March 2015 and up to the date of approval of the statement of accounts.

Key Elements of the Governance Framework

Code of Corporate Governance

9. The principles of good governance are embedded within a comprehensive published Code of Corporate Governance. This code covers both the local authority and police authority roles, and links together a framework of policies and procedures, including:
- Standing Orders, which govern the conduct of the City's affairs, particularly the operation of Committees and the relationship between Members and officers;
 - Financial Regulations, which lay down rules that aim to ensure the proper management and safeguarding of the City's financial and other resources;
 - Terms of reference for each Committee;
 - A Scheme of Delegations, which defines the responsibility for decision-making and the exercise of authority;
 - A Members' Code of Conduct, which defines standards of personal behaviour; a Standards Committee, and register of interests, gifts and hospitality;
 - A Code of Conduct for employees;
 - A corporate complaints procedure, operated through the Town Clerk's Department, with a separate procedure in Community and Children's Services, to comply with the relevant regulations;
 - A corporate Project Toolkit and other detailed guidance for officers, including procedures and manuals for business critical systems;
 - An anti-fraud and corruption strategy, including: anti-bribery arrangements; a social housing tenancy fraud, anti-fraud and prosecution policy; and a whistleblowing policy;
 - A Risk Management Strategy;
 - Job and person specifications for senior elected Members; and
 - A protocol for Member/officer relations.
10. The City's main decision making body is the Court of Common Council, which brings together all of the City's elected members. Members sit on a variety of committees which manage the organisation's different functions, and report to the Court of Common Council on progress and issues. The Town Clerk and Chief Executive is the City's statutory head of paid service, and chairs the Chief Officers' Group, which considers strategic issues affecting the organisation. This group is supported by other officer groups, including the Performance and Strategy Summit Group and the Economic Development Chief Officers Group. The Comptroller and City Solicitor discharges the role of monitoring officer under the Local Government and Housing Act 1989.

11. The Court of Common Council is defined as the police authority for the City of London Police area in accordance with the provisions of the City of London Police Act 1839 and the Police Act 1996. The legislation that introduced Police and Crime Commissioners and Police and Crime Panels during 2012 does not apply to the City of London; the Court of Common Council, therefore, continues to be defined as the police authority for the City of London Police area.
12. The role of police authority is to ensure that the City of London Police runs an effective and efficient service by holding the Commissioner to account; to ensure value for money in the way the police is run; and set policing priorities taking into account the views of the community. These, and other key duties, are specifically delegated to the Police Committee. The Police Committee has two Sub Committees and a Board to provide enhanced oversight in specific areas of police work:
 - The Professional Standards and Integrity Sub Committee has responsibility for providing detailed oversight over professional standards, and examines the casework of every single complaint recorded by the Force;
 - The Performance and Resource Management Sub Committee monitors performance against the Policing Plan and oversees management of human and financial resources; and
 - The Economic Crime Board considers matters relating to the Force's national responsibilities for economic crime and fraud investigation.
13. Following the enactment of the provisions of the Localism Act 2011, which replaced the national local government standards regime under the Local Government Act 2000, the City remains under a duty to promote and maintain high standards of conduct by Members and co-opted Members. In particular, the Court of Common Council must adopt and publicise a code dealing with the conduct that is expected of Members when they are acting in that capacity, and have in place a mechanism for the making and investigation of complaints. The Court originally approved a new Code of Conduct in the form suggested by the Department for Communities and Local Government. However, in October 2014, following a review by the Standards Committee, the Court revised the code to include a number of additional registration requirements in relation to non-pecuniary interests (membership of outside bodies and organisations etc.) and for the registration of gifts and hospitality over a certain financial threshold. An expanded explanation of the requirements of the Nolan Principles was also introduced.
14. The City has appropriate arrangements in place under which written allegations of a breach of the Member Code of Conduct can be investigated and decisions on those allegations taken. The Standards Committee has approved a Complaints Guidance Handbook. A Dispensations Sub Committee was established in June 2013 for the purposes of considering requests from Members for a dispensation to speak or vote on certain matters (where they have a disclosable pecuniary interest and are otherwise prevented from participation) being considered at Committee meetings. These arrangements have recently been reviewed by the Standards Committee.

15. The annual update to the Members' Declarations took place in December 2014. Following the introduction of additional registration requirements in relation to non-pecuniary interests, both elected and co-opted Members were invited to review and update their Member Declarations. The exercise has been carefully monitored by the Standards Committee to ensure compliance with both the statutory and local registration requirements.
16. Under section 28 of the Localism Act, the City is required to appoint at least one Independent Person to support the new standards arrangements. In June 2012, the Court of Common Council gave support to three appointments to the position of Independent Person, and also agreed a revised constitution and terms of reference for the Standards Committee, to be adopted from the point that section 28 of the Act came into force. In September 2014, two new co-opted Members were appointed to serve on the Standards Committee.
17. The Localism Act also requires the City to prepare and publish a Pay Policy Statement each year, setting out its approach to pay for the most senior and junior members of staff. The Pay Policy Statement for 2014/15 was agreed by the Court of Common Council in March 2014 and published on the City's website.
18. To meet the City's obligations under the Bribery Act 2010, officers with decision-making powers in relation to higher risk activities are required to make an annual declaration to confirm that they have met the requirements relating to potential conflicts of interest, as set out in the Employee Code of Conduct, and to confirm that they have not engaged in any conduct which might give rise to an offence under the Act.
19. As a result of the Protection of Freedoms Act 2011-12, revisions were agreed to the City's policy and procedures in respect of the Regulation of Investigatory Powers Act 2000 (RIPA), which regulates surveillance carried out by public authorities in the conduct of their business. A report is made quarterly to the Policy and Resources Committee on the City's use of RIPA powers.

Business Strategy and Planning Process



20. The City has a clear hierarchy of plans, setting out its ambitions and priorities:

- The sustainable community strategy for the City of London (The City Together Strategy: The Heart of a World Class City) is a shared focus for the future, helping to co-ordinate partners' activities towards meeting the needs and aspirations of the City's diverse communities. This was informed by extensive consultation with a wide range of stakeholders and specific interest groups.
- The Corporate Plan shows how the City Corporation will fulfil its role as a provider of services both inside and outside of the City boundaries. The Corporate Plan includes a statement of the City's Vision, Strategic Aims, Key Policy Priorities, Core Values and Behaviours.
- The City of London Policing Plan details the policing priorities and shows how these will be delivered over the coming year. It also contains all the measures and targets against which the Police Committee hold the City of London Police to account.
- The Communications Strategy sets out the City's plan of action over the short to medium-term for communicating its activities and managing its reputation.
- The Cultural Strategy presents a coherent view of the City's important cultural and heritage-related contributions to the life of London and the nation.
- Other corporate plans and strategies are mentioned elsewhere in this document.

21. Plans and strategies are informed by a range of consultation arrangements, such as City-wide residents' meetings, representative user groups and surveys of stakeholders. The City has a unique franchise, giving businesses (our key constituency) a direct say in the running of the City, and a range of engagement activities, including through the Lord Mayor, Chairman of Policy and Resources Committee and the Economic

Development Office. An annual consultation meeting is held for business rates and council tax payers.

22. The Health and Social Care Act 2012 transferred responsibility for health improvement of local populations to local authorities in England, with effect from 1st April 2013. The new duties included the establishment of a Health and Wellbeing Board, which provides collective leadership to improve health and wellbeing for the local area.

Information Management Strategy

23. The Information Management Strategy (approved October 2009) sets out the headline approach to information management in the City. It summarises the current position, gives a vision of where we want to be and proposes a set of actions to start us on the path to that vision. The Strategy defines our approach to the other key elements for information management, in particular data security and data sharing.
24. Overall responsibility for Information Management Governance is vested in the Information Systems (IS) Sub Committee. The Information Management Governance Steering Group meets as part of the IT Steering Group chaired by the Chamberlain and reports to the Summit Group and the IS Sub Committee. The Chief Information Officer was appointed as the Senior Information Risk Owner (SIRO) and Information Asset Owners (IAO) within departments are identified.

Financial Management Arrangements

25. The Chamberlain of London is the officer with statutory responsibility for the proper administration of the City's financial affairs. In 2010 CIPFA issued a "*Statement on the Role of the Chief Financial Officer in Local Government*" which codifies the key responsibilities of this role and sets out how the requirements of legislation and professional standards should be met. The City's financial management arrangements conform to the governance requirements of the Statement. The Chamberlain also fulfils the role of Treasurer of the Police Authority.
26. The system of internal control is based on a framework of regular management information, financial regulations, administrative procedures (including segregation of duties), management supervision, a system of delegation and accountability, and independent scrutiny. In particular the system includes:
- a rolling in depth survey of the City's forecast position over a five year period;
 - comprehensive budget setting processes;
 - monthly, quarterly and annual financial reports which indicate performance against budgets and forecasts;
 - access by all departmental and central finance staff to systems providing a suite of enquiries and reports to facilitate effective financial management on an ongoing basis;
 - ongoing contact and communication between central finance officers and departmental finance officers;
 - clearly defined capital expenditure guidelines;

- formal project management disciplines;
- the provision of high quality advice across the organisation;
- an in-house internal audit service;
- insuring against specific risks;
- scrutiny by Members, OFSTED, CQC, HMIC, other inspectorates, External Audit and other stakeholders, and
- requests for Members and Chief Officers to disclose related party transactions including instances where their close family have completed transactions with the City of London Corporation.

27. The City has a long-standing and in-built culture of maximising returns from its resources and seeking value for money. It assesses the scope for improvements in efficiency /value for money at a corporate and service level by a variety of means, including improvement priorities set by the Policy and Resources Committee through the annual resource allocation process, and internal examination and review by the Efficiency and Performance Sub Committee.
28. For non-Police services, the significant and continuing reduction in Government grants would, if left unchecked, have resulted in increasing annual deficits from 2015/16, with the annual deficit having exceeded £10m by 2018/19. During 2014/15, a Service Based Review was therefore undertaken to identify a range of options for further efficiencies, budget reductions and income generation. The package of measures agreed by the Policy and Resources Committee will deliver the savings/increased incomes necessary to balance the budget in 2015/16 and in each of the other years of the planning period (to 2018/19) – subject to there being no significant adverse changes in financial planning assumptions across the period.
29. In addition, cross-departmental reviews are being undertaken to identify further potential savings/increased incomes. The activities subject to review include:
- a. Grant giving, the effectiveness of hospitality; operational assets; contract management; asset management; and
 - b. Income generation from car parking in the City; conference and business events; and the marketing of visitor attractions.
30. The Efficiency and Performance Sub Committee has assumed responsibility for monitoring and oversight of the delivery of the Service Based Review savings and increased income, and the cross-cutting efficiency reviews, and continues to challenge the achievement of value for money, helping to embed further a value for money culture within the City's business and planning processes.
31. City of London Police manages its budget on a ring-fenced basis, and also faces significant and continuing reductions in Government Grants which, if left unchecked, would result in increasing annual deficits. A financial strategy to balance the budget over the period to 2017/18, including for the provision of a minimum general reserve balance for unforeseen or exceptional operational requirements, is currently being

prepared. The force has its own savings plan, including a new operating model developed through the City First Change Programme, and its own transformation plan – City Futures. It is also investigating areas for greater collaboration with the City Corporation.

32. The Police Performance and Resource Management Sub Committee's responsibilities include overseeing the force's resource management in order to maximise the efficient and effective use of resources to deliver its strategic priorities; monitoring government and other external agencies' policies and actions relating to police performance; and ensuring that the force delivers value for money.
33. The Policy and Resources Committee determines the level of the City's own resources to be made available to finance capital projects on the basis of a recommendation from the Resource Allocation Sub Committee. Ordinarily, such projects are financed from capital rather than revenue resources, and major projects from provisions set aside in financial forecasts.
34. The City has a number of procedures in place to ensure that its policies and the principles that underpin them are implemented economically, efficiently and effectively. This framework includes:
 - Financial Strategy. This provides a common base for guiding the City's approach to managing financial resources and includes the pursuit of budget policies that seek to achieve a sustainable level of revenue spending and create headroom for capital investment and policy initiatives;
 - Budget policy. The key policy is to balance current expenditure and current income over the medium term. Both blanket pressure and targeted reviews are applied to encourage Chief Officers to continuously seek improved efficiency;
 - Annual resource allocation process. This is the framework within which the City makes judgements on adjustments to resource levels and ensures that these are properly implemented;
 - Capital Strategy. This ensures that the City's capital resources are deployed to realise its corporate aims and priorities;
 - Corporate Asset Management Plan. This aims to ensure that the opportunity cost of financial resources tied up in land and buildings is recognised, and that expenditure on the portfolio is directed efficiently and effectively to provide value for money;
 - Capital project evaluation, management and monitoring. The City has a comprehensive system of controls covering the entire life cycle of capital and major revenue projects; and
 - Treasury Management and Investment Strategies. Setting out the arrangements for the management of the City's investments, cash flows, banking and money market transactions; the effective control of risks associated with those activities; and the pursuit of optimum performance consistent with those risks.

35. Consideration is given to efficiency during the development and approval stages of all major projects, with expected efficiency gains quantified within reports to Members.
36. The performance of the City's financial and property investments are monitored regularly, both in-house and independently, through WM Performance Services and our Investment Consultant (for financial investments) and IPD (for property).
37. The City's project management and procurement arrangements provide a consistent approach to project management and co-ordination of the portfolio of projects across the organisation. The Projects Sub Committee meets monthly to ensure that projects align with corporate objectives and strategy, and provide value for money.

Risk Management

38. In May 2014, the Audit and Risk Management Committee approved a new Risk Management Strategy which set out a new policy statement and a revised framework, which aligns with the key principles of ISO 31000: Risk Management Principles and Guidelines, and BS 31100: Risk Management Code of Practice, and defines clearly the roles and responsibilities of officers, senior management and Members. The Strategy emphasises risk management as a key element within the City's systems of corporate governance and establishes a clear system for the evaluation of risk and escalation of emerging issues to the appropriate scrutiny level. The Strategy assists in ensuring that risk management continues to be integrated by Chief Officers within their business and service planning and aligned to departmental objectives.
39. The Risk Management Group, consisting of senior managers representing all departments, including the City of London Police, meets twice annually. The group is a considerable driver in promoting the application of consistent, systematic risk management practices across the organisation. Strategic decisions on risk management are made by the Performance and Strategy Summit Group of Chief Officers on a quarterly basis. Oversight of corporate risk is provided by the Chief Officers' Group and the Audit and Risk Management Committee. These arrangements have recently been strengthened with the establishment of a Chief Officer Risk Management Group. This meets quarterly to review, in depth, the corporate risk register and report their findings to the Summit Group when they consider the quarterly risk update report. In addition to receiving quarterly risk update reports, the Audit and Risk Management Committee has adopted a cycle of regular departmental risk challenge sessions, with Chief Officers and their respective Committee Chairmen, which take place prior to their meetings. The Committee has also introduced the regular reporting of top departmental risks to every Service Committee.
40. The corporate risk register contains ten risks and although risk scores have changed, there have been no new risks added to this register during the last year.

Health & Safety

41. The Health & Safety at Work Act 1974 (the Act) requires the City as an employer to ensure that it implements systems for the protection of its staff and visitors. The City's systems are aligned to HSG65, the Health and Safety Executive's guidance document

on the essential philosophy of good health and safety. The City's systems will remain aligned with this guidance, to ensure that safety becomes part of normal business by applying a practical, sensible and common sense approach.

42. A critical component of the City's management system is monitoring and review. Compliance audits were introduced this year, and provide another Key Performance Indicator for the safety dashboard. The audits sought to test the previous year's focus on the roles and responsibilities of managers in safety management. An external audit is planned for 2015.
43. Generally, the audits provided evidence that safety mechanisms and structures were in place in the departments sampled, and that corporate policy requirements were broadly being implemented. Overall, it was found that safety was a senior management consideration in most departments of note; this was generally seen in the higher risk departments, which fits in with the strategic risk management approach.
44. Top X (the City's Health & Safety risk management system) continues to be an effective safety risk management tool. Top X helps to ensure that any uncontrolled safety hazards arising from operational processes are identified and controls implemented in a timely manner. Operating alongside the risk management process, it assists in ensuring that specific safety risks are integrated by Chief Officers within their business planning. All departments regularly submit their Top X which is analysed and considered twice a year by the Corporate Health & Safety Committee, chaired by the Town Clerk and Chief Executive. This allows any uncontrolled issues to be managed; supporting compliance with the Act and the Corporate Manslaughter Act 2007. Top X provides the Chief Officers' Group with a corporate strategic oversight of any safety risks by way of a regular report.
45. Work was started in early 2015 to align this process to the City's broader risk management process. Risk assessments used for Health & Safety were successfully modified to the corporate risk matrix and the Covalent risk tool is currently being prepared for live reporting. Health & Safety systems have reached a level of maturity where safety could be successfully aligned to the business process.

Business Continuity

46. The Civil Contingencies Act 2004 requires the City, as a Category 1 responder, to maintain plans to ensure that it can continue to exercise its functions in the event of an emergency. The City is required to train its staff responsible for business continuity, to exercise and test its plans, and to review these plans on a regular basis.
47. The City has an overarching Business Continuity Strategy and Framework and each department has their own business continuity arrangements. Both corporate and departmental arrangements are regularly reviewed to ensure they align with the relevant risk registers and business objectives. Officers from the different departments share best practice and validate their arrangements through the Emergency Planning and Business Continuity Steering Group, which sits on a quarterly basis. New arrangements that seek to increase the resilience of the City's technology infrastructure have been introduced and technical tests are being carried out to ensure their

robustness. These arrangements seek to replace the Guildhall as a single point of failure for the City's IT provision. The move to a more resilient backbone should enhance the continuity of service for remote workers, and at other sites, even if the Guildhall is affected.

48. Programme management of the City's business continuity management system (BCMS) lies with the Security and Contingency Planning Group, and all departments play a role in it. In 2014, the City's resilience arrangements (including its BCMS) were reviewed by peers from other Central London local authorities. This review was part of a regular assurance process linked to the Minimum Standards for London (which set out London's core resilience capabilities).
49. During 2014/15, a server fire provided real-time challenges for business continuity and departments' ability to understand and recognise their critical functions. Working with Agilisys, the City's IT technology partner, support and guidance was provided for departments to understand the Business Impact Analysis process, and then complete a full review of their Business Continuity plans.
50. The City continues to experience an array of protest and demonstration, as it is a desirable location for protest groups to maximise publicity both nationally and globally. However, by working with business and emergency service partners to ensure robust Business Continuity and emergency response plans are in place, the City maintains 'business as usual', and thus its reputation of working with and supporting local communities.

Role of Internal Audit

51. Internal Audit plays a central role in providing the required assurance on internal controls through its comprehensive risk-based audit programme, with key risk areas being reviewed annually. This is reinforced by consultation with Chief Officers and departmental heads on perceived risk and by a rigorous follow-up audit and spot checks regime.
52. The internal audit process is supported, monitored and managed by the Audit and Risk Management Committee in accordance with the Public Sector Internal Audit Standards. An Audit Charter established in 2013 was updated and agreed by the Audit and Risk Management Committee in November 2014. This defines the role of internal audit, and codifies accountability, reporting lines and relationships that internal audit has with the Audit and Risk Management Committee, Town Clerk and Chief Executive, Chamberlain and Chief Officers.
53. The Internal Audit Section operates under the requirements of the Public Sector Internal Audit Standards (PSIAS). The City of London's internal audit function was peer reviewed by the Head of Governance from the London Borough of Croydon in February 2014, and assessed as "generally conforms" to the new standard. A number of minor observations were made, which were acted on in 2014/15, resulting in the function being in full conformance to the new standard.

54. The anti-fraud and investigation function continues to be effective in identifying fraud and corruption, particularly across the City's social housing estates, whilst conducting a wide range of anti-fraud and awareness activities. The Audit and Risk Management Committee is provided with six-monthly progress reports on the strategic pro-active anti-fraud plan, with investigation activity update reports presented to intervening meetings.
55. From 1st December 2014, responsibility for the investigation of housing benefit fraud was transferred to the Department of Work and Pensions, enabling investigation resources to be increasingly focused on Housing Tenancy and corporate fraud risks.
56. The City of London Whistleblowing Policy has been reviewed and fully updated during the year in line with current best practice and changes in legislation. It was approved by the Establishment Committee in July 2014, following review by the Audit and Risk Management Committee in May.

Performance Management

57. The corporate business planning framework sets out the planning cycle with clear linkages between the different levels of policy, strategy, target setting, planning and action (the "Golden Thread").
- All departments are required to produce annual departmental business plans for approval by the relevant service committee(s). These are all clearly linked to the overall Corporate Plan and show key objectives aligned with financial and staffing resources.
 - All departmental business plans are reviewed for compliance with the corporate business planning framework, and Quality Assurance meetings are held by the Deputy Town Clerk with Chief Officers.
 - All departments are required to report quarterly to their service committees with progress against their business plan objectives and with financial monitoring information.
 - Regular performance monitoring meetings are held by the Deputy Town Clerk with selected Chief Officers.
 - Performance and Development Appraisals are carried out for all staff, using a standard set of core behaviours. The appraisals are used to set individual objectives and targets and to identify learning and development needs that are linked to business needs. Pay progression is linked to performance assessments under the appraisal process.
58. Performance is communicated to Council Tax and Business Rate payers through the City-wide residents' meetings, the annual business ratepayers' consultation meeting and regular electronic and written publications, including an annual overview of performance, which contains a summary of the accounts.

59. The Business Planning framework has been updated to ensure consistency, transparency and best practice, including guidance on the inclusion of an annual assurance statement on data quality within year-end performance reports.

Audit and Risk Management Committee

60. The Audit and Risk Management Committee is an enhanced source of scrutiny and assurance over the City's governance arrangements. It considers and approves internal and external audit plans, receives reports from the Head of Audit and Risk Management, external audit and other relevant external inspectorates, including HMIC, as to the extent that the City can rely on its system of internal control. The Committee reviews the financial statements of the City prior to recommending approval by the Finance Committee and considers the formal reports, letters and recommendations of the City's external auditors. The Committee also monitors and oversees the City's Risk Management Strategy. The Committee undertakes a systematic programme of detailed reviews of each of the risks on the City's Strategic Risk Register.
61. During 2014/15, the Committee instituted a schedule of departmental risk challenge sessions. The Committee reviews the risks and risk management process for each department, on a rota basis, with one or two departments being invited to each meeting. These reviews are attended by the relevant Chairman and Chief Officer, with support and challenge applied so that risks are fully understood, and clear mitigation plans are in place. The Committee has also actively promoted a process for the regular reporting of top departmental risks to Service Committees, to encourage all Members to engage with the management of risk.
62. The Committee has strongly supported the internal audit function by setting clear performance expectations for Chief Officers in the timely implementation of audit recommendations, as well as ensuring internal audit's independence is fully recognized. It has reviewed the outcome of the Service Based Review of the internal audit function, and is overseeing the adoption of a more efficient approach to the targeting of internal audit resources.
63. The Committee has supported the management of the Information Security corporate risk, highlighting the mandatory awareness training for all staff, resulting in a significant increase in the percentage of staff fully completing this training.
64. The Committee has also supported the Anti-Fraud and Corruption Strategy, and considered the CIPFA code of practice: *Managing the Risk of Fraud and Corruption* in February 2015. Having considered all the principles of the CIPFA code of practice: *managing the risk of fraud and corruption*, the Committee are satisfied that the organisation has adopted a response that is appropriate for its fraud and corruption risks and commits to maintain its vigilance to tackle fraud.
65. A survey of the Committee's effectiveness was conducted during 2014/15, identifying issues to be addressed in the areas of: reviewing the work of external audit; reviewing and influencing the work of internal audit; and assessing risk management and fraud/whistle-blowing arrangements across the organisation.

Review of Effectiveness

66. The City has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the internal auditors and managers within the authority who have responsibility for the development and maintenance of the governance environment and also by comments made by the external auditors and other review agencies and inspectorates.
67. Processes that have applied in maintaining and reviewing the effectiveness of the governance framework include scrutiny primarily by the Policy and Resources, Finance, Police, Audit and Risk Management, Investment, and Standards Committees; and the Resource Allocation, Police Performance and Resource Management and Efficiency and Performance Sub Committees.
68. This review of the main elements of the City's governance framework has not identified any significant issues for reporting to senior management.

Head of Internal Audit's Opinion

69. The Public Sector Internal Audit Standards require the Head of Internal Audit to deliver an annual internal audit opinion and report that can be used by the City of London Corporation to inform its Annual Governance Statement. The Head of Internal Audit is satisfied that sufficient quantity and coverage of internal audit work and other independent assurance work has been undertaken to allow him to draw a reasonable conclusion as to the adequacy and effectiveness of the City's risk management, control and governance processes. In his opinion, the City has adequate and effective systems of internal control in place to manage the achievement of its objectives. In giving this opinion he has noted that assurance can never be absolute and, therefore, only reasonable assurance can be provided that there are no major weaknesses in these processes.
70. Notwithstanding his overall opinion, internal audit's work identified a number of opportunities for improving controls and procedures, which management has accepted and are documented in each individual audit report. Two areas of emphasis were highlighted in the internal audit opinion relating to the City of London Police ICT resilience arrangements, and the management and procurement of temporary staff via the managed staff provided. The weaknesses identified in both of these areas are being addressed by management.

Future Developments

71. The governance framework is constantly evolving due to service and regulatory developments and assessments. Improvement plans have been compiled in response to the reports and assessments summarised above. Controls to manage principal risks are constantly monitored, in particular for services with statutory responsibilities for the safety of vulnerable people. The City proposes over the coming year to take the following steps to maintain, develop and strengthen the existing governance framework:

- Reviewing the arrangements for the registration and publication of Declarations of Interest by the City's co-opted Members with a view to introducing a consistent approach to registration by both elected and co-opted Members that serve on the City Corporation's decision-making bodies.
- Revising best practice guidance for Chief Officers on quarterly performance reporting to service Committees
- Progressing the delivery of a programme of cross-cutting and departmental review projects to balance the revenue budget over the medium term to offset the impact of continuing reductions in Government funding
- Securing business benefits via improved efficiency and reduced cost of operations from the upgrade to the financial management system
- Improving the oversight of corporate risks by the establishment of a Chief Officer Risk Management Group
- Embedding the use of the new business risk management software to assist in the consistent reporting and management of risk across the Corporation
- Bringing the Health and Safety TopX process into line with the City's risk management process,
- Increasing transparency of the alignment of the internal audit plan to corporate risks

This annual governance statement was approved by the City's Audit and Risk Management Committee on 2nd June 2015.

John Barradell
Town Clerk and Chief Executive

Mark Boleat
Chairman, Policy and Resources
Committee

Date:

Date:

GLOSSARY

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|-----------------------------------|--|
| 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: <ul style="list-style-type: none">• 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. |
| Accruals | The accounting treatment, where income and expenditure is recorded when it is earned or incurred, not when money is paid or received. |
| 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 long-term 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 property, plant and equipment used in the provision of services. |
| Capital expenditure | Expenditure on the acquisition of a long-term asset or expenditure that adds to and not merely maintains the value of an existing long-term asset. |
| Capital receipts | The proceeds from the sale of a long-term asset such as land or council houses. Capital receipts can only be used for capital purposes e.g. funding capital expenditure or repaying debt. |

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| City's Cash | The existence of City's Cash can be traced back to the fifteenth century and it has built up from a combination of properties, lands, bequests and transfers under statute since that time. It 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 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. |
| Curtailement (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: <ul style="list-style-type: none">• 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. |

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| 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 an asset below its carrying amount on the balance sheet. |

GLOSSARY

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| Infrastructure assets | Long-term 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 | Long-term 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. |

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| Projected unit method | <p>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:</p> <ul style="list-style-type: none">• 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 | <p>An amount set aside in the accounts for liabilities of uncertain timing or amount that have been incurred. Provisions are made when:</p> <ul style="list-style-type: none">• 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 | <p>Reserves are reported in two categories in the Balance Sheet of local authorities:</p> <ul style="list-style-type: none">• 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. |

GLOSSARY

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| 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 property, plant and equipment 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 long-term 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. |

ACRONYMS

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| AVC | Additional Voluntary Contributions |
| BRS | Business Rate Supplement |
| CRC | Carbon Reduction Commitment |
| CIPFA | Chartered Institute of Public Finance & Accounting |
| CIL | Community Infrastructure Levy |
| CIES | Comprehensive Income & Expenditure Statement |
| DSG | Dedicated Schools Grant |
| DfE | Department for Education |
| FTE | Full Term Equivalent |
| GLA | Greater London Authority |
| HRA | Housing Revenue Account |
| IAS | International Accounting Standards |
| IFRS | International Financial Reporting Standards |
| LASAAC | Local Authority (Scotland) Accounts Advisory Committee |
| LGPS | Local Government Pension Scheme |
| MRA | Major Repairs Allowance |
| MRP | Minimum Revenue Provision |
| MIRS | Movement in Reserves Statement |
| NNDR | National Non-Domestic Rate |
| PCT | Primary Care Trust |
| RICS | Royal Institution of Chartered Surveyors |
| SeRCOP | Service Reporting Code of Practice |
| SBNDR | Small Business Non-Domestic Rate |
| SI | Statutory Instruments |
| SETS | Stock Exchange Electronic Trading Service |
| TfL | Transport for London |
| VAO | Valuation Office |
| VAT | Value-Added Tax |

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City of London Corporation – City Fund

Progress report to the Audit and Risk
Management Committee on the audit for the
year ended 31 March 2015

the
Distinctive
audit

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“I am pleased to present this progress report on the findings from our 2014/15 external audit.”

Heather Bygrave, Engagement Lead Partner

A reminder of our Audit Plan and subsequent changes made:

- Materiality: £5.1m (revised from estimate of £4.5m in our audit planning report to reflect higher than assumed gross spend on services).
- Threshold for reporting misstatements: £250k.
- Significant risks over valuation of investment properties, fraud in recognition of grant income and management override of controls.
- A further significant risk in relation to the valuation of the pension liability has been identified in view of the amount of the increase in this account balance compared to prior year.
- We have removed a risk in relation to the Oracle upgrade as in the event this did not involve the transfer of data.
- We have taken a fully substantive audit approach.



The big picture

The Big Picture

Our work is in progress at the time of issue of this report and some key matters have not yet been concluded on. As in previous years, we will provide an oral update at the meeting

Statement of accounts

- The key judgement areas are 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, but we comment on additional disclosures and commentary which the City of London Corporation (“the City”) has included in the draft financial statements this year.
- During the year the City entered into an agreement for the development and lease of its existing property at 2 Fann Street. We provide a commentary on the accounting treatment for this transaction. There are four further property transactions which have similarities with this and we are discussing the accounting treatment for these with officers. These issues need to be resolved before we are able to conclude on the financial statements.

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. Information was outstanding or received too late in respect of grants administered by City Police to enable us to conclude our work in this area prior to the issue of this report.
- We identified a risk in our planning report in relation to the upgrade to the Oracle R12 version. In the event, the process did not involve the transfer of data as the database was not replaced or changed. Our risk assessment work did not identify any other risks around the upgrade. We therefore removed this risk.
- 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, but there are a small number of journals where further information is needed.
- We reported in our planning report that the valuation of the pension liability was a key source of estimation uncertainty. In view of the significant increase in this account balance during the year, we have identified the valuation of the pension liability as an additional significant risk. We completed our work and identified a material adjustment as the actuary used asset valuations estimated using data at February which was £19.7m lower than the actual year end position. The impact on the City Fund net pension liability is approximately £9 million and officers have agreed to update the financial statements for this.
- We have not identified any material control deficiencies from our work to date.

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 2015. This is in line with the statutory timetable, but the timing does not enable finalisation of our work in advance of the more demanding committee reporting timetable which the City sets itself.

Our work is therefore in progress, including internal review processes. Whilst we comment on a number of open areas of work through this report, this is not intended to, and does not provide, a comprehensive list.

In particular open issues on provision for business rates appeal refunds, property transactions and recognition of police grant income need to be resolved.

In accordance with our practice in previous years, we will provide an oral update at the meeting on the progress of the audit and any significant issues which have arisen since the issue of this report. Subsequent to the meeting, we will provide an updated version of this report once our procedures are complete for circulation to members.

We will provide a schedule of any misstatements which remain uncorrected in the updated version of this report.

Other work

- We expect to issue an unmodified value for money conclusion.
- We have not yet commenced our work on the City's Whole of Government Accounts return. We will do this once we have received a finalised version of the financial statements.

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. The carrying value at 31 March 2015 was £1,088m (£130m gain in year). 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 few years.

All properties are valued in accordance with the Royal Institution of Chartered Surveyors Valuation and Appraisal Standards. The portfolio has been substantially valued by one external firm of valuers at 31 March 2015, with a second valuer valuing a further two properties where the principal valuer had declared a conflict of interest.

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 2014 to March 2015 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.

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 2015 are summarised in the table below:

| Property Type | Change in Capital Value |
|-----------------------|-------------------------|
| City Offices | +15.9% |
| Midtown Offices | +22.8% |
| West End Offices | +17.4% |
| City & Midtown Retail | +17.5% |
| West End Retail | +24.2% |

With a like-for-like portfolio movement of +13.2%, the core investment portfolio has increased in value by slightly less than the wider London property market. However, the value of the strategic property estate has increased well ahead of the wider market (+36.7%). The valuer has explained that these assets, which are typically in fringe locations and let off lower rents than the prime City, have seen exceptional growth in this period. This has been caused by significantly increasing rents, as potential City occupiers move to more fringe locations, given rising rental levels in the core City. In addition, as rental growth occurs and other sectors appear well priced, investors have been attracted to such assets in the past year. These assets generally offer the potential for active management, which is attractive in the current market.

We believe the internal and external valuations produced for the City Fund as at 31 March 2015 are a reasonable reflection of their market value. However, going forwards, the City should monitor the valuations of:

- The valuations of the developments in progress (London Wall Place, 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; and
- The intentions of Ciena to vacate or remain in occupation at 43-51 Worship Street, as this could affect the value of the property going forward.

Work in other areas relating to investment properties is ongoing, in particular our testing of the treatment of transactions accounted for as disposals which we comment on in the other issues section, below.

Valuation of pension liability

We identified this as an audit risk because of the significant increase in the liability

Nature of risk

The pension liability is substantial so that its calculation is sensitive to comparatively small changes in assumptions made about future changes in salaries, price and pensions, mortality and other key variables. Some of these assumptions which draw on market prices and other economic indices can be volatile.

We did not identify pension accounting as an area of significant audit risk in our planning report as there is no impact on the general City Fund reserve from the accounting entries made under IFRS. However, as a result of the significant increase in the account balance, we have subsequently reclassified this risk from normal to significant.

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

We considered the qualifications, relevant expertise and independence of the actuary. We included a specialist from our team of actuaries in our engagement.

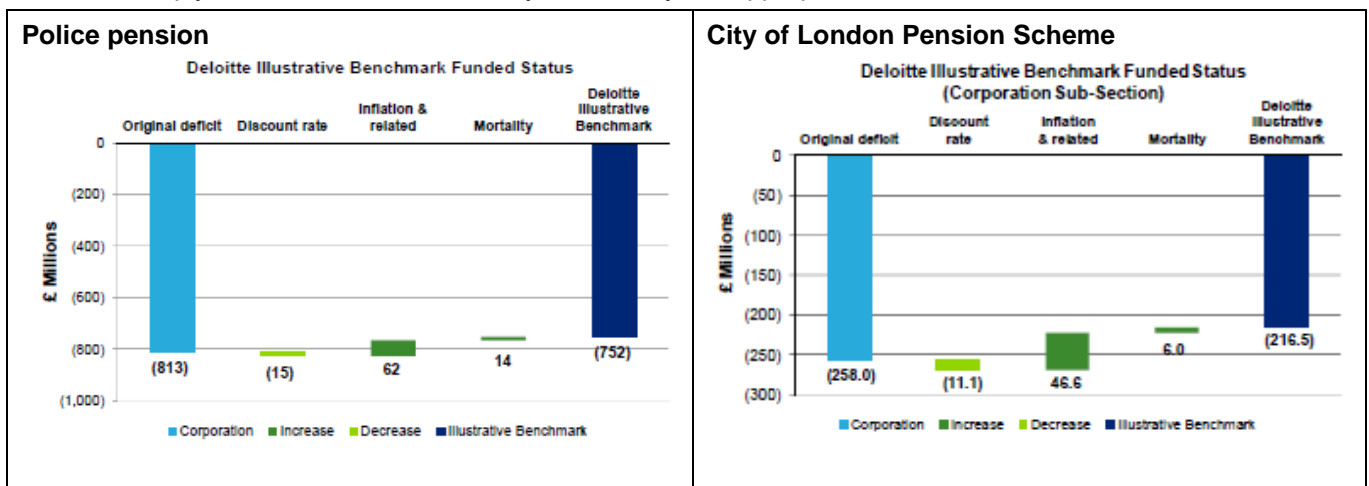
The key driver of the increase in the provision is a reduction in the discount rate assumption from 4.4% to 3.3%.

The City's proposed discount rate has been set by reference to the annualised yield at the 18 year point on the Merrill Lynch AA rated corporate bond curve.

This is consistent with the methodology used at last year end. Although the methodology used by the City is based on the respective schemes' durations, it is not our preferred approach which is to take into account future projected cashflows. However, the discount rate could be derived by using an appropriate methodology. The proposed assumption is therefore reasonable. The City's actuaries' sensitivity analysis implies that setting the discount rate assumption to be in line with our illustrative benchmark could increase the assessed liability value by £15m.

The other main area where there was a difference between the practice adopted by the actuary and our preferred approach is in determining inflation related assumptions. It is common actuarial practice to apply a deduction to the market implied RPI inflation to allow for an inflation risk premium ("IRP"). An IRP makes allowance for the additional premium investors are assumed to pay for protection against inflation and for any other distortions due to such factors as an under supply of index linked gilts. In this case, no deduction has been made to allow for an IRP. This is consistent with the approach at the previous year end, but typical actuarial practice is to make a deduction of around 0.25%. As a whole, the resulting inflation related assumptions are reasonable, albeit relatively prudent due to the absence of an IRP deduction.

When considering the suitability of assumptions it is important to consider the assumptions in aggregate to determine the strength of the set of assumptions as a whole. In particular, the results are very sensitive to the difference between various assumptions. An optimistic proposal to one assumption may be balanced by an offsetting prudent assumption or vice versa. The charts below give an indication of the broad impact on the liability value of setting the main assumptions to be in line with our illustrative benchmark assumptions. This is not intended to imply that the value calculated by the actuary is inappropriate.



Valuation of pension liability (continued)

We identified this as an audit risk because of the significant increase in the liability

The pension assets are estimated by the actuary based on information provided in February. The value estimated by the actuary for the City of London Pension Scheme as a whole was £19.7m less than the outturn position as shown in the pension scheme accounts in the draft financial statements. As a consequence, the net pension liability in the City Fund accounts is overstated by approximately £9 million. Officers have indicated their intention to correct this in the final version of the financial statements.

Fraud in grant income recognition

We focused on the judgements made by officers in determining the basis of recognition for individual grants. Our work is ongoing, in particular we have not received information to complete the majority of police grants in our sample

Nature of risk

The City received grants and contributions totalling £183m.

Auditing Standards include a presumption that there is a significant risk of fraud in revenue recognition. We have pinpointed this risk to the recognition of grant income. 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. Last year we noted that although no errors were identified in the recognition of grant income from sample testing, the City may wish to consider the application of central controls to the accounting for such income given the significant sums involved and the complexity of treatment. The arrangements this year remain the same as last year.

We also carried out extended testing to check that recognition of income in 2014/15 properly reflects any conditions within the grant offer letter and accompanying documentation.

Our work on this risk is in progress. In particular, information was outstanding in respect of grants administered by City Police to enable us to conclude our work in this area prior to the issue of this report.

Management override of controls

We have not identified any issues from our work to date.

Testing of some journal selections is outstanding

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 focus our testing on these. The sample we selected included items from the following categories of interest:

- Journals which were backdated more than 60 days
- Journals posted around period end with poor descriptions that impact in a manner that is of interest.
- Journals which include key words of interest
- Largest journal lines
- Journals with a line item whose value is a round sum amount.
- Journals posted on specific non-business days including weekends, bank holidays and user defined dates
- Journals to seldom used accounts

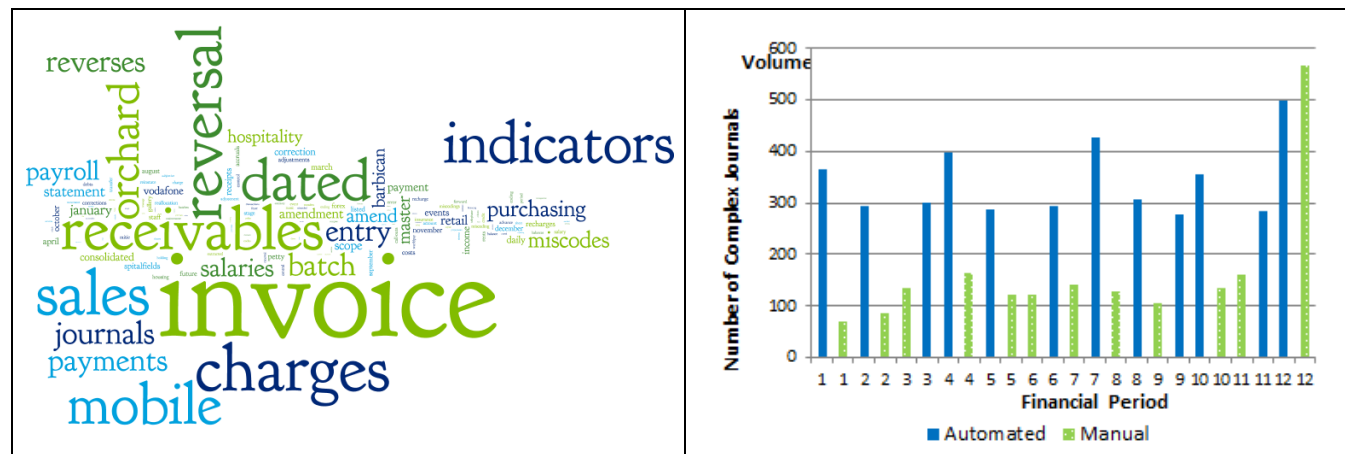
There are a small number of journals where we require further information to complete our work. There are no issues identified to date.

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.



Illustrative output from our Spotlight tool – most common words used in journals and number of complex journals by period for City Fund

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 2015 draft financial statements (which is repeated in the explanatory foreword) 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. 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 March 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 has also included a cross reference on the balance sheet to this: *“This is before a £200m commitment towards Crossrail, anticipated to be paid in March 2016 (see explanatory foreword)”.*
- 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.
- The relevant works at 31 March 2015 were incomplete at that date and are not expected to be complete until around March 2016. We therefore agree there should be no change to the past treatment in the 2014/15 accounts with disclosure only as a significant revenue 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 operational properties

- In our planning report, we identified a significant risk in relation to the valuation of investment properties, but not for operational properties. This is principally because we believe there is more user focus on investment properties as their value and the rental stream they generate our important to an assessment of the financial position and performance of the City Fund. We believe there is less user focus on the value of operational properties as they are generally required for ongoing use in the delivery of services and their valuation is less relevant when properties are held for this purpose. We also consider that the valuations of the City's operational properties are not complex and, due to provisions within local government accounting arrangements, do not impact on the level of revenue and capital resources available to meet future spend.
- Nevertheless, the valuation of operational properties remains key source of estimation uncertainty in the financial statements and we have therefore provided comments here.
- For all categories of operational properties we have evaluated the qualifications and experience of the valuers and decisions taken on which properties will be subject to full or desktop valuations.
- The City continues to perform a full revaluation of Housing Revenue Account dwellings on an annual basis. On a like-for-like basis, the valuation has increased by 13.9%. This is broadly consistent with the average of a basket of residential house prices indices which we used to benchmark the reasonableness of the outcome of the valuation (13.6%).
- We similarly benchmarked the change in value of other operational properties subject to revaluation in the year against published indicators to assess reasonableness. We looked in more detail at the increase in valuation of St Andrews House of £43m (80% uplift) which related not just to market changes, but also changes to the valuation methodology to analyse unsold properties in greater detail by type to enable a closer match to relevant archetypes. As a whole, the valuations of non-dwelling operational properties increased by 7% in comparison to building cost indices which increased by 4.5% (relevant to specialised assets valued at depreciated replacement cost) and 9-17% for properties valued on the basis of market information. We are currently following up on movements which are significantly outside these benchmarks.
- Revaluations for other assets which are carried out on a rolling basis and which were not selected for valuation in 2014/15 totalled £31m. The Code of Practice on Local Authority Accounting allows for valuations to be carried out on a rolling basis but also requires properties to be recorded at their fair value at each balance sheet date in material respects. Taking into account the comparatively small value not subject to formal valuation, the modest general price change over the period and the existing officer processes for bringing forward in the valuation programme any individual properties with unusual factors impacting on their valuation, we conclude 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

Accounting treatment for 2 Fann Street and other property transactions in the year

- The property, 2 Fann Street, was previously held in Property, Plant and Equipment as used it was for the delivery of services (YMCA hostel provided in relation to the City's homelessness functions). During 2013/14 the hostel was closed, but continued to be carried in PPE pending a decision on its future.
- In 2014/15, a deal was agreed with a developer for the lease of the property under which the property would be converted into residential units by the developer and, on practical completion of the development, let to the developer on a 150 year lease. £28m is to be paid upfront and annual rent of £1,000. £8m of the consideration was paid before the year end (this is split between £1m on entering the agreement which is refundable if planning permission not obtained and £7m following grant of planning permission. These amounts became non-refundable at that point. The balance of £20m is payable on practical completion of the development. There are also overage provisions.
- The agreement with the developer is terminated if certain conditions are not met, including development notice not being issued within 1 year of grant of planning permission and practical completion not reached within 4 years of the signing of the agreement. In the event of termination, the developer is required to transfer the property back to the City. There is no further payment or repayment of amounts. However, the developer is proceeding with the development and is currently expected to complete well before the long stop date.
- The developer will let individual units on subleases with lease period of 150 years. The City has also signed a deed of surrender that will oblige it to take back the lease 30 months after practical completion. The City will then hold the leases within individual unit holders direct. The lease term of 150 years is estimated to be approximate to the remaining useful economic life of the building.
- In the initial version of the financial statements authorised for issue, the property was included in investment properties pending further consideration of its treatment.
- A series of transactions should be considered as linked and accounted for as one transaction when the overall economic effect cannot be understood without reference to the series of transactions as a whole. The agreement with the developer to develop the property and to subsequently lease the property to the developer and then take on the individual subleases with unit holders are linked in this way.
- The consideration of £28m is in respect of the right of the developer (and subsequently the individual leaseholders) to use the asset (i.e. to convert to residential units and subsequently sublet the properties/occupy) therefore forms part of the lease payments (notwithstanding that the formal lease does not commence until practical completion is reached). The developer is proceeding with the development and it is probable that the transaction will run its course. It is therefore appropriate to recognise the assets relating to the lease at this point.
- We have also raised questions on four other property transactions with total proceeds of £101m where the principles are similar. These are currently treated as capital receipts.
- The land and building components of the lease should be analysed separately as to their classification. Leases of land are assessed in the same way as all other leases. Land normally has an indefinite economic life, so it is unlikely that the lease term will be for the major part of the economic life of the asset. Nevertheless, some of the other characteristics of a finance lease may be met, in which case a lease of land may be a finance lease. We are currently working through the lease classifications with officers.
- We do not anticipate being able to conclude positively overall on the financial statements until these issues have been resolved.
- We understand that some of potential accounting treatments being discussed would have an impact on the recognition of resources which was not anticipated at the time of entering into the initial transactions. We recommend, going forwards, an accounting treatment note is prepared at the time of the transaction and in good time for the preparation of the draft financial statements.

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

Provision for refunds of business rates granted on appeal

- The accounting and estimation processes for calculating the financial impact of appeals against rateable values requires the exercise of judgement, but the impact on the City is in part mitigated by the operation of floors and ceilings within the calculation of the amount of business rates to be retained locally.
- The volume of open cases means that the City have needed to make a general provision using the “expected value” method, in this case based on the City’s recent historical experience in settling appeals. In particular, the provision has been calculated on the assumption that the appeals will be settled with the same success rate and average percentage financial effect per successful appeal as in 2014/15. The approach is reasonable, but is dependent on the cases settled in 2014/15 being representative of the open cases at 31 March 2015.
- The City’s share of the provision has increased from £35.1m to £56.5m. This is consistent with what we understand to be the trend nationally and is caused by a spike in the number of new appeals caused by ratepayers submitting claims to meet a deadline of 31 March 2015 which represents the closure of the period in which new appeals can be made against the 2010 List. In addition to new appeals received in 2014/15, approximately half the claims which were outstanding at 31 March 2014 also remained outstanding at the current year end. It is possible that the quality of some of these new appeals submitted at the end of 2014/15 to meet the deadline may not as high as those determined during 2014/15. However, there is limited information available to the City to assess this until the Valuation Officer starts to determine these new appeals.
- There is also, more specifically, an enhanced risk this year end that appeals have been duplicated, although in some cases multiple appeals on the same hereditament may be genuine separate appeals which would need to be included in the estimate for the provision for refunds. We have asked officers to consider this risk further as this was not covered in their original assessment.
- The effect on the calculation of the provision of the increase in the value of outstanding appeals at 31 March 2015 compared to 31 March 2014 has been partly offset by a reduction in the assumed value at which appeals are settled from 4.2% to 3.4% between these two year ends. The assumption at each year end is derived directly from experience in the preceding financial year. Officers took the decision last year to restrict the period it looked back in setting the provision to one year as the nature of appeals changes over time as the issues which drive those appeals change. This view is reasonable, but there is nevertheless a risk that the cases determined in the period may not be representative of the appeals which were open at the year end if, for example, the Valuation Officer has not worked evenly across all categories of appeal during 2014/15.
- Officers have further analysed the available data to inform their assessment of this risk. Officers are currently investigating a category of appeal where the rateable value under appeal at 31 March 2015 at £1.1 billion (a third of the total under appeal) is substantially higher than the total amount determined by the Valuation Officer over the last four years of £98 million. Whilst an ongoing legal case which impacts on this category may have driven part of this increase, officers also believe that there is significant duplication of cases within this category. It is also likely that a different settlement rate will be appropriate to that suggested by the historical record.
- Officers have reanalysed and propose to reduce the total provision by £19m (City Fund share approximately £6m). We will conclude once we have tested this new analysis.
- Our testing of payments made after the year end identified instances where the Valuation Officer had determined an appeal before the year end, resulting in the need for the City to make a refund, but where this had not been processed on the City’s business rates system until after the year end. As a result, there was neither a creditor at the year end (as it had not been processed by the year end on the City’s systems) nor allowance for the refund in the appeals provision (as the Valuation Officer did not consider it to be an open appeal and was therefore not within the information provided to the City. We have asked officers to assess the financial value of any similar cases and understand that the impact on the total provision is £6m. of which the City Fund share is approximately £2m.

Value for Money conclusion

Value for money conclusion

We have not identified any significant risks and expect to issue an unqualified conclusion

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 significant 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 (“MTFS”), as well as the outturn financial and performance information for 2014/15. 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.

As anticipated in our audit planning report, a key focus in our risk assessment work was progress on closing the spending gap.

In carrying out our risk assessment of financial resilience, we considered the following key points:

- Following work as part of the service based review programme in 2014, the City forecast a balanced MTFS as part of its annual refresh in respect of its local authority functions. The City carried out a programme of service based reviews during 2014 and 2015 which have been reflected in the balanced MTFS for the local authority functions. The position at the time of setting the 2015/16 Budget was as follows:

| Budget/MTFS £m | 2015/16 | 2016/17 | 2017/18 | 2018/19 |
|--------------------------------|---------|---------|---------|---------|
| Non Police (surplus)/deficit | (0.2) | (0.9) | (0.2) | (0.5) |
| Non Police unallocated reserve | (47.1) | (48.0) | (48.2) | (48.7) |

- As a result of a positive budget variance in 2014/15, the starting position on the unallocated reserve at 1 April 2015 is £8.6m higher than assumed in the February 2015 MTFS and is therefore not included in the table above, providing further headroom.

Value for money conclusion (continued)

We expect to issue an unmodified value for money conclusion

- The impact of reductions in central government funding for local government has been less marked on the City Fund compared to London Boroughs. As a result, the programme has not required the same level of member choices over priorities or transformational change in the way in which services are delivered or in the infrastructure to support their delivery. Officers assess that the changes are predominantly “managerial” in nature and do to this extent do not give rise to the same level of risk of non delivery.
- The City also has significant uncommitted revenue reserves in the event of unexpected variations in forecast spend - £48.7m forecast at the end of the period covered by the MTFS.
- The position in relation to the City’s policing functions is more difficult. The latest HMIC report on the City Police’s response to budget reductions concludes positively on the work which has been carried out to date, but nevertheless, there is further work still required at that time to balance the spend with resources in the medium term. The position at the time of setting the 2015/16 Budget was as follows:

| Budget/MTFS £m | 2015/16 | 2016/17 | 2017/18 | 2018/19 |
|----------------------------|---------|---------|---------|---------|
| Police (surplus)/deficit | 1.7 | 3.9 | 7.6 | NA |
| Police unallocated reserve | (4.2) | (0.3) | 7.2 | NA |

- Again, as a result of a positive budget variance in 2014/15, the starting position on the police reserve at 1 April 2015 is £3.1m higher than assumed/reflected in the table above, delaying the point at which the police reserve is exhausted.
- The City Police have a savings programme which is aimed to meet this shortfall which will be formally considered by members in September 2015. We examined the savings plan developed during 2014/15 and how this has been subsequently reflected into a revised draft Medium Term Financial Strategy for the City Police.
- The latest plan for City Police, assuming no change to funding and that savings proposals are formally accepted by members means that the earmarked police reserve is positive over the period of the current budget + 2 year forecast, albeit with utilisation of £4.3m of this balance. A number of the current savings proposals are rated as higher or medium risk, albeit there are further proposals which are currently being worked on but not yet incorporated into the draft financial plans.
- The City Police have further work to do to create a sustainable financial and operating plan with spend balanced with resources if it is to continue to operate without cross funding from non-police functions. In reaching our overall conclusion, however, we have considered the financial position and plans of the police and non-police functions taken together and also noted: the positive assessment of HMIC on the City Police’s response to date; their assessment of the scope for additional savings on spend; and the availability of reserves set aside to manage further reductions over the period to 31 March 2018, together with variations against its financial plans in this period.
- 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 and in 2015. In 2014, revenue reserves have 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
- The City has also not needed to make significant adverse 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 £12.0 million in 2014/15. 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.

Value for money conclusion (continued)

We expect to issue an unmodified value for money conclusion

| | Unallocated reserve £m | Earmarked reserves £m | Total £m | Change over year £m | Underspend £m |
|------|---------------------------|--------------------------|-------------|------------------------|------------------|
| 2015 | 56.4 | 74.9 | 131.3 | +9.3 | 12.0 |
| 2014 | 43.5 | 78.5 | 122.0 | -54.2 | 4.9 |
| 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 reserves position at 31 March 2015, together with the surplus the City has budgeted to make in the current financial year, and the ongoing service based review programme, provides some cover in the event of slippage in the savings programme or unexpected charges or drops in income.

Conclusion

We have concluded that there are no significant risks identified which require an additional response. 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;
- 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.



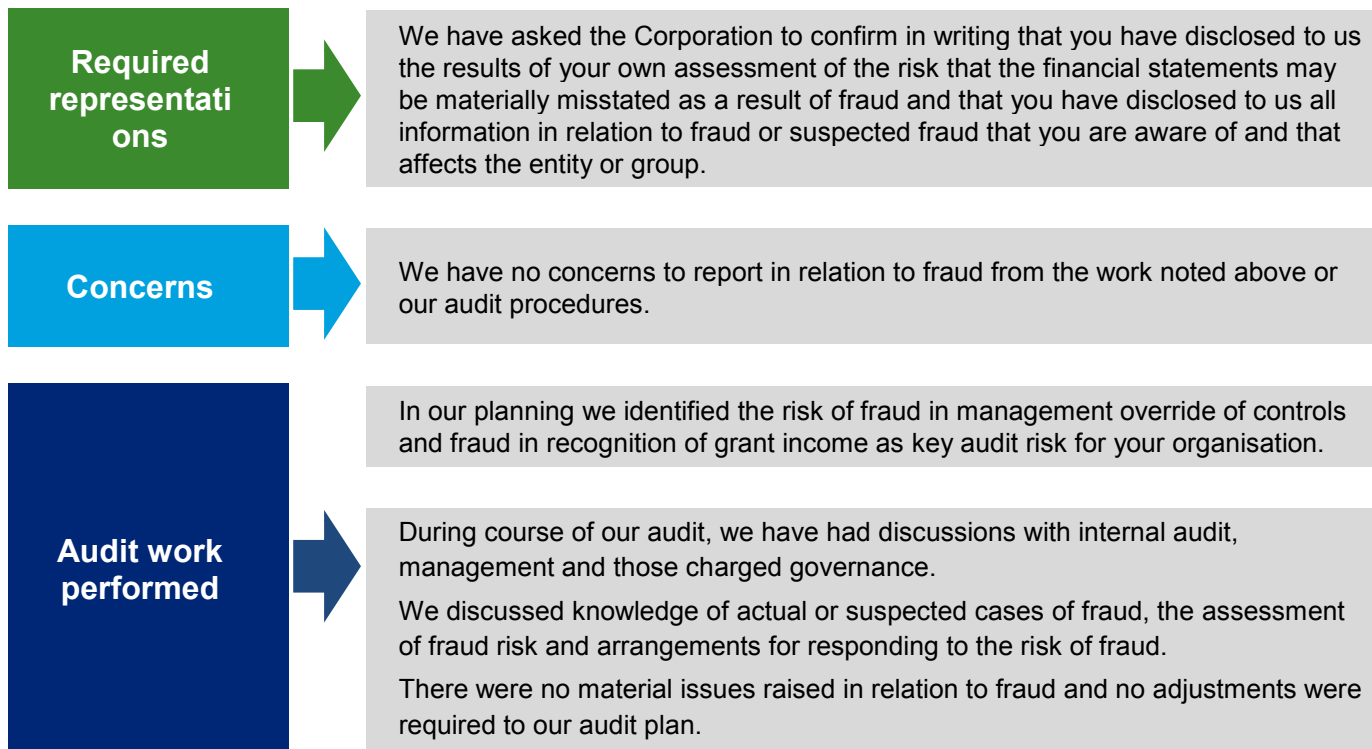
Deloitte LLP
Chartered Accountants

St Albans
14 July 2015

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



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

We confirm our independence

As part of our obligations under International Standards on Auditing (UK and Ireland), and the standing guidance issued by Public Sector Audit Appointments Limited (previously the Audit Commission), 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 2014 to 31 March 2015 are summarised on the next page.

Non-audit services

Details of fees earned from non audit services in the year ended 31 March 2015 is 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 services provided or proposed from 1 April 2014 on our independence and relevant safeguards in our planning report. There is one further service in relation to lease advisory work at New Spitalfields which has been agreed since that time. The work is expected to be carried out in 2015/16 and 2016/17. Members received a report prepared by officers at the last meeting. We obtained approval from Public Sector Audit Appointments Limited before agreeing to perform this work. Our assessment of the threats to our independence and safeguards is as follows:

Self-interest – estimated non-audit fees are not at a level relative to past audit fees which gives rise to an unacceptable threat to independence.

Self review – the services will be performed during 2015/16 and 2016/17 and the results of the service will be reported on after the expected date for the issue of our final audit certificate, expected to be in September 2015. The services are therefore not relevant to our audit of the financial statements or our VFM conclusion. We also note that the leased units form only a small part of the City's investment property portfolio

Management – Management are responsible for taking decisions on the basis of the report prepared by the expert. The City Surveyors department are responsible for the management of an investment property portfolio which for the City Fund is in excess of £1 billion and have the experience and expertise to evaluate the report and take decisions.

Advocacy – the role of expert witness requires the witness to act independently. The overriding duty of an expert witness is to provide a complete and honest opinion to the court. He must not act as an advocate.

Safeguards:

Our work on the 2014/15 accounts is subject to an independent engagement quality control review by a member of our professional standards team.

The work will be led and carried out by a team which is from a different office and service line.

We have concluded that these safeguards are adequate to reduce the residual threat to our independence to an acceptable level.

In addition, we expect to carry out to report on returns on teachers' pensions and capital receipts. These returns fall outside the Public Sector Audit Appointment Limited's grants and returns certification regime. Fees for this work have not yet been agreed.

Relationships

There are no other relationships 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 2014 to 31 March 2015 are as follows:

| | Current year £000 | Prior year £000 |
|---|----------------------|--------------------|
| Audit of the City Fund | *117 | 117 |
| Audit related assurance services | | |
| Certification of grants and returns on behalf of the Audit Commission | 15 | 17 |
| Certification of grants outside the regime | 8 | - |
| Other non-audit services | | |
| Lease advisory services | 20 | 14 |
| Tax advisory services - Research paper on financial transaction tax | - | 18 |
| Total fees | 156 | 169 |
| Audit of the City of London pension scheme | 21 | 21 |

*In our audit planning report we noted that we had requested approval from the Audit Commission for an additional fee of £1,515 to match the level of fee in the prior year. This has now been received and we have updated the table to include this amount.

The table does not include fees in respect of work we expect to carry out on two returns which fall outside the Public Sector Audit Appointment Limited's grants and returns certification regime as fees for these have not yet been agreed.

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 2015 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 2015 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 misstatements are immaterial, both individually and in aggregate, to the financial statements as a whole – to be updated in the letter depending on whether there are any uncorrected misstatements remaining].

Appendix 3: Draft management representation letter (continued)

We set out in draft the representations we request

8. 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.
9. The Corporation has satisfactory title to all assets.
10. 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

11. We have provided you with all relevant information and access.
12. All minutes of member and management meetings during and since the financial year have been made available to you.
13. All transactions have been recorded and are reflected in the financial statements and the underlying accounting records.
14. We acknowledge our responsibilities for the design, implementation and maintenance of internal control to prevent and detect fraud and error.
15. 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.
16. 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.
17. 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.
18. 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.
19. 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.
20. No claims in connection with litigation have been or are expected to be received.
21. We have recorded or disclosed, as appropriate, all liabilities, both actual and contingent.
22. We have no plans or intentions that may materially affect the carrying value or classification of assets and liabilities reflected in the financial statements.
23. 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.

Appendix 3: Draft management representation letter (continued)

We set out in draft the representations we request

24. We have evaluated whether the restrictions, terms or conditions on grants have been fulfilled with, and deferred income to the extent that conditions have not been fulfilled.
25. 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 refers to one or more of Deloitte Touche Tohmatsu Limited (“DTTL”), a UK private company limited by guarantee, and its network of member firms, each of which is a legally separate and independent entity. Please see www.deloitte.co.uk/about for a detailed description of the legal structure of DTTL and its member firms.

Deloitte LLP is the United Kingdom member firm of DTTL.

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City of London Corporation Pension Fund

DRAFT Report to the Audit and Risk
Management Committee on the Year Ended 31
March 2015 Pension Fund Audit

DRAFT

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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 2015 for discussion at the meeting scheduled for 20 July 2015. This report summarises the principal matters that have arisen from our audit for the year ended 31 March 2015.

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.

Status of the audit

We are satisfied that the status of the audit is as expected at this stage of the timetable agreed in our audit plan.

We have substantially completed our audit 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:

- Completion of final review process on the financial statements;
- Completion of our testing on membership movements;
- Completion of our internal review processes;
- Receipt of signed management representation letter (see appendix 1); and
- Update of post balance sheet event review.

We will report to you orally 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.

“I am delighted to present our final report on the findings from our 2014/15 audit.”

Heather Bygrave, Audit Partner

A reminder of our audit plan:

- Materiality: £5.1m (2013/14: £4.5m).
- Threshold for reporting misstatements: £0.252m (2013/14: £0.225m).
- Significant risks over contributions, benefits, Investments and management override of controls.



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/or disclosure matters within the financial statements.

1. Completeness and accuracy of contributions

Significant audit risk

Nature of risk

Unlike the positions 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 non-compliance with the Schedule of Contributions and 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 at the Fund for ensuring contributions from all Scheduled and Admitted bodies are identified and calculated correctly;
- we performed 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 changes in 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:

- We note that City of London as the administering authority is not responsible for the calculation of employers' contributions for each of the scheduled and admitted bodies. We have therefore performed our testing, where necessary, with the assistance of the individual bodies as necessary.

Deloitte view

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 scheme had investments of £817m as at 31 March 2015 and therefore a small degree of error in their valuation represents a significant risk of material misstatement.

This risk is compounded given the use of investments in unquoted investment vehicles, like private equity houses, and the use of derivatives within the scheme.

Private equity funds are complex to value and include an element of judgement on the part of the investment manager. In addition, further amounts are invested in managed funds which are complex to value due to the difficulty in visibility of the underlying investments.

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 reconciled the total value of the investments held by the Fund as reported in the investment report from 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 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;
- 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;
- we have performed analytical review procedures to assess the reasonableness of the change in market value of investments; and
- we have used our treasury specialists to obtain confirmation of year end positions of derivatives.

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.

Further changes have been implemented in 2014 which required the move to career average as the basis for calculation of benefits, effective from 1 April 2014.

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, scheme rules and benefit choices made by the member;
- confirmed that the Fund Account movements were consistent with membership movements by agreeing movements back to member documentation to verify the movement has been approved and recorded correctly; and
- we developed an expectation of pensions payable 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.

All testing was completed with satisfactory results.

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.

No significant issues were noted.

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.

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 committee.

Risk management and internal control systems



As set out in the “Briefing on audit matters” provided in the prior years, for controls considered to be ‘relevant to the audit’ we have evaluated the design of the controls and determined whether they have been implemented (“D&I”). We have taken a substantive approach to the audit and have not tested the operating effectiveness of controls. Our audit is not designed to provide assurance as to the overall effectiveness of the controls operating within the Plan.

Risk management and control observations

We discuss below the internal control matters that have come to our attention during the audit:

Use of dedicated Pension Fund bank account

As observed in the prior years, 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. Whilst the Fund has a dedicated bank account, it has not been used in line with the guidance as set out in the Regulations, with the process being that all transactions are monitored within the pooled cash account, with a net monthly transfer to the pension Fund bank account following the close of monthly accounting to clear down the pooling account.

We note that from January 2015 the bank account has been used in accordance with the regulations with contributions being received on a monthly basis.

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:

- Results of our work on key audit judgements and our observations on the quality of your Annual Report; and
- Our internal control observations.

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.
- In addition, there will be further information you need to discharge your governance responsibilities, such as matters reported on by management, the administrator or by other specialist advisers.
- Finally, our views on internal controls 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.
- This report should be read in conjunction with Briefing on Audit Matters which has been distributed in prior years.

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

Deloitte LLP
Chartered Accountants

St. Albans
10 July 2015

This report has been prepared for the Audit & 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: *HAB/RLG/2015*

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 2015 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 2014/15, the financial transactions of the Pension Fund during the year ended 31 March 2015, and the amount and disposition of the fund’s asset and liabilities as at 31 March 2015, 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 2014/15: 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 2015 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 2015 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 £252,000 (2014: £225,000) for the financial statements. There are no such misstatements that we would like to bring to the attention of the Committee.

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.

There were no disclosure deficiencies noted as part of our audit.

Appendix 3: 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 inquiries 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 Trustee:

1. Whether the Trustee have knowledge of any fraud, alleged or suspected fraud
2. The role that the Trustee 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 Trustee’s assessment of the risk that the financial statements may be materially misstated because of fraud.
4. Whether the Trustee have disclosed to us all information in relation to any fraud, alleged or suspected fraud

Representations from the Committee in this area is included in the draft letter of representation attached as Appendix 1.

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 2015 accounts was £21,000 plus disbursements and VAT (2014: £21,000).

Non-audit services

In our opinion, there are no inconsistencies between APB Ethical Standards for Auditors and the plan's policy for the supply of non-audit services or of any apparent breach of that policy. 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 advise as necessary.

Relationships

There are no business or personal relationships to report.

Appendix 5: Topical matters in the Pensions World

For reference, the following developments in financial reporting or regulatory matters may impact the financial statements and operations of the Scheme:

Changes in accounting standards: The 2015 Pensions SORP

The 2015 Pensions SORP was published in November 2014 and is effective for scheme year-ends commencing on or after 1 January 2015. The Scheme will therefore have to adopt this revised SORP for the year ending 31 March 2016.

The most fundamental changes to the revised SORP are the implementation of a fair value hierarchy for investments and the introduction of disclosure requirements for credit and market risks that a scheme is exposed to. In the majority of cases, these requirements will require pension scheme accountants to enhance their knowledge of investment pricing and strategy and require some practical considerations at the planning stage, perhaps far in excess of current practice.

There is also a key change to accounting policies for annuities held in the name of the Trustee. The previous SORP allowed annuities to be valued at nil on the net assets statement whereas the revised SORP comments that these should be valued at the amount of the related obligation.

The fair value hierarchy defined by FRS 102 is not the same as IFRS. The SORP requires the use of the following hierarchy to estimate the fair value of investments, with the split within category (c) being optional:

| | | | | |
|----------|---|---|---|--------------------------------------|
| SORP | Category a | Category b | Category c(i) | Category c(ii) |
| | Quoted daily price | Recent price | Valuation technique "Observable inputs" | Valuation technique "Non-observable" |
| Examples | Equities Exchange traded derivatives | Weekly priced PIVs | OTC derivatives Investment property | Private Equity Insurance policies |
| IFRS | Level 1 | Level 2 | | Level 3 |
| | Quoted daily price | Valuation technique with observable inputs (other than quoted prices) | | Unobservable inputs |

Investment risk disclosures

The SORP requires pension schemes to disclose information that enables users of its financial statements to evaluate the nature and extent of credit risk and market risk arising from financial instruments to which the scheme is exposed.

FRS 102 defines credit risk as the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

FRS 102 defines market risk as: the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk:

- Interest rate risk – the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates.
- Currency risk – the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Appendix 5: Topical matters in the Pensions World (continued)

Changes in accounting standards: The 2015 Pensions SORP (continued)

- Other price risk – the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

For each type of credit and market risk arising from financial instruments, the SORP requires the following disclosures:

- a) the exposures to risk and how they arise;
- b) its objectives, policies and processes for managing the risk and the methods used to measure the risk; and
- c) any changes in the above from the previous period.

At the end of June 2015, PRAG, in conjunction with the IMA, issued some detailed guidance on investment disclosures under the new SORP.

Annuities

The main change to accounting policies for pension schemes arising from the revised SORP relates to the requirement to value annuity policies at the amount of the related obligation. FRS 102 requires annuities, defined as an insurance policy that exactly matches the amount and timing of some or all of the benefits payable under the scheme, to be fair valued. The fair value of the asset is deemed to be the present value of the related obligation. The opportunity to value these policies at nil under the previous SORP has therefore been removed in the revised SORP.

The present value of the related obligation will depend on the basis of the valuation of the scheme liabilities. The SORP recommends that the basis adopted by the Trustee for pension scheme financial statements reflects the circumstances and purpose of the annuity arrangements. For example, if the intention is to hold the annuities in the scheme for the long term then the scheme funding valuation basis would seem most appropriate. If the annuity has been purchased with a view to moving to a buy-out then the Trustee may consider the buy-out basis more appropriate.

Appendix 5: Topical matters in the Pensions World (continued)

VAT

VAT remains a key issue for pension funds and their sponsoring employers. Pension funds often pay the wrong amount of VAT because the rules are increasingly complex and often misunderstood.

Whilst it is likely that VAT legislation will rumble on for some time, there are a number of steps that a pension fund and its sponsoring employer should be taking now.

HM Revenue & Customs issued two briefs on 26 November 2014 – 43/14: VAT on pension fund management costs and 44/14: VAT treatment of pension management services, by way of updated guidance following the CJEU judgements in *Fiscale Eenheid PPG Holdings BV* and *ATP Pension Services (ATP)*.

Employer/pension fund arrangements

The European Court decision in *Fiscale eenheid PPG Holdings BV cs te Hoogezand (PPG)* suggests that there may be significantly more scope for employers to recover VAT for costs incurred in connection with the operations of a pension fund.

In HMRC's brief addresses the following themes:

- The factors to be considered relevant when deciding whether pension-related services can actually be viewed as supplied to the employer include: (i) the payment and invoicing arrangements, (ii) "contemporaneous evidence" that the services are provided to the employer, and (iii) whether the employer is a party to the contract for services;
- In a departure from their prior position, HMRC now accept that there are no grounds to differentiate between costs incurred in the administration of a pension scheme and the management of assets; and
- HMRC view any recharges by an employer to the pension scheme as consideration for an onward taxable supply and consider that VAT should be charged accordingly.

Liability

The European Court recently found in *ATP Pension Services A/S (ATP)* that defined contribution (DC) schemes should be treated on a par with other 'special investment funds'.

In the brief HMRC accepts that eligible pension funds that many services provided by their managers or administrators should be, and always should have been, exempt from VAT. Trustees will need to determine whether any irrecoverable VAT has been incurred and take appropriate protective steps.

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| | |
|---|------------------------------|
| Committees: | Dates: |
| Audit and Risk Management Committee Finance Committee | 20 July 2015 21 July 2015 |
| Subject: Bridge House Estates, City's Cash Trust Funds and Sundry Trust Funds Annual Reports and Financial Statements 2014/15 | 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 2015 for approval;
- seeks approval to the Annual Reports and Financial Statements for the City's Cash Trust Funds (not City's Cash itself which will be reported in the autumn) for the year ended 31 March 2015, these are listed at Annex 2 and have been placed in the Members' Reading Room;
- seeks approval to the Annual Reports and Financial Statements for the Sundry Trust Funds for the year ended 31 March 2015, these are listed at Annex 3 and have also been placed in the Members' Reading Room; and
- attaches at Annex 4, Moore Stephen's Management Letter for consideration.

The key points relating to Bridge House Estates are:

- the Statement of Financial Activities indicates a net surplus of £51.0m was achieved in the year which includes a gain in fair value on managed investments of £65.1m **(these figures can be seen on the Statement of Financial Activities on page 38)**;
- total Bridge House Estates net assets of £1,141.7m, an increase of £117.8m (12%) since last year. This favourable movement comprises the net surplus of £51.0m above and net gains on property investments of £68.6m partly offset by Bridge House Estates share, £1.8m, of the increase in the City of London pension scheme deficit **(the £1,141.7m is shown on the Balance Sheet on page 39)**;
- the outturn for the year was a better than budget position of £3.3m which will reduce by £0.8m to £2.5m if all budget carry forward requests are agreed **(paragraphs 10 to 13 of this report)**.

With regard to the City's Cash Trust Funds, these held total funds of £44.9m as at 31 March 2015, an increase of £5.8m (15%) from a year earlier **(paragraphs 15 to 18)**.

The Sundry Trust Funds held total funds of £53.2m as at 31 March 2015, an increase of £2.9m (6%) from a year earlier (*paragraph 19*).

Recommendations

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

- a) consider the contents of Moore Stephens Management Letter; and
- b) 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 2015 to the Finance Committee.

The **Finance Committee** is requested to:

- a) consider the contents of Moore Stephens Management Letter;
- b) 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
- c) 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 2014/15 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 2014/15 Annual Reports and Financial Statements for City's Cash Trust Funds (not City's Cash itself which will be reported in the autumn) 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 2014/15 Annual Reports and Financial Statements of Bridge House Estates, City's Cash Trust Funds and the Sundry Trust Funds on 18 May 2015. The Audit Review Panel of the Chamberlain's and Bridgemasters' Accounts, which met on 15 July 2015, 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

Non-Property Investments – full year effect of a change in Accounting Treatment on 31 January 2014

4. As explained in last year's report, four of the six equity funds transferred to pooled investment vehicles on 31 January 2014. Consequently, income generated by those funds remained 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 included the gain or loss in fair value of all non-property investments rather than the dividend income.
5. In 2013/14 this change had a part year effect:
 - For the period prior to the accounting change, from 1 April 2013 to 31 January 2014, the Statement of Financial Activities recorded dividend income of £10.9m within net incoming resources and, as part of other recognised gains and losses, a net gain on managed investments of £21.2m; and
 - For the period following the accounting change from 1 February 2014 to 31 March 2014, the Statement of Financial Activities recorded an overall gain in fair value of £1.6m within net incoming resources.
6. For 2014/15, this change had a full year effect. The Statement of Financial Activities records the gain in fair value of managed investments of £65.1m, which is the main reason for the net operating position increasing from a surplus of £1.6m in 2013/14 to a surplus of £51.0m. This accounting change has led to even relatively small movements in the markets from one year to the next producing significant volatility in the value to be reported as operating gains or losses in the Statement of Financial Activities.

Statement of Financial Activities

7. On page 38 of the financial statements, the Statement of Financial Activities for the year shows a net increase in funds of £117.8m (12%). This comprises the net incoming resources of £51.0m on general and designated funds (which includes the gain in fair value of managed investments of £65.1m) and net gains on property investments of £68.6m, partly offset by Bridge House Estates share, £1.8m, of the City of London pension scheme deficit.

Comparison with Previous Year

8. The first line on the table below indicates the underlying position before taking account of the movement on investments (i.e. an increase of £3.2m in net expenditure, from £10.9m to £14.1m). Subsequent lines show the various movements on investments (both managed funds and property investments) together with BHE's share of the increased deficit on the City of London

Pension Scheme. This results in an overall net increase in funds of £117.8m compared to an increase in funds of £71.1m during the previous year.

| | 31/3/15 £m | 31/3/14 £m |
|---|-----------------------|-----------------------|
| Net outgoing resources before managed investments gains and income | (14.1) | (10.9) |
| Gain in fair value of managed investments (part year impact in 2013/14) | 65.1 | 1.6 |
| Managed investment income (part year impact in 2013/14) | - | 10.9 |
| Net incoming resources before other recognised gains and losses | 51.0 | 1.6 |
| Gain on managed investments | - | 21.2 |
| Gain on property investments | 68.6 | 49.3 |
| Gain/(loss) on defined benefit pension scheme | (1.8) | (1.0) |
| Net increase in funds | 117.8 | 71.1 |

9. The net increase in funds was £46.7m higher than in 2013/14. The main reasons for this increased position were:

- a net increase in the gain on managed investments and investment income of £31.4m due to favourable market conditions;
- a net increase in the gain on property investments of £19.3m;
- a reduction in investment property income of £1.1m;
- an increase in grants to voluntary organisations £1.0m;
- an increase in managed investment expenses £0.8m;
- an increase in the actuarial loss on the pension scheme £0.8; and
- a reduction in interest receivable of £0.7m.

Comparison with Budget

10. 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 £0.9m the outturn on a like for like basis is a surplus of £2.4m, a favourable movement of £3.3m as summarised in the table below.

| Bridge House Estates Outturn 2014/15 | | | |
|--|--------|---------|---------------------------------|
| | Budget | Outturn | Variation (Better)/ Worse |
| | £m | £m | £m |
| 1. Net Expenditure on Services | 10.1 | 9.1 | (1.0) |
| 2. Supplementary Revenue Projects | 1.2 | 0.0 | (1.2) |
| 3. Bridges Repairs Fund Contribution | 1.1 | 1.1 | 0.0 |
| 4. Estate Rent Income | (18.1) | (18.6) | (0.5) |
| 5. Non-property investment income (net) | (13.8) | (13.8) | 0.0 |
| 6. Interest on balances | (0.1) | (0.1) | 0.0 |
| 7. Revenue Surplus | (19.6) | (22.3) | (2.7) |
| 8. Charitable Grants | 20.5 | 19.9 | (0.6) |
| 9. Deficit/(Surplus) from/(to) reserves | 0.9 | (2.4) | (3.3) |

11. The favourable movement of £3.3m can also be analysed on a Committee basis as follows:

| Bridge House Estates Net Expenditure | | | | | |
|--------------------------------------|------------|--------------|----------------------------|--------------|-----------------------------------|
| | Budget | Actual | Variation (Better) / Worse | | |
| | | | Total | Local Risk | Central Risk/ Support Services |
| Committee | £m | £m | £m | £m | £m |
| The City Bridge Trust | 21.8 | 20.9 | (0.9) | (0.1) | (0.8) |
| Culture, Heritage & Libraries | (1.0) | (1.6) | (0.6) | (0.7) | 0.1 |
| Finance | (9.8) | (11.3) | (1.5) | 0.0 | (1.5) |
| Planning and Transportation | 3.6 | 3.7 | 0.1 | 0.0 | 0.1 |
| Property Investment Board | (13.7) | (14.1) | (0.4) | (0.0) | (0.4) |
| Total BHE Requirement | 0.9 | (2.4) | (3.3) | (0.8) | (2.5) |

12. The main items contributing to the better than budget position of £3.3m were:

- The BHE contribution of £1.2m to the construction of a new staircase at London Bridge has been deferred following a rephrasing of the works;
 - Tower Bridge Tourism – an increase in net income of £0.7m, due to a combination of visitor numbers exceeding forecasts and operating expenditure being below budget;
 - City Bridge Trust – £0.6m of the £20.5m grants budget was not utilised;
 - Central contingencies and provisions of £0.3m were not required;
 - Property Investment Estate – additional rent income of £0.3m; and
 - Other net reductions in operating costs across services of £0.2m.
13. However, this surplus is likely to be partly offset by budget carry forwards. In accordance with the City's budget management arrangements, requests to carry forward unspent budgets totalling £0.8m are being considered by the Chamberlain in consultation with the Chairman and Deputy Chairman of the Resource Allocation Sub-Committee including £0.6m for Bridge House Estates grants. If all such requests are approved, the favourable movement of £3.3m would effectively reduce to £2.5m.

Bridge House Estates – Balance Sheet

14. The Balance Sheet is shown on page 37 of the financial statements and reflects the net increase in funds of £117.8m indicated in paragraph 7.

City's Cash Trust Funds

15. The City's Cash Trust Funds comprise seven open space charitable funds and the Sir Thomas Gresham Trust Fund as listed in Annex 2.
16. These Trusts ended the year with net incoming resources of £4.0m (2013/14: net incoming resources of £1.2m) which comprised the following:
- Incoming resources of £24.6m:
 - funding from the City of London totalling £19.3m (2013/14: £15.6m) and;
 - income of £5.3m (2013/14: £6.5m) from investments and charitable and voluntary sources;
 - Resources expended of £20.6m:
 - charitable expenditure of £19.1m (2013/14: £19.5m) on the running of the open spaces and Gresham Almshouses; and
 - governance and support services costs of £1.5m (2013/14: £1.4m).

17. Managed investments, held mainly by Hampstead Heath, benefited from an unrealised net gain in market value of £1.8m (2013/14: net gain of £2.1m).
18. At 31 March 2015, City's Cash Trust Funds held total reserves of £44.9m (2013/14: £39.1m) an increase of £5.8m (15%) compared to a year earlier.

Sundry Trust Funds

19. The Sundry Trust Funds comprise the separate charitable funds listed at Annex 3. Excluding the Charities Pool (which is an investment vehicle for the other charities), the remaining 18 Trusts:
 - received income of £3.4m (2013/14: £3.5m) of which £2.1m was from investments (2013/14: £2.1m);
 - had unrealised gains of £3.0m from managed investments (2013/14: £3.3m gains);
 - incurred charitable expenditure of £3.3m (2013/14: £3.0m) including:
 - £1.2m towards the running costs of Hampstead Heath (2013/14: £1.2m);
 - £1.3m (2013/14: £1.2m) comprising 636 grants and 63 bursaries paid to individuals or organisations (2013/14: 656 grants and 66 bursaries); and
 - £0.3m towards the running costs of the City of London Almshouses (2013/14: £0.2m);
 - incurred governance and administration costs of £0.2m mainly due to the costs of the fund managers (2013/14: £0.2m); and
 - held total funds of £53.2m as at 31 March 2015, an increase of £2.9m (6%) from a year earlier (2013/14: £50.3m increased funds).

Audit Opinion and Management Letter

20. 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 2014/15 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.
21. 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 2014/15 Bridge House Estates Annual Report and Financial Statements.

Signing of the Financial Statements

22. 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

Bridge House Estates
The Trustee's Annual Report
and Financial Statements
for the year ended 31 March 2015

Charity number 1035628

BRIDGE HOUSE ESTATES
TRUSTEE'S ANNUAL REPORT AND FINANCIAL STATEMENTS

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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 listed on page 3. In March 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 | Dr Peter Kane - The Chamberlain of London |
| 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 |

BRIDGE HOUSE ESTATES

TRUSTEE'S ANNUAL REPORT AND FINANCIAL STATEMENTS

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 Common Council. Members of the 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 2014/15 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.

BRIDGE HOUSE ESTATES

TRUSTEE'S ANNUAL REPORT AND FINANCIAL STATEMENTS

Policy and Resources Committee responsible for allocating resources, administering the Trust, and for determining the investment strategy between property and non-property investments.

Finance Committee responsible for 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 92-96.

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

BRIDGE HOUSE ESTATES

TRUSTEE'S ANNUAL REPORT AND FINANCIAL STATEMENTS

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 six 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 charities and the cost of generating funds; charities and campaigning; and involving charitable organisations in the social investment market.

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 2014/15 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

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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.

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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(d) on pages 42 to 43 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.

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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.

The new glass floor feature was launched in November 2014. Delivered on time and on budget, the new feature has contributed to a 50% increase in visitors and an 80% increase in admissions income between 10 November and the end of February. The feature has also achieved record levels of publicity (with a half page and photo in every national newspaper the day following launch) and the most positive visitor feedback for any feature at the Bridge in the exhibition's history.

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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 683,000 visitors in 2014/15.

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 2014/15 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 through the work of its grant-making arm. This wide-ranging support amounted to £20.3 million (£19.9-million after write backs) in 2014/15 (2013/14: £19.0 million, £18.9 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.

The Trust meets its objectives through three key areas of activity:

- grant-making
- social investment
- encouraging philanthropy

A detailed account of the grant-making can be found in the City Bridge Trust's Annual Review 2015 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

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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 2015/16 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 2015/16 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 2014/15 the following tourism objectives were achieved:

- The new glass floor feature was launched in November 2014. Delivered on time and on budget, the new feature has contributed to a 50% increase in visitors and an 80% increase in admissions income between 10 November and the end of February. The feature has also achieved record levels of publicity (with a half page and photo in every national newspaper the day following launch) and the most positive visitor feedback for any feature at the Bridge in the exhibition's history.
- 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), with an improved score of 86% compared with the previous 82%.
- Working partnerships and activities were developed further with charitable and community-facing organisations in the neighbouring boroughs, including Southwark Arts

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Forum, The Challenge Network, the Family Holidays Association, the Guy Fox History Project and the Southwark Young Pilgrims.

- A formal Education programme was launched at Tower Bridge alongside the new facility of the Bridge Master's Learning Centre. The programme is aimed at Key Stage 3 of the national curriculum, is free of charge and consists of 3 discrete workshops. It has proved enormously popular since launch, with over 1,500 pupils participating in the programme, which has in turn seen an increase in paying child group visits to the Exhibition.
- Social media as a marketing method resulted in the Tower Bridge Exhibition attaining 1.1 million Facebook visits and 10,000 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.
- Completion of the Welcome Host Staff Development programme. The year-long development initiative has assisted all team members in improving performance as well as equipping them with new skills and industry recognised qualifications.
- A new online ticketing facility was successfully launched in 2014/15 which has accounted for 7% of total admissions income. This was reinforced by a mobile-enhanced new website for Tower Bridge which was launched in alignment with the glass floor feature in November 2014.

Targets for 2014/15

| | Target 2014/15 | Actual 2014/15 |
|---|---------------------------|---------------------------|
| Achieve tourism income budgets: | | |
| - Ticket Income | 100% | 128% |
| - Retail (shop, vending etc) | 100% | 131% |
| - Venue Hire | 100% | 116% |
| To receive Tower Bridge visitor feedback through analysing questionnaires from 5% of visitors per month | 5% | 6% |
| Achievement of customer care standards | 90% | 97% |
| Increase the number of visitors completing the full tour to the Engine Rooms | 82% | 80% |

Overall Performance:

Performance of Tower Bridge Tourism has set a new record again this year with 683,097 visitors accessing the Exhibition as a result of the new glass floor feature (2013/14: 585,829).

220 corporate and private venue hires have been facilitated, and retail sales have increased to beyond £829,000 (2013/14:£769,000).

Plans for 2015/16

To continue our improvement momentum, a number of key objectives have been identified for the coming year:

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- To embed the Tower Bridge online retail offering, to successfully align this with the online ticket system and to implement an effective fast-track facility for admissions.
- To extend the Tower Bridge educational offering into the Exhibition for all visitors through an inclusive and accessible digital learning trail in the Walkways.
- To manage and further explore the potential of the glass floor feature in order to positively develop income and the Bridge's profile within the tourism industry.
- To exploit the opportunities presented by the Bridge Master's Development through the upgrading and improvement of the Engine Rooms entrance, reception and retail facilities.
- To develop cultural involvement and engage with the Arts Council in determining the viability of an 'artist in residence' at Tower Bridge.

The River Bridges

The Principle inspection of Blackfriars that was due to be completed in 2014/15 was not completed due to clashes of span closures with the marine works to Baynard House; these will now be completed in 2015/16. We will also be testing that parapets to ensure their integrity prior to arranging repairs and repainting, these are being co-ordinated with the Cycle Superhighway works.

This year the New Glass floors were successfully installed to the High level walkways on Tower Bridge to much acclaim. We also replaced all of the Thrust bearings at each end of the Main Pivot Bearings which were showing signs of wear and started to grind. The rest of the year's inspections have been completed.

No repairs were completed to the wind damaged roof of Duke Street Hill Bridge as proposals to redevelop Colechurch House may make this redundant.

We will be getting Thames Water to fix their leak by Park Street Bridge in 2015/16 so that the remedial waterproofing Project can recommence. We have also commenced the construction of the new Staircase at London Bridge which will be completed in 2015/16.

We will complete the inspections in accordance with the 50 year plan and the other significant piece of work in 2015/16 is the repainting of the Millennium Bridge.

Liaison is continuing with Thames Water for their Tideway Tunnel project especially since they obtained the Development Consent Order and we have obtained protections for the River Crossings, including reduced face loss when tunnelling below Tower Bridge. As a part of this project they commenced 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.

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Vision

A fairer London.

Mission

To support disadvantaged Londoners through grant-making, social investment, encouraging philanthropy and influencing public policy.

Values

- Independence
- Inclusion
- Integrity

Key Activities 2014/15

- Delivery of the grants programme: Investing in Londoners.
- Strategic initiatives that enable the Trust to inform and add value to its wider grant-making.
- The implementation of the Trust and City of London Corporation's shared social investment strategy, in particular through the administration of the £20m Social Investment Fund.
- The development of the Trust and City of London Corporation's shared philanthropy strategy through the 'City Philanthropy – A Wealth of Opportunity' initiative
- A strategic resource and impact review of the Trust's policies, processes, and resources (financial and non-financial) to ensure it is fit for purpose.

Investing in Londoners

This year the Trust continued to run its 'Investing in Londoners' programmes, launched in September 2013. Details of all the grants approved in 2014/15 are shown on pages 68-89 and a full report on the grant giving is provided in the City Bridge Trust's Annual Review 2015 which is a separate publication.

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 plan, road shows and presentations. These priorities are reviewed at five yearly intervals in consultation with the voluntary sector, other funders (public and independent) and key commentators and policy makers. The latest Quinquennial Review was completed in 2013/14.

Aside from its cycle of Quinquennial Reviews, the policies are reviewed and modified if necessary in the light of changing needs in the Capital and following appropriate consultation.

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

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website provides the Trust with a platform to share the learning it derives from its grant-making, including links to our YouTube channel where short films made in partnership with the Media Trust showcasing some of the work supported can be found.

Most of our programmes have no deadlines for applications and we aim to process an application within 4 months of its receipt. The City Bridge Trust Committee, the decision-making body, holds six 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

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 2015/16. 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.

Grant-Making 2014/15

435 applications with a 56% success rate
244 grants totalling £20,276,664 (£19,867,610 after write backs)

Write backs for the year amounted to £409,054 (2013/14: £150,639). 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.

Investing in Londoners

221 grants totalling £16,094,496 were awarded on these programmes and a list of these can be found towards the end of this report.

Making London more inclusive

Aim:

We aim to fund projects that enable disabled people to live independently and fully participate in society.

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Achievements:

43 grants totalling £2,663,406.

Reducing poverty

Aim:

We aim to reduce poverty in London by funding projects tackling food poverty or providing debt and housing advice.

Achievements:

25 grants totalling £2,559,400.

English for speakers of other languages

Aim:

We aim to fund projects that will increase the number of Londoners with improved English language skills, leading to better access to mainstream services and greater participation in the wider community.

Achievements:

8 grants totalling £434,510.

Improving Londoners' mental health

Aim:

We aim to support specialist services that target those with mental health issues.

Achievements:

31 grants totalling £2,783,250.

Older Londoners

Aim:

We aim to support older Londoners to live more active and healthier lives and to have more choice and control in their lives.

Achievements:

29 grants totalling £2,183,230.

Resettlement and rehabilitation of offenders

Aim:

We aim to see more ex-offenders successfully and sustainably resettled in the community and re-offending reduced.

Achievements:

7 grants totalling £817,800.

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Improving London's environment

Aim:

We aim to fund environmental education projects that help Londoners better understand the value of conserving and improving the green environment and projects that help young people understand the benefits of food growing and its nutritional value.

Achievements:

11 grants totalling £741,250.

Making London safer

Aim:

We aim to fund specialist projects supporting survivors of domestic violence and trafficking (including forced marriage and female genital mutilation) and victims of hate crime.

Achievements:

9 grants totalling £1,074,900.

Strengthening London's voluntary sector

Aim:

We aim to support specialist, high quality support services working with London's voluntary, community and social enterprise organisations in order to increase their capacity and make them stronger.

Achievements:

23 grants totalling £2,749,750.

Other Grants

Eco Audits

In addition to its grants programmes, the trust will also provide organisations with a free eco audit and related training and consultancy. Most audits amount to about five days' work and include:

- visiting your offices, and discussions with chief executive, staff and trustees
- review of your energy use, waste, travel patterns and purchasing practice
- review of policies and how decisions are made
- a report and action plan
- follow-up visit after a year
- report on the changes and savings achieved.

During 2014/15, 17 eco audits were undertaken, with a total value of £45,000.

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Partnership Programmes

- Buttle UK was awarded £634,000 to provide grants of up to £2,000 to families who are re-building their lives following domestic violence. In addition, £21,000 was awarded during the year towards the evaluation of this initiative.
- The Arts Apprenticeships programme, in partnership with the Arts Council, continued during 2014/15. 18 grants totalling £42,000 were awarded during the year.

Other partnerships

Prince's Trust

During the year, additional funding over and above our £15 million baseline budget was approved by the Court of Common Council to support work with hard-to-reach young Londoners through a grant of £1 million each year for the next decade to youth charity, the Prince's Trust. Almost one-in-four young people in London (23%) are struggling to find a job. The grant builds on the £3.2 million, featured in last year's report, to London's boroughs and charities working with young people to improve their lives.

The grant is focusing on those young people facing the biggest barriers to reaching their potential by developing the skills and confidence they need to re-engage with education and employment. It will help fund a range of the Prince's Trust's projects, including the Fairbridge programme, an individually tailored personal development programme for vulnerable young people. The charity supports 5,000 young Londoners annually and three-in-four young people on its programmes move into work, education or training.

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 was allocated; £1m in 2013/14 and £1m in 2014/15.

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. Since 2012/13, however, there has been 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 £3,182,168. These included:

London Theatre Consortium

The London Theatre Consortium (LTC) brings together 13 London theatres to work in partnership to share expertise, practice, and resources in order to increase their effectiveness.

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Funding of £50,000 is enabling the consortium to pilot and evaluate the ongoing engagement of young people as apprentices in the Arts.

In 2013, LTC was successful in bidding to the Arts Council's Creative Employment Programme to deliver one-year creative apprenticeships for forty-two 16-24 year olds. The majority of the young people it recruited onto this programme were not work ready, and had very low literacy and numeracy skills. Whilst they did start to gain confidence and skills towards the end of year one, it was clear that more time was needed to develop and to consolidate their learning in order to increase their employability. The pilot scheme funded by the Trust will enable its members to give the current group of apprentices the additional time they need to gain the skills they need to move into careers in theatre.

Heart of the City

Heart of the City was launched in 2000 as a joint venture of the Bank of England, the City of London Corporation and the then Financial Services Authority (now operating as the Financial Conduct Authority and Prudential Regulation Authority). It is now a fully independent charity. Comprising a network of 700 small, medium and large businesses operating in the City and those boroughs bordering it, Heart of the City aims to enable the business sector to learn from one another to create prosperous, healthy and sustainable communities through the development of socially responsible programmes. Funding of £278,328 over three years was approved to enable it to roll out its corporate responsibility Newcomer Programme across Greater London; deepen the connections between the London business sector and the voluntary sector; and build on the combined networks of the charity and City Bridge Trust.

London Bombings Relief Charitable Fund

The London Bombings Relief Charitable Fund (LBRCF) was established in the immediate aftermath of the bombings by the then Mayor of London (Ken Livingstone), in partnership with the British Red Cross Society. It was set up with great speed - the Charity Commission registering it within four days! Its objective was to receive the donations made by the public and others and to distribute these in grants to the 52 bereaved families and those individuals who were most seriously injured. LBRCF received over £12m from the public. Grants ranged from £3,000 up to c.£250,000. City Bridge Trust seconded a senior grants officer to assist the administration of the Fund and the then Chief Grants Officer was amongst its trustees.

The workings of the LBRCF often broke new ground in its aim to be responsive, speedy, effective, accountable, and efficient. It worked faster than the statutory compensation authorities and gained a reputation for its empathy and efficiency, recognised at the 2006 Charity Awards with the accolade of the country's "Most Effective Charity". With work complete, the charity was formally dissolved in September 2008.

Given the forthcoming anniversary, it was agreed that the Trust would commission a short research project to look at what the charity achieved and why it was so successful. A publication is planned for 2015/16, with recommendations of how, should a major disaster fund need to be re-established, the most can be made of the LBRCF experience, how to avoid the pitfalls of other such funds, and how to engage fully with the latest IT platforms.

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Moving on Up

In the current tough economic climate, funders are increasingly looking at how they can work together in order to increase the impact. During 2014/15, the Trust embarked on a funding collaboration with Trust for London.

It is well documented that unemployment can disproportionately affect specific groups of disadvantaged people, including women, migrants, disabled people and young people, to name but a few. However, whilst some progress has been made with some target groups, there are other groups where problems persist. One of these is amongst young men aged 16 - 24 from African and Caribbean heritage, where the rate of unemployment is particularly high.

Research commissioned by Trust for London and undertaken by Black Training and Enterprise Group Trust into why young black men fare less well in the labour market than their peers made for stark reading. Unemployment rate among young black men is more than double that of young white men and young black men have a higher unemployment rate than young men and women from all other ethnic groups.

BTEG's research included a survey of approximately 200 young black men. Of those surveyed 100% of respondents who were trying to find work had applied for jobs during the preceding six months and 50% had applied for 100 or more jobs during that period. Almost half (46%) said they had not been shortlisted for any jobs they had applied for in the last six months.

Trust for London's 'Moving on Up' initiative aimed to increase employment rates amongst young black men by improving the support offered to them and increasing their pathways into employment. The Trust awarded £400,000 to be added to Trust for London's £500,000. Applications were invited from organisations that could demonstrate that they could deliver one or more of the following:

- Projects that wanted to develop new ways of supporting young black men into employment. This could be a completely new model or an extension of current work.
- Projects that could demonstrate successful employment outcomes for this target group and which, with further investment, had the potential to influence mainstream employment programmes.
- Projects that created new pathways into employment and which created new opportunities to gain work experience and skills.

City Bridge Trust grant officers were involved in the assessment of applications to this programme alongside colleagues from Trust for London and two Members of the City Bridge Trust Committee joined Trust for London trustees for the final decision making. Six organisations were awarded grants averaging £125,000 over two years. These were Action Acton, Elevations Network, Hackney Council for Voluntary Service, London Youth, Making the Leap and Step Ahead. As well as the individual grants, funds were also set aside to enable each grantee to employ (on the London Living Wage) a young person as an intern; for a learning programme and an external evaluation.

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London Fairness Commission

London has the greatest extremes of wealth and income inequality in the U.K. My Fair London, an autonomous, self-organised group of Londoners, joined forces with Toynbee Hall, a community and social action centre in Tower Hamlets, to establish the London Fairness Commission as an independent, politically neutral body to address inequality in London in the run up to the 2016 London Mayoral elections. During the year, the Trust awarded a grant of £38,040 over two years towards its establishment.

It has 15 Commissioners, representing a broad range of interests of relevance to London. These include Baroness Lane-Fox; Liz Meek, Chairman of the Centre for London; Rosie Ferguson, CEO of London Youth; Jerry White, Professor of History at Birkbeck College; Sean Baine, of My Fair London; and Geeta Nanda OBE, CEO of Thames Valley Housing Association. The Commission's Chairman is Lord Victor Adebawale, Chief Executive of the charity Turning Point.

A series of 10 meetings are planned prior to the 2016 London Mayoral elections, together with a number of open meetings to engage Londoners in evidence gathering, testimonials and discussion about fairness in London.

Social Finance

Last year, the Trust awarded £24,000 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 has been looking at a series of social issues, developing a sustainable business model (funded through grant-making) before offering the model to the wider investment market. Building on this, a grant of £50,000 was awarded to Social Finance in 2014/15, to enable it to pilot an intervention that has emerged from one of its chosen topics, BME mental health inequalities. to test

Care Quality Commission data shows that BME people are over-represented in acute mental health services, with detention rates under the Mental Health Act 44% higher amongst black patients. The pilot will test preventative approaches that boost local community capacity and target healthcare interventions that improve outcomes for BME people with mental illness, in order to determine which approaches are most effective in achieving the desired outcomes. It will engage commissioners throughout to identify opportunities for cost-savings associated with unnecessary admissions to inpatient wards.

Thames 21

A grant of £340,000 over three years was awarded to Thames 21 towards a new development programme to increase the engagement of Londoners in their local communities and in the work of Thames 21. The funding is enabling Thames 21 to:

- Work more closely with local communities to develop practical projects for their local water spaces which meet local needs, concerns and interests.
- Facilitate increased neighbourhood/borough involvement in current Thames 21 London-wide programmes, such as its Training Programme and its Schools Programme.

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- Work with local authorities and other to increase opportunities for Thames 21 to deliver or facilitate improvements to the natural environment such as Sustainable Urban Drainage Systems to reduce flood risk and water pollution or River Re-naturalisation work in localities across London.

Access Europe

A grant of £60,400 over 18 months was awarded to Access Europe for a pilot programme of capacity building support designed to enable voluntary organisations in London take up funding opportunities offered by various European funding streams.

Accessing EU funding can be complex, competitive and too bureaucratic for many smaller voluntary organisations. Nevertheless there are routes through and particular funding streams from which the sector could benefit. Building on its existing suite of free services for the voluntary sector, the grant is enabling a cohort of 20 voluntary organisations to receive intensive tailored support.

Launch of Stepping Stones programme

We launched a new Investing in Londoners' programme, the Stepping Stones fund in November 2014. This was designed to help organisations that were interested in social investment but may need some additional support before taking on any form of repayable finance. The fund had three strands:

- Capacity building for voluntary organisation and intermediaries;
- Pilot finance for better outcomes; and
- Risk finance.

There was a two-stage application process. Forty-one preliminary applications were received of which 31 were invited to apply for the second stage. One applicant withdrew and the thirty remaining applicants were assessed and then invited to appear before interview panels. These comprised officers from City Bridge Trust and our partners within UBS, CAF Venturesome, ClearlySo, and Access Foundation. Final decisions on grant awards will be made by the City Bridge trust Committee early in 2015/16.

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. 77 monitoring

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visits were undertaken in 2014/15. 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.

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 365 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 2014/15, 60% were ranked as 'good' or 'very good' and 38% were ranked as 'satisfactory'. The remaining 2% were ranked as 'poor', although this often reflects poor reporting rather than poor quality of work.

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. £40,000 has been allocated to commission external evaluations of two of our programmes, Older Londoners, and Improving Londoners' Mental Health. These are due to commence in 2015/16.

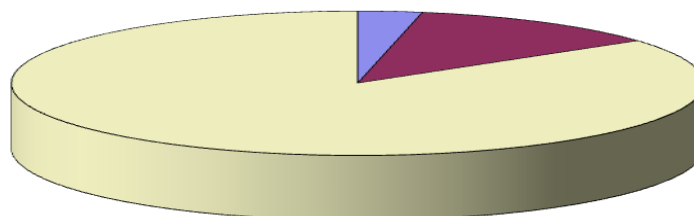
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Type of funding

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.

Type of funding 2014/15



■ Capital, 3% ■ 1 Year Revenue, 12% □ 2 or 3 Year Revenue, 85%

Social Investment

In 2012-13, the City Corporation's Common Council agreed to ring-fence £20 million from Bridge House Estates for investment 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 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).

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By the end of 2014/15 the value of social investments amounted to £6.2m.

| Organisation / Enterprise | £'m |
|--|------------|
| Investments placed 2014/15 | |
| Columbia Threadneedle UK Social Bond Fund | 1.5 |
| Rathbone Ethical Bond Fund | 1.0 |
| Real Lettings Property Fund | 0.6 |
| Commonweal Praxis Housing Project | 0.2 |
| Affordable Homes Rental Fund | 0.1 |
| Y:Cube Housing | 0.5 |
| The Foundry | 0.3 |
| Total 2014/15 | 4.2 |
| Investments placed 2013/14 | |
| Real Lettings Property Fund | 0.4 |
| Golden Lane Housing | 0.5 |
| Midlands Together | 0.3 |
| Greenwich Leisure | 0.5 |
| Total 2013/14 | 1.7 |
| Investments placed 2012/13 | |
| Small Enterprise Impact Investing Fund | 0.3 |
| Total 2012/13 | 0.3 |
| Total social investments at 31 March 2015 | 6.2 |

All investments placed in 2012-13 and 2013-14 remained active at 31st March 2015.

In addition to the social investments of £6.2m placed by 31 March 2015, a further sum of £1.2m had been agreed but subject to conditions.

Of the total ring-fenced fund of £20m, £12m (60%) is reserved for investments that provide social benefits to Londoners, £6m (30%) for wider UK benefit and the remaining £2m (10%) for international investments. By the 31st March 2015 the Fund's agreed geographical investments were as follows:

| Geography | Ring-fence | Agreed to date | Headroom |
|------------------|-------------------|-----------------------|-----------------|
| London | £12m | £2.8m | £9.2m |
| UK | £6m | £3.8m | £2.2m |
| International | £2m | £0.8m | £1.2m |

In addition to its work on the Fund, City Bridge Trust launched the "Stepping Stones" grants programme for charitable organisations seeking to explore the social investment market. This programme, run in collaboration with UBS, will make its first awards in 2015-16.

City Philanthropy – a Wealth of Opportunity

The City Corporation and 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

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umbrella for a number of strands of activity all of which are promoting philanthropy amongst young City professionals. Activities included:

- The City Philanthropy website providing independent 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. During 2014/15, it held two 'dragon's den' style events where three charities make a pitch. Each event raised over £18,000 for the charities concerned.
- Beyond Me which champions philanthropy syndicates (or 'teams') in major City Firms. During the year, it launched 50 new teams across 20 businesses. These will result in 350 professionals collectively donating £200,000 of funding and 7,500 hours of business skills to charitable cause about which they are passionate.
- The Beacon Awards for City Philanthropy 2015 were launched during the year.
- The Inspired 50 network of Adventure Philanthropists was launched.
- City Philanthropy was a founding partner of Giving Tuesday, a global campaign which was launched in the UK for the first time on 2nd December 2014.
- donorWISE, a half-day course introducing City Millennials (those in their early 20s and early 40s) was launched at Cass Business School.
- Cass Business School was commissioned to undertake research aimed at increasing our understanding of the extent of philanthropic engagement of young City professionals.
- A new strategic vision for City Philanthropy – a Wealth of Opportunity was developed during the year and will be promoted during 2015/16.

Wembley National Stadium Trust

The Trust delivered the third year of its three-year contract to run the grant-making and the administration of Wembley National Stadium Trust, 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 made 46 awards totalling £346,090. During the year, we learnt that a new three-year contract had been approved starting on 1st April 2015.

Strategic Resource and Impact Review

During the year, we commissioned Lasting Transformations to undertake a wholesale, strategic review of the Trust's policies, processes and resources. The aims of the review included:

- Reflection on the achievements of the Trust in the 20 years since it first began to make grants in September 1995 and to draw out lessons for the future.
- To assess the context for CBT's work in London, in political, economic, social and technological terms and the implications of this for the Trust's future strategy.
- To review the vision, mission, and values of CBT.
- To review CBT grant-making and social investment processes, and make recommendations to ensure that CBT achieves its mission.

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- To make recommendations for further integrating and resourcing the social investment, grant-making functions and philanthropy strategy of CBT.
- To develop a knowledge and information management strategy for CBT.
- To develop a London Learning Programme which will begin during the 20th year (2015/2016 financial year).
- To provide a report on the Strategic Resource and Impact Review.

The findings of the review are due to be completed early in 2015/16.

Growing Prosperity Conference

We held a well-attended conference at Guildhall, in partnership with Calouste Gulbenkian Foundation UK to celebrate the role of the environment in our economy

The keynote speaker was The Rt Hon Gregory Barker, Minister of State for Energy and Climate Change, who spoke about the role of the green economy in enabling economic recovery. The broadcaster, Jon Snow, chaired a lively and thought-provoking armchair discussion with Professor Tim Jackson (University of Surrey), Julia Groves (Trillion Fund) and Sally Uren (Forum for the Future).

Workshops provided an opportunity to showcase some of the projects funded by the Trust and Calouste Gulbenkian UK that are exploring new and creative approaches to the current economic challenges

Get Young People Working – the Youth Offer

In November 2014, we held a learning event for the London boroughs and their voluntary sector partners funded on this programme, in order to share the preliminary findings of its external evaluation. Some of the interim findings included:

- 1,119 young people had taken part since June 2013, of which 357 had completed the programme.
- Of those who had completed the programme, 38% have entered full-time education or training; and 35% have entered full-time employment.
- The programme's flexibility is perceived to be a particular strength of the Youth Offer.

Learning Events

The Trust is committed to using the learning we derive from the work we fund to inform and improve our own work and to influence other. During the year, we were involved in a number of events during the year which provided opportunities to share learning with the voluntary sector, other funders and key commentators and policy makers. Highlights included:

Growing Localities Awards

We worked in partnership for a second year with Lemos and Crane 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 well-being.

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Telling Your Stories

We continue our partnership with the Media Trust who worked with a cohort of nine of our grantees, producing short films which 'told their stories'. These powerful and moving films were screened at the Barbican before being broadcast on the Community Channel.

Grantee Perception Study

During the year, we commissioned the Centre for Effective Philanthropy to undertake a survey of City Bridge Trust grantees funded in the previous three years, in order to learn more about what they considered positive about the Trust and what less so. Overall, the Trust was regarded as fair, clear and consistent, although grants officers were managing larger caseloads than many similar funders. The survey recommended the Trust provide grants over longer time periods, give more continuation funding and provide more capacity building to help organisations secure funding elsewhere.

Future plans

20th Anniversary

2015/16 marks the Trust's 20th anniversary as a grant-maker. This pivotal moment is an opportunity to review the Trust's past and current work and to inform its future.

During the year, the Trust will develop two new strategic grant initiatives. One will focus on employment and young disabled people and those with mental health problems. The other will look at the future capacity building needs of London's voluntary sector. It is also proposed to commission a feasibility/scoping study of a potential small grants programme.

A communications plan for the 20th anniversary was agreed by Members of the City Bridge Trust Committee during 2014/15. A number of events due to take place during 2015/16 will provide an opportunity to recognise the anniversary, including the London Fairness Commission's inaugural debate; a closing event for Get Young People Working – the Youth Offer; and the Growing Localities Awards 2015.

Strategic Resource and Impact Review

As reported elsewhere, the report of the Strategic Resource and Impact Review that took place in 2014/15 will be completed in early 2015/16 and its findings will be implemented during the year.

Learning Programme

The Trust will implement a Learning Programme during 2015/16, in order to maximise the impact and raise the profile of the Trust's work and that of grantees by drawing on, disseminating, sharing and learning from:

- the issues facing London
- the programmes funded by the Trust
- the work of others in the policy areas of grant programmes.

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Re-imagine – improving access to the arts for adults with learning disabilities

We will continue our partnership with Lemos and Crane in order to improve access to mainstream arts for adults with learning disabilities by highlighting examples of best practice within the arts and by opening up the arts to providers of services for people with learning disabilities.

Social Investment

We aim for a further £3 million to have been committed by the Social Investment Board for social investment during the year.

City Philanthropy

We will continue to develop the City Corporation's and City Bridge Trust's shared philanthropy strategy and to promote the strategy to both internal and external audiences.

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 continue to implement the Trust's communications plan in order to amplify the work of our grantees, the Trust and the City Corporation as its Trustee, with a particular emphasis on the 20th anniversary of the Trust as a grant-maker. We will develop complementary communication plans for our social investment work and for our City Philanthropy initiative. We will review the Trust's website in order to increase its use as a vehicle for sharing learning and good practice.

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5. Financial Review

Summary of financial performance

The total net income from continuing operations available for charitable purposes for the financial year ended 31 March 2015 was derived from:

| | Incoming resources £'m | Resources expended generating funds £'m | 2014/15 Net incoming resources £'m | % | 2013/14 Net incoming resources £'m | % |
|----------------------------------|---------------------------|--|--|-----|--|-----|
| Tourism at Tower Bridge | 4.9 | 3.3 | 1.6 | 2 | 1.1 | 4 |
| Investment properties | 22.3 | 8.2 | 14.1 | 18 | 15.2 | 56 |
| Managed investments and interest | 65.3 | 3.4 | 61.9 | 80 | 10.8 | 40 |
| Third party contributions | 0.1 | - | 0.1 | - | - | - |
| Net income available | 92.6 | 14.9 | 77.7 | 100 | 27.1 | 100 |

The total expenditure for direct charitable purposes and governance costs were:

| | 2014/15 £'m | % | 2013/14 £'m | % |
|---|----------------|-----|----------------|-----|
| <i>Direct charitable expenditure</i> | | | | |
| Repair and maintenance of bridges | 4.6 | 17 | 4.2 | 17 |
| Grants to voluntary organisations | 19.9 | 75 | 18.8 | 74 |
| Grants administration | 1.1 | 4 | 1.2 | 5 |
| Governance costs | 1.0 | 4 | 1.1 | 4 |
| Net pension scheme costs | 0.1 | - | 0.2 | - |
| Total charitable and other expenditure | 26.7 | 100 | 25.5 | 100 |

| | | | | |
|--|-------------|--|-----|--|
| Net incoming resources for the year | 51.0 | | 1.6 | |
|--|-------------|--|-----|--|

Other recognised gains and losses

| | 2014/15 £'m | 2013/14 £'m |
|---|----------------|----------------|
| Net gains on managed (non-property) investments | - | 21.2 |
| Net gains on property investments | 68.6 | 49.3 |
| Decrease/(increase) in pension scheme deficit | (1.8) | (1.0) |
| Total recognised net gains | 66.8 | 69.5 |

| | 2014/15 £'m | 2013/14 £'m |
|---------------------------------------|----------------|----------------|
| Net incoming resources | 51.0 | 1.6 |
| Other recognised gains and losses | 66.8 | 69.5 |
| Increase in funds for the year | 117.8 | 71.1 |

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Volatility in Net Incoming/(Outgoing) Resources

On 1 February 2014 the majority of the charity's managed investments were transitioned from segregated to pooled investment vehicles. The income generated by these investment vehicles remains within the funds to be re-invested with Bridge House Estates drawing down income (realising gains or losses) as required.

This change in investment policy required 'all' managed funds to be designated as 'fair value through profit and loss'. As a consequence, net incoming resources within the Statement of Financial Activities includes the gain or loss in fair value of all non-property investments rather than the dividend income.

This accounting change has led to even relatively small movements in the markets from one year to the next producing large volatility in operating gains or losses in the Statement of Financial Activities. The following table illustrates this point:

| Statement of Financial Activities | 2014/15 £'m | 2013/14 £'m |
|---|----------------|----------------|
| Net incoming resources | 51.0 | 1.6 |
| Deduct: | | |
| - Gain in fair value of managed investments (part impact in 2013/14) | (65.1) | (1.6) |
| - Managed investment income (part year impact in 2013/14) | - | (10.9) |
| Net outgoing resources before managed investments gains and income | (14.1) | (10.9) |

The removal of managed investment gains and income from net incoming resources reduces the movement (volatility) between the years from £49.4m (£51.0m less £1.6m) to £3.2m (£14.1m less £10.9m) which is more reflective of the underlying position on operations.

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 non-designated unrestricted funds of the Trust which results from the excess of income over expenditure carried forward from previous years - £520.2m at 31 March 2015 (2013/14: £454.1m);
- 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 £9.9m at 31 March 2015 (£8.0m at 31 March 2014).

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- Total Designated Funds amounted to £631.4m (2013/14: £577.8m) 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 2015 was £30.2m (2013/14: £43.7m).
 - 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 2015 was £446.4m (2013/14: £385.9m).
 - Finsbury House - reserves are designated in respect of financing future major works at Finsbury House and at 31 March 2015 this reserve totalled £0.2m (2013/14: £0.2m).
 - Property Dilapidations – funds have been retained from dilapidation income to fund necessary repair works in respect of thirteen properties. At 31 March 2015 this reserve totalled £1.2m (2013/14: twelve properties totalling £1.1m).
 - 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 2015 was £138.6m (2013/14: £127.9m).
 - 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 2015 was £1.0m (2013/14: £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 2015 was £13.8m (2013/14: £18.0m).

Non-Property Investments Policy

The non-property investment portfolio was divided between the following fund managers at 31 March 2015:

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

During 2014-15, an asset reallocation exercise was undertaken and funds previously held on a segregated basis and managed by Pyrford International Plc were moved to a pooled vehicle with the same fund manager. Funds held by Ruffer LLP continue to be managed on a segregated mandate with all other funds now managed on a pooled vehicle mandate.

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In June 2015, holdings in the pooled vehicle managed by Southeastern Asset Management Inc. were divested and the funds split between the fund managers of other equity pooled vehicles. Note 19 provides details on this subsequent event after the balance sheet date.

Managed investments and investment properties are re-valued during the year. The difference between the current carrying value and the prior year carrying value is recognised in the Statement of Financial Activities on page 37.

The Non-Property 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 funds capital base in real terms.

The performance of the Fund is measured against its peer group using the WM Charity Universe (ex-property). For the financial year 2014/15 the Fund achieved a performance of plus 12.1% (2013/14: plus 5.4%) compared to the weighted average return achieved in the WM Charity Universe (ex-property) of plus 12.3% (2013/14: plus 6.6%). In addition the Financial Investment Board has set an absolute return of RPI plus 4% for the non-property investments. The Fund has outperformed the absolute return, which for the year was plus 4.9% by plus 7.2%.

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 £531m as at 31 March 2015 (2013/14: £451m), 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 its 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.

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The key performance measures are comparisons with the IPD benchmarks. The IPD UK March 2015 Annual Universe Index covers property valued at some £178bn in 247 funds; the overall total return for 2014/15 for the IPD Universe was +17.5%. The Estates' performance was +19.1%, and therefore the Estate has exceeded the IPD UK Annual Universe Index this year.

Over an annualised five year basis the total return for the Estate was 14.2%, under-performing the benchmark +14.9%. However, over the last ten years the annualised total return for the Estates has been +10.5% p.a., out-performing the +9.6% total return for its Benchmark.

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. 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

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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
Chairman of Finance Committee

Jeremy Paul Mayhew MA MBA
Deputy Chairman of Finance
Committee

Guildhall, London
21 July 2015

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INDEPENDENT AUDITOR'S REPORT TO THE TRUSTEE OF BRIDGE HOUSE ESTATES

We have audited the financial statements of Bridge House Estates for the year ended 31 March 2015 which are set out on pages 38 to 40. 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 its 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 31, 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 Trustee; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Trustee's 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 2015, 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.

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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

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**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, 24 June 2013, 24 June 2014 and 25 June 2015 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 2014 to 31 March 2015.

In our view the audit of the Financial Statements has been conducted in accordance with auditing procedures as stated on pages 35-36.

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. A. 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.

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Statement of Financial Activities
for the year ended 31 March 2015

| | Notes | 2014/15 | 2013/14 |
|--|-------|-----------------------|----------------|
| | | Total | Total |
| | | £'m | £'m |
| Incoming resources | | | |
| Incoming resources from generated funds | | | |
| Activities for generating funds | | | |
| Tourism fees and charges | | 4.9 | 4.1 |
| Investment income | | | |
| Investment property income | | 22.3 | 23.4 |
| Gain in fair value of managed investments | | 65.1 | 1.6 |
| Managed investment income | | - | 10.9 |
| Interest receivable | | 0.2 | 0.9 |
| Other | | 0.1 | - |
| Total incoming resources | 4 | <u>92.6</u> | <u>40.9</u> |
| Resources expended | | | |
| Cost of generating funds | | | |
| Tourism expenses | | 3.3 | 3.0 |
| Investment property expenses | | 8.2 | 8.2 |
| Managed investment expenses | | 3.4 | 2.6 |
| Charitable activities | | | |
| Repair and maintenance of bridges | | 4.6 | 4.2 |
| Grants to voluntary organisations | | 21.0 | 20.0 |
| Governance costs | | 1.0 | 1.1 |
| Other resources expended | | | |
| Net pension scheme costs | 15 | <u>0.1</u> | <u>0.2</u> |
| Total resources expended | 5 | <u>41.6</u> | <u>39.3</u> |
| Net incoming resources before other recognised gains and losses | | 51.0 | 1.6 |
| Other recognised gains and losses | | | |
| Net gain on managed investments | 10 | - | 21.2 |
| Net gain on property investments | 10 | 68.6 | 49.3 |
| Actuarial gain/(loss) on defined benefit pension scheme | 15 | <u>(1.8)</u> | <u>(1.0)</u> |
| Net movement in funds | | 117.8 | 71.1 |
| Reconciliation of funds | | | |
| Total funds brought forward | 16 | <u>1,023.9</u> | <u>952.8</u> |
| Total funds carried forward | 16 | <u>1,141.7</u> | <u>1,023.9</u> |

All operations are continuing.

All funds are unrestricted income.

There are no other recognised gains and losses other than those shown above.

BRIDGE HOUSE ESTATES
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Balance Sheet
as at 31 March 2015

| | Notes | 2015 Total £'m | 2014 Total £'m |
|--|--------|---|------------------------------------|
| Fixed assets | | | |
| Tangible fixed assets | 8 | 3.9 | 3.1 |
| Investments - property | 10 | 532.8 | 450.7 |
| Investments - fair value through Statement of Financial Activities | 10, 11 | 603.1 | 552.3 |
| Programme related investments | 10 | 0.1 | 0.1 |
| Social Investment Fund | 10, 11 | 6.2 | 2.0 |
| | | <u>1,146.1</u> | <u>1,008.2</u> |
| Current assets | | | |
| Stock - finished goods | | 0.2 | 0.1 |
| Debtors | 12 | 4.5 | 12.9 |
| Investments | 10, 11 | 37.0 | 42.2 |
| Cash at bank and in hand | | 3.9 | 4.0 |
| Total current assets | | <u>45.6</u> | <u>59.2</u> |
| Creditors: Amounts falling due within one year | 13 | <u>(35.6)</u> | <u>(32.8)</u> |
| Net current assets | | 10.0 | 26.4 |
| Total assets less current liabilities | | <u>1,156.1</u> | <u>1,034.6</u> |
| Creditors: Amounts falling due after more than one year | 14 | (4.5) | (2.7) |
| Defined benefit pension scheme liability | 15 | <u>(9.9)</u> | <u>(8.0)</u> |
| Net assets | | <u>1,141.7</u> | <u>1,023.9</u> |
| The Funds of the charity: | | | |
| Unrestricted income funds excluding pension reserve | 16 | 1,151.6 | 1,031.9 |
| Pension reserve | 16 | (9.9) | (8.0) |
| Total funds | | <u>1,141.7</u> | <u>1,023.9</u> |

Approved and signed for and on behalf of the Trustee.

Dr Peter Kane
Chamberlain of London
21 July 2015

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Cash Flow Statement
for the year ended 31 March 2015

| | Notes | 2014/15 Total £'m | 2013/14 Total £'m |
|--|-------|-------------------------|-------------------------|
| Net cash outflow from operating activities | 1 | (10.1) | (17.1) |
| Returns on investments and servicing of finance | | | |
| Interest received | | 0.2 | 0.9 |
| Managed investment income | | 4.8 | 10.9 |
| Net cash inflow from investments and servicing of finance | | 5.0 | 11.8 |
| Capital expenditure and financial investment | | | |
| Return of/(addition to) managed investments and long term deposits | | 14.3 | (75.0) |
| Capital purchases and enhancements | | (20.9) | (34.0) |
| Sale of net investment property | | 6.4 | 58.3 |
| Net cash inflow from capital transactions | | (0.2) | (50.7) |
| Management of liquid resources | | | |
| Cash taken from short term deposits | | 5.2 | 56.5 |
| Increase/(decrease) in cash in the year | 2 | (0.1) | 0.5 |

Notes to the Cash Flow Statement

1. Reconciliation of net incoming resources on operating activities to net cash flow

| | 2014/15 £'m | 2013/14 £'m |
|--|----------------|----------------|
| Net incoming resources | 51.0 | 1.6 |
| Depreciation/Impairment | 0.2 | 0.3 |
| (Increase)/Decrease in stock | (0.1) | - |
| (Increase)/Decrease in debtors | 8.4 | (3.3) |
| Increase in social investments | (4.2) | (1.7) |
| Increase/(Decrease) in creditors falling due within one year | 2.8 | (0.6) |
| Increase/(Decrease) in long term creditors | 1.8 | (0.2) |
| Difference between pension contribution paid & charges made | 0.1 | 0.2 |
| Interest receivable | (0.2) | (0.9) |
| Managed investment income | (4.8) | (10.9) |
| Gain in fair value of managed investments | (65.1) | (1.6) |
| Net cash outflow from operating activities | (10.1) | (17.1) |

2. Movement in cash as shown in the Balance Sheet

| | 2014/15 £'m | 2013/14 £'m | Movement £'m |
|--------------------------|----------------|----------------|-----------------|
| Cash at bank and in hand | 3.9 | 4.0 | (0.1) |

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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) 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.

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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 the Statement of Financial Activities for the income that might not be collected.

(d) Fixed assets

Bridges

In recognition of the historical and cultural nature of the Bridges, they 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 2015 was £730m (31 March 2014: £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 62% of the Estates’ value as at 31 March 2015. 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.

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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 2014/15, funds managed by Pyrford International Plc were moved into a Pyrford-managed pooled vehicle. As such, the income generated by these funds remains within the funds to be reinvested, with Bridge House Estates drawing down income (realising gains) as required.

Details of the management of liquid resources can be found under the Investment Policy on page 31 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 within other recognised gains and losses. 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 investments and tangible fixed asset disposals, represents the differences between proceeds received on disposals and their book value at the beginning of the year.

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 |

(e) 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.

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(f) 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.

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.

(g) 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.

(h) Rent deposits

Deposits against defaults in rental payments held by the Trust are shown as creditors.

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(i) 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.

(j) 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. The largest designated fund is the Property Revaluation, which represents either the market value of investment property or the difference between cost and market value, where cost is known. Further information is given in note 16 to the Financial Statements.

(k) 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.

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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 £36,844 in 2013/14 (2013/14: £26,486).

4. Incoming Resources

Incoming resources consist of fees and charges from the tourism operation at Tower Bridge, 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 £4.9m in 2014/15 (2013/14: £4.1m). 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 | | 2014/15 £'m | 2013/14 £'m |
|--|----------------|-------------------|----------------|----------------|
| | General £'m | Designated £'m | | |
| Investment property | 22.0 | 0.3 | 22.3 | 23.4 |
| Gain in fair value of managed investment | 57.3 | 7.8 | 65.1 | 1.6 |
| Managed investments | - | - | - | 10.9 |
| Interest receivable | 0.1 | 0.1 | 0.2 | 0.9 |
| Other income | 0.1 | - | 0.1 | - |
| Total investment income | 79.5 | 8.2 | 87.7 | 36.8 |

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5. Resources expended

Resources expended are analysed as follows:

| | Activities undertaken directly £'m | Support costs £'m | 2014/15 Total £'m | 2013/14 Total £'m |
|---------------------------------|---------------------------------------|----------------------|-------------------------|-------------------------|
| Cost of generating funds | | | | |
| Investment property | 6.3 | 1.9 | 8.2 | 8.2 |
| Investment management | 2.9 | 0.5 | 3.4 | 2.6 |
| Tourism | 3.0 | 0.3 | 3.3 | 3.0 |
| | 12.2 | 2.7 | 14.9 | 13.8 |
| Charitable expenditure | | | | |
| Bridges repairs & maintenance | 4.2 | 0.4 | 4.6 | 4.2 |
| Grants | 20.8 | 0.2 | 21.0 | 20.0 |
| | 25.0 | 0.6 | 25.6 | 24.2 |
| Governance | - | 1.0 | 1.0 | 1.1 |
| Other resources expended | | | | |
| Net pension scheme costs | 0.1 | - | 0.1 | 0.2 |
| Total Resources Expended | 37.3 | 4.3 | 41.6 | 39.3 |

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 £19.9m, 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.

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No grants are made to individuals. A summary of grants to institutions over programme areas is as follows:

| Programme area | 2014/15 Total grants to institutions £'m | 2013/14 Total grants to institutions £'m |
|--|---|---|
| Investing in Londoners | | |
| Eco-audits | 0.1 | - |
| English for Speakers of Other Languages | 0.4 | - |
| Improving London's Environment | 0.7 | 0.4 |
| Improving Londoners' Mental Health | 2.8 | - |
| London Youth Quality Mark | - | 0.3 |
| Making London More Inclusive | 2.7 | 0.3 |
| Making London Safer | 1.1 | 0.1 |
| Older Londoners | 2.2 | - |
| Partnership Programmes - Hardship Fund | - | 0.8 |
| Reducing Poverty | 2.6 | 0.3 |
| Resettlement and Rehabilitation of Offenders | 0.8 | 0.1 |
| Strengthening London's Voluntary Sector | 2.7 | 0.2 |
| | 16.1 | 2.5 |
| Working With Londoners | - | 9.5 |
| Initiatives to Tackle Unemployment | 1.0 | 4.5 |
| Exceptional Grants | - | 0.1 |
| Strategic Initiatives | 3.2 | 2.4 |
| Total grants awarded | 20.3 | 19.0 |
| Write backs (grants no longer useable for the purpose awarded) | (0.4) | (0.2) |
| Total grants chargeable | 19.9 | 18.8 |

Details of all the grants approved are shown on pages 70-91.

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.

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Auditor's remuneration and fees for external financial services

Remuneration to the external auditor for the audit of the 2014/15 accounts amounted to £36,800 (2013/14: £36,800).

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 £8,396 (2013/14: £10,100) 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:

| | 2015 | | 2014 | |
|-----------------------------------|-------|--------------|-------|--------------|
| | £'m | £'m | £'m | £'m |
| Deficit at beginning of the year | | (8.0) | | (6.8) |
| Net finance cost | - | | (0.1) | |
| Current service cost | (0.5) | | (0.5) | |
| Employer contributions | 0.4 | | 0.4 | |
| Net total charge to SOFA | | (0.1) | | (0.2) |
| Actuarial gains/(losses) | | (1.8) | | (1.0) |
| Deficit at end of the year | | (9.9) | | (8.0) |

The net total pension costs charged in the Statement of Financial Activities of £0.1m (2014: £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).

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Support costs are analysed by activity as follows:

| | Tourism £'m | Investment property £'m | Investment management £'m | Bridges £'m | Grants £'m | Governance £'m | 2014/15 Total £'m | 2013/14 Total £'m |
|--|----------------|-------------------------------|---------------------------------|----------------|---------------|-------------------|----------------------------------|-------------------------|
| Department: Chamberlain | - | 0.2 | - | 0.1 | 0.1 | - | 0.4 | 0.5 |
| Comptroller & City Solicitor | - | 0.2 | - | - | - | - | 0.2 | 0.2 |
| Town Clerk | - | - | - | - | - | 0.2 | 0.2 | 0.3 |
| City Surveyor | - | 1.3 | - | 0.2 | - | - | 1.5 | 1.6 |
| Director of the Built Environment | - | - | - | 0.1 | - | - | 0.1 | - |
| Culture, Heritage & Public Relations | 0.2 | - | - | - | - | - | 0.2 | 0.1 |
| Information Systems | - | - | - | - | - | 0.1 | 0.1 | 0.1 |
| Premises Costs | 0.1 | 0.2 | - | - | - | - | 0.3 | 0.2 |
| Other | - | - | - | - | 0.1 | 0.3 | 0.4 | 0.2 |
| Other | - | - | 0.5 | - | - | 0.4 | 0.9 | 1.2 |
| Total support costs | 0.3 | 1.9 | 0.5 | 0.4 | 0.2 | 1.0 | 4.3 | 4.4 |

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. |

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| | |
|---------------------|---|
| 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 98.6 at a cost of £3.56 million (2013/14: 96.2 staff at a cost of £3.57 million). The cost of agency staff in the year totalled £0.32m (2013/14: £0.24m)

The number of directly charged staff earning less than £60,000 is shown below.

| Employees that earn less than £60,000 per annum | | | | | | |
|--|-----------------------------|------------------|--------------------------------------|--|----------------------------------|-------------------------|
| | No of full time equivalents | Gross pay £'m | Employer's National Insurance £'m | Employer's Pension Contribution £'m | Total 2014/15 £'m | Total 2013/14 £'m |
| Investment properties | 19.00 | 0.45 | 0.04 | 0.09 | 0.58 | 0.66 |
| Tower Bridge Tourism | | | | | | |
| - permanent staff | 37.26 | 0.94 | 0.08 | 0.14 | 1.16 | 0.94 |
| - temporary staff | - | 0.30 | - | - | 0.30 | 0.24 |
| Bridges | | | | | | |
| - permanent staff | 26.88 | 0.85 | 0.07 | 0.15 | 1.07 | 1.18 |
| - temporary staff | - | 0.02 | - | - | 0.02 | - |
| Grants Unit | 14.30 | 0.50 | 0.04 | 0.08 | 0.62 | 0.63 |
| Total | 97.44 | 3.06 | 0.23 | 0.46 | 3.75 | 3.65 |

The number of directly charged staff earning more than £60,000 in bands of £10,000 is set out below.

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| 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 2014/15 £'m | Total 2013/14 £'m |
| Grant's Unit Tower | 70-79,999 | - | - | - | - | - | 0.08 |
| Bridge/ Grant's Unit | 80-89,999 | 0.2 | 0.02 | - | 0.01 | 0.03 | 0.08 |
| | 90-99,999 | 1.0 | 0.08 | 0.01 | 0.01 | 0.10 | - |
| Total | | 1.2 | 0.10 | 0.01 | 0.02 | 0.13 | 0.16 |

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 58.3 (2013/14: 55.7).

8. Tangible fixed assets

| | Computers and other equipment £'m | Fixtures and fittings £'m | Leasehold Improvements £'m | Total £'m |
|---------------------------------|--|---------------------------------|----------------------------------|---------------------------|
| <u>Cost</u> | | | | |
| At 1 April 2014 | 0.4 | 0.8 | 4.2 | 5.4 |
| Additions/Adjustments | - | 1.0 | - | 1.0 |
| Disposals | - | - | - | - |
| At 31 March 2015 | 0.4 | 1.8 | 4.2 | 6.4 |
| <u>Accumulated depreciation</u> | | | | |
| At 1 April 2014 | 0.3 | 0.8 | 1.2 | 2.3 |
| Charge for year | - | - | 0.2 | 0.2 |
| Disposals | - | - | - | - |
| At 31 March 2015 | 0.3 | 0.8 | 1.4 | 2.5 |
| <u>Net book values</u> | | | | |
| At 31 March 2014 | 0.1 | 0.0 | 3.0 | 3.1 |
| At 31 March 2015 | 0.1 | 1.0 | 2.8 | 3.9 |

The net book value of tangible fixed assets relating to direct charitable purposes amounts to £3.9 million (2013/14: £3.1 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; £30k for computer equipment and £21k for

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fixtures and fittings. There was a depreciation charge for the year of £24k on computer equipment and £14k on fixtures and fittings.

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:

| | 2014/15 £'m | 2013/14 £'m |
|--|------------------------------|----------------|
| Property investments | | |
| Market value 1 April | 450.7 | 425.7 |
| Purchase costs* | 19.9 | 34.0 |
| Net unrealised gain on revaluation at 31 March | 67.6 | 44.0 |
| Book value of disposed assets | (5.4) | (53.0) |
| Market value 31 March | 532.8 | 450.7 |

* Includes Rent Free Adjustment of £0.1m.

Net gain on property investments

The net gain on property investments is arrived at as follows:

| | 2014/15 £'m | 2013/14 £'m |
|--|------------------------------|----------------|
| Property investments | | |
| Net unrealised gain on revaluation at 31 March | 67.6 | 44.0 |
| Realised gain on disposal | 1.0 | 5.3 |
| Market value 31 March | 68.6 | 49.3 |

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 2014/15 there were no permanent losses on revaluation (2013/14: £0).

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Investments under Fund Management and Long / Short Term Deposits

Analysis of movement:

| | 2014/15 £'m | 2013/14 £'m |
|---|-----------------------|----------------|
| Total investments at 1 April | 594.5 | 553.2 |
| Add: Additions to investments at cost | - | 161.9 |
| Less: Disposals at market value | - | (111.7) |
| Add: Net gain on revaluation | - | 21.2 |
| Less: Realised Investments | (14.3) | (3.2) |
| Movement in fair value of managed investments | 65.1 | 1.6 |
| Change in long term deposits | - | (10.9) |
| Change in cash held by fund manager and short term deposits | (5.2) | (17.6) |
| Total investments at 31 March 2015 | 640.1 | 594.5 |

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 had 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.

During 2014/15, funds managed by Pyrford International Plc were moved from a segregated mandate into a Pyrford-managed pooled vehicle. 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 2014/15 were £1.1m (2013/14: advances to fund managers £90.1m). Total investments as at 31 March are analysed between long term and short term as follows:

| | 2014/15 £'m | 2013/14 £'m |
|--|-----------------------|----------------|
| Long term | 603.1 | 552.3 |
| Short term deposits (*) and money market funds | 23.1 | 28.6 |
| Short term investments in hands of fund managers | 13.9 | 13.6 |
| Total | 640.1 | 594.5 |

(*) The Chamberlain's Banking Account includes cash on deposit £10.5m (2013/14: £11.1m) and accrued interest of £0.3m (2013/14: £0.9m), 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:

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| | 2014/15 £'m | 2013/14 £'m |
|---|------------------------------|----------------|
| United Kingdom (including cash held by fund managers) | 236.3 | 246.3 |
| Europe (excluding UK) | 92.8 | 89.7 |
| United States of America | 210.2 | 182.4 |
| Japan | 35.4 | 28.1 |
| Pacific (excluding Japan) | 35.6 | 26.9 |
| Emerging Markets | 29.8 | 21.1 |
| Total | 640.1 | 594.5 |

Investment Analysis by Type

| | 2014/15 £'m | 2013/14 £'m |
|-----------------|------------------------------|----------------|
| Fixed Interest | | |
| UK | 23.1 | 80.9 |
| Overseas | 27.1 | 30.5 |
| Index Linked | | |
| UK | 24.1 | 20.1 |
| Overseas | 23.8 | 18.5 |
| Pooled Units | | |
| UK | 78.2 | 75.4 |
| Overseas | 383.5 | 261.8 |
| Listed Equities | | |
| UK | 10.9 | 28.1 |
| Overseas | 46.9 | 57.5 |
| Managed Funds | 13.9 | 13.6 |
| Venture Capital | 8.6 | 8.1 |
| Total | 640.1 | 594.5 |

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.

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Social Investment Fund

By the end of 2014/15 the value of social investments amounted to £6.2m.

| Organisation / Enterprise | £'m |
|--|------------|
| Investments placed 2014/15 | |
| Columbia Threadneedle UK Social Bond Fund | 1.5 |
| Rathbone Ethical Bond Fund | 1.0 |
| Real Lettings Property Fund | 0.6 |
| Commonweal Praxis Housing Project | 0.2 |
| Affordable Homes Rental Fund | 0.1 |
| Y:Cube Housing | 0.5 |
| The Foundry | 0.3 |
| Total 2014/15 | 4.2 |
| Investments placed 2013/14 | |
| Real Lettings Property Fund | 0.4 |
| Golden Lane Housing | 0.5 |
| Midlands Together | 0.3 |
| Greenwich Leisure | 0.5 |
| Total 2013/14 | 1.7 |
| Investments placed 2012/13 | |
| Small Enterprise Impact Investing Fund | 0.3 |
| Total 2012/13 | 0.3 |
| Total social investments at 31 March 2015 | 6.2 |

All investments placed in 2012-13 and 2013-14 remained active at 31st March 2015.

11. 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 is the potential risk that a borrower or counterparty will fail to meet its obligations in accordance with agreed terms. Credit risk principally arises from cash and cash equivalents,

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financial instruments and deposits with banks and financial institutions. 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 is 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 three foreign banks with individual limits of £25m, National Australia Bank, Australia and New Zealand Banking Group and Svenska Handelsbanken. 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 2015 £'m | Amount as at 31 March 2014 £'m |
|------------------------|---|---|
| Less than three months | 0.1 | 0.1 |
| Three to six months | - | - |
| Six months to one year | - | - |
| More than one year | 0.1 | - |
| Total | 0.2 | 0.1 |

Liquidity risk

Liquidity risk is the risk that Bridge House Estates is unable to meet its payment obligations as they fall due. There is no significant risk that Bridge House Estates will be unable to raise finance to meet its commitments under financial instruments. At present, Bridge House Estates has no borrowing exposure and has no plans to borrow to finance future capital expenditure. Bridge House Estates will finance operations and growth by realising investments as appropriate

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to ensure the constant availability of an appropriate amount of reasonably priced funding to meet both current and future forecast requirements. All trade creditors are due to be paid in less than one year.

Market risk

Interest rate risk

Movements in interest rates would have an impact on Bridge House Estates. For instance, a rise in interest rates would have the following effects:

- investments at variable rates – the interest income credited to the Statement of Financial Activities will rise;
- investments at fixed rates – the fair value of the assets will fall.

The continuing low interest rates for 2014/15 had an adverse impact on the interest earnings of Bridge House Estates, which is anticipated to continue in 2015/16, although longer term deals are entered into wherever possible to earn higher rates when available. 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.

If interest rates had been 1% higher, with all other variables held constant, the financial effect at 31 March 2015 would have been an increase in interest receivable of £0.2m.

Price Risk

Price risk is the risk of a decline in the value of a security or a portfolio. Bridge House Estates minimises price risk through a strategy of diversification by holding a geographical spread of investments in the UK and overseas markets.

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 are reasonably possible for the 2014/15 reporting period.

| Potential market movements | |
|-----------------------------------|-----------------|
| Asset type | % Change |
| UK Equities | 9.38% |
| Overseas Equities | 10.55% |
| Index Linked Bonds | 9.07% |
| Pooled Bonds | 4.69% |
| Multi-Asset | 3.15% |
| Cash | 0.11% |
| Total managed investments | 6.73% |

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 have been derived, and provide a range of possible net asset values which would be available to meet the fund's liabilities.

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| Asset type | Value £'m | Change % | Value on increase £'m | Value on decrease £'m |
|----------------------------------|--------------|--------------|-----------------------------|-----------------------------|
| UK Equities | 91.9 | 9.38% | 100.5 | 83.3 |
| Overseas Equities | 243.7 | 10.55% | 269.4 | 218.0 |
| | 335.6 | | | |
| Index Linked Bonds | 47.9 | 9.07% | 52.2 | 43.6 |
| Pooled Bonds | 27.1 | 4.69% | 28.4 | 25.8 |
| | 75.0 | | | |
| Multi-Asset | 192.4 | 3.15% | 198.5 | 186.3 |
| Cash | 13.9 | 0.11% | 13.9 | 13.9 |
| Total managed investments | 616.9 | 6.73% | 658.4 | 575.4 |

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.

Foreign Currency Risk

Foreign currency risk (also known as foreign exchange risk or exchange rate risk) is a financial risk that exists when a financial transaction or asset/liability is denominated in a currency other than that of the base currency of a company or investor. The risk is that a movement in the exchange rate may cause a foreign currency investment's value to either decrease or increase when the investment is sold and converted back into the original currency.

The following table shows the illustrative effect on Bridge House Estates' asset values that would result from movements in exchange rates.

| | Value £'m | Change % | Value on increase £'m | Value on decrease £'m |
|----------------------------------|--------------|-------------|-----------------------------|-----------------------------|
| North America investments | 210.2 | 7.41% | 225.8 | 194.6 |
| Europe (ex UK) investments | 92.7 | 3.78% | 96.2 | 89.2 |
| Asia Pacific investments | 71.0 | 7.29% | 76.2 | 65.8 |
| Emerging investments | 29.8 | 6.80% | 31.8 | 27.8 |
| Overseas Total | 403.7 | | 430.0 | 377.4 |
| UK investments & cash | 213.2 | | | |
| Total managed investments | 616.9 | | | |

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12. Debtors due within one year

| | 2014/15 £'m | 2013/14 £'m |
|------------------|----------------|----------------|
| Accrued interest | 0.4 | 0.9 |
| Rental debtors | 1.0 | 2.9 |
| Other debtors | 3.1 | 9.1 |
| Total | 4.5 | 12.9 |

13. Creditors due within one year

| | 2014/15 £'m | 2013/14 £'m |
|-------------------------------------|----------------|----------------|
| Grants payable | 22.8 | 22.1 |
| Accruals | 2.0 | 1.9 |
| Property income received in advance | 5.3 | 4.8 |
| Rent deposits | 3.5 | 3.0 |
| Trade and other creditors | 2.0 | 1.0 |
| Total | 35.6 | 32.8 |

14. Creditors due after more than one year

| | 2014/15 £'m | 2013/14 £'m |
|----------------|----------------|----------------|
| Grants payable | 4.5 | 2.7 |
| Total | 4.5 | 2.7 |

15. 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 2014 was updated to 31 March 2015, 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.

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The expected rate of return on the scheme's assets for the financial year ending 31 March 2015 was 7.0% p.a. (2014: 7.0% 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 2015) for the year to 31 March 2016. 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 2016 is £398,000 (2014 actual: £355,000). 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: | 2015 % p.a. | 2014 % p.a. | 2013 % p.a. |
|---------------------------|------------------------------|----------------|----------------|
| RPI increases | 3.2 | 3.6 | 3.4 |
| CPI increases | 2.4 | 2.8 | 2.6 |
| Salary increases | 3.9 | 4.3 | 4.8 |
| Pension increases | 2.4 | 2.8 | 2.6 |
| Discount rate | 3.3 | 4.4 | 4.5 |

Life expectancy

The assumed life expectations from age 65 are:

| Life expectancy from age 65 (years) | | 2015 | 2014 |
|--|---------|-------------|------|
| Age 65 retiring today | Males | 22.9 | 22.9 |
| | Females | 25.3 | 25.2 |
| Retiring in 20 years | Males | 24.7 | 24.6 |
| | Females | 27.2 | 27.1 |

The table reflects the change in the mortality tables used for the 31 March 2015 valuation and allowance is made for future improvements in life expectancy.

(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:

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| | 2015 £'m | 2014 £'m | 2013 £'m |
|---------------------------------------|--------------------|-------------|-------------|
| Fair value of assets (bid value) | 15.1 | 13.3 | 12.9 |
| Fair value of liabilities | 24.9 | 21.2 | 19.6 |
| Net liability | 9.8 | 7.9 | 6.7 |
| Present value of unfunded liabilities | 0.1 | 0.1 | 0.1 |
| Unrecognised past service cost | - | - | - |
| Net liability in balance sheet | 9.9 | 8.0 | 6.8 |

£0.12m of the unfunded liabilities as at 31 March 2015 relates to compensatory added years awarded prior to 1988.

The net pension fund liability of £9.9m in the Balance Sheet (2014: £8.0m) 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:

| | 2015 £'m | 2014 £'m |
|--|--------------------|-------------|
| Current service cost | 0.5 | 0.5 |
| Past service cost | - | - |
| Interest cost | 0.9 | 0.9 |
| Expected return on scheme assets | (1.3) | (0.8) |
| Gains/(losses) on curtailments and settlements | - | - |
| Total expense | 0.1 | 0.6 |
| Actual return on scheme assets | 1.6 | 0.5 |

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 | 2015 | | 2014 | |
|---|-------------|-----------|-------------|------------|
| | £'m | % p.a. | £'m | % p.a. |
| Equities | 12.7 | 84 | 11.0 | 83 |
| Gilts | 2.0 | 13 | 1.5 | 11 |
| Other bonds | - | - | 0.7 | 5 |
| Cash | 0.4 | 2 | 0.1 | 1 |
| Total assets | 15.1 | 99 | 13.3 | 100 |

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The Trust's share of pension scheme assets at 31 March 2015 of £15.1m (2014: £13.3m) 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:

| | 2015 £'m | 2014 £'m |
|---|--------------------|-------------|
| Opening value of scheme liabilities | 21.3 | 19.8 |
| Current service cost | 0.5 | 0.5 |
| Interest cost | 0.9 | 0.9 |
| Actuarial (gains)/losses | 2.9 | 0.8 |
| Losses/(gains) on curtailments | - | - |
| Liabilities assumed/(extinguished) on settlements | - | (0.1) |
| Estimated benefits paid net of transfers in | (0.7) | (0.7) |
| Past service cost | - | - |
| Contributions by scheme participants | 0.1 | 0.1 |
| Unfunded pension payments | - | - |
| Closing value of scheme liabilities | 25.0 | 21.3 |

The Trust's share of the closing value of the pension scheme liabilities of £25.0m (2014: £21.3m) 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:

| | 2015 £'m | 2014 £'m |
|---|--------------------|--------------|
| Surplus/(deficit) at beginning of the year | (8.0) | (6.8) |
| Current service cost | (0.5) | (0.5) |
| Employer contributions | 0.4 | 0.4 |
| Unfunded pension payments | - | - |
| Past service cost | - | - |
| Other finance expense | - | (0.1) |
| Settlements and curtailments | - | - |
| Actuarial gains/(losses) | (1.8) | (1.0) |
| Surplus/(deficit) at the end of the year | (9.9) | (8.0) |

The net pension fund liability of £9.9m in the balance sheet (2014: £8.0m) represents 2% of the total net balance sheet liability in the City of London Corporation Pension Fund financial statements.

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(g) Movement in the present value of scheme assets

Changes in the fair value of the scheme assets over the year are as follows:

| | 2015 £'m | 2014 £'m |
|--|---------------------------|-------------|
| Opening fair value of scheme assets | 13.3 | 12.9 |
| Expected return on scheme assets | 1.3 | 0.8 |
| Actuarial (loss)/gain | 0.7 | (0.2) |
| Contributions by employer including unfunded | 0.4 | 0.4 |
| Contributions by scheme participants | 0.2 | 0.1 |
| Estimated benefits paid net of transfers in and including unfunded | (0.8) | (0.7) |
| Settlement prices received/(paid) | - | - |
| Closing value of scheme assets | 15.1 | 13.3 |

The Trust's share of the closing value of the pension scheme assets of £15.1m (2014: £13.3m) 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 2011-2015 have been recognised under the “actuarial gains and losses on defined benefit pension scheme” heading within the Statement of Financial Activities:

| | 2015 £'m | 2014 £'m | 2013 £'m | 2012 £'m | 2011 £'m |
|--|---------------------------|-------------|-------------|-------------|-------------|
| Present value of scheme liabilities | (25.0) | (21.3) | (19.7) | (18.1) | (15.1) |
| Fair value of scheme assets | 15.1 | 13.3 | 12.9 | 11.1 | 11.4 |
| Deficit in the scheme | (9.9) | (8.0) | (6.8) | (7.0) | (3.7) |
| Experience adjustments on scheme liabilities | - | 0.2 | - | - | 0.7 |
| Percentage of scheme liabilities | 0.0% | 1.0% | 0.0% | 0.0% | 4.7% |
| Experience adjustments on scheme assets | 0.7 | (0.2) | 1.2 | (1.0) | (0.1) |
| Percentage of scheme assets | 4.6% | (1.8%) | 9.6% | (9.1%) | (1.3%) |
| Cumulative actuarial gains and losses | (3.3) | (1.5) | (0.5) | (0.8) | 2.4 |

The cumulative gains and losses in the table above start from 1 April 2005.

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(i) Projected pension expense for the year to 31 March 2016

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 31/03/2016 £'m | Year to 31/03/2015 £'m |
|------------------------------|---------------------------------------|---------------------------------------|
| Service cost | 0.6 | 0.5 |
| Interest cost | 0.3 | 0.9 |
| Return on Fund assets | - | (1.3) |
| Total expense | 0.9 | 0.1 |
| Employer contribution | 0.4 | 0.4 |

The total pension costs to be charged in the Statement of Financial Activities for 2016 of £0.9m (2015: £0.1m) represents 2% of the total amount to be charged in the City of London Corporation Pension Fund financial statements.

16. Funds

Analysis of net assets by fund

| | General Funds £'m | Designated Funds £'m | 2014/15 Total £'m | 2013/14 Total £'m |
|------------------------------|----------------------------------|-------------------------------------|----------------------------------|----------------------------------|
| Fixed assets | 514.7 | 631.4 | 1,146.1 | 1,008.2 |
| Net current assets | 10.0 | - | 10.0 | 26.4 |
| Creditors more than one year | (4.5) | - | (4.5) | (2.7) |
| Pension reserve | (9.9) | - | (9.9) | (8.0) |
| Total assets | 510.3 | 631.4 | 1,141.7 | 1,023.9 |

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Movement of unrestricted funds during the year to 31 March 2015

| | Balance at 1 April 2014 | Net incoming / (outgoing) resources before transfers | Transfers between Funds | Net gain/ (loss) on investments/ properties | Balance at 31 March 2015 |
|---------------------------------|----------------------------|---|-------------------------------|--|--------------------------------|
| | £'m | £'m | £'m | £'m | £'m |
| Unrestricted - General Funds | 454.1 | 44.9 | 21.2 | - | 520.2 |
| Pension Reserve | (8.0) | (0.1) | - | (1.8) | (9.9) |
| Total General Funds | 446.1 | 44.8 | 21.2 | (1.8) | 510.3 |
| Unrestricted - Designated Funds | | | | | |
| Designated Sales Pool | 43.7 | - | (20.0) | 6.5 | 30.2 |
| Property Revaluation | 385.9 | - | - | 60.5 | 446.4 |
| Finsbury House | 0.2 | - | - | - | 0.2 |
| Property Dilapidations | 1.1 | 0.1 | - | - | 1.2 |
| Bridges Repairs | 127.9 | 6.1 | 3.0 | 1.6 | 138.6 |
| Tower Bridge Tourism | 1.0 | - | - | - | 1.0 |
| Social Investment Fund | 18.0 | - | (4.2) | - | 13.8 |
| Total Designated Funds | 577.8 | 6.2 | (21.2) | 68.6 | 631.4 |
| | | | | | |
| Total Funds | 1,023.9 | 51.0 | - | 66.8 | 1,141.7 |

Notes to the Unrestricted Funds

- 1) *General Fund* - representing the non-designated unrestricted funds of the Trust which results from the excess of income over expenditure carried forward from previous years. These funds are 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:

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- 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.

17. Commitments

The following commitments have been made at 31 March in respect of future accounting periods:

| | 2015 £'m | 2014 £'m |
|--------------------------|---------------------------|-------------|
| Capital works authorised | 5.4 | 4.7 |

18. 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.

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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 2014/15 including instances where their close family has made transactions with the City of London.

For the year to 31 March 2015 the following transactions were disclosed (rounded to the nearest thousand):

- a former common councillor represents the City Corporation on Age UK London which was paid a grant of £35,000 from City Bridge Trust (grant awarded 2012/13, paid 2014/15);
- the City Corporation nominates two Members to the Cripplegate Foundation which was paid a grant of £100,000 from City Bridge Trust, of which £5,000 remains payable at 31 March (grant awarded 2013/14, paid 2014/15);
- the City Corporation nominates a Member to Thames21 which was paid a grant of £187,000 from City Bridge Trust, of which £46,750 remains payable at 31 March; and
- the City Corporation nominates three Members to Trust for London. City Bridge Trust paid a grant of £400,000 in Trust for London.

For the year to 31 March 2014 the following transactions were disclosed (rounded to the nearest thousand):

During 2013/14 a Member was a Trustee of the Thames Estuary Partnership (a charity) which received a grant of £50,000; and a Member was a Trustee of the Barbican Centre Trust (a charity) which received a grant of £250,000. Another 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.

The Members did not participate in the discussions or the decision making relating to the award of the grants.

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19. Subsequent events after the Balance Sheet date

In June 2015, funds invested in the pooled vehicle managed by Southeastern Asset Management, £35.8m, were divested and transferred to the following fund managers:

| | £'m |
|-------------------------------|-------------|
| Carnegie Asset Management | 12.1 |
| Wellington Management Co LLP | 12.1 |
| Veritias Asset Management LLP | 11.6 |
| Total | 35.8 |

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List of Grants Approved 2014/15

| Organisation Name | Project Description | Total Approved £ | Number of years |
|------------------------------------|--|-----------------------------|----------------------------|
| Investing in Londoners | | | |
| Arts Apprenticeships | | | |
| 198 Contemporary Arts and Learning | to match CEP funding towards the wage cost of one apprentice (approved September 2014) | £4,000 | 1 year |
| 198 Contemporary Arts and Learning | to match CEP funding towards the wage cost of one apprentice (approved March 2015) | £4,000 | 1 year |
| Akademi South Asian Dance UK | to match CEP funding towards the wage costs of an apprentice | £2,000 | 1 year |
| Albany | to match CEP funding towards the wage costs of an apprentice | £2,000 | 1 year |
| Cardboard Citizens | to match CEP funding towards the wage costs of an apprentice | £2,000 | 1 year |
| Chickenshed Theatre | to match CEP funding towards the wage costs of an apprentice | £2,000 | 1 year |
| Cockpit Arts | to match CEP funding towards the wage costs of an apprentice | £2,000 | 1 year |
| Eastside Educational Trust | to match CEP funding towards the wage costs of an apprentice | £2,000 | 1 year |
| English National Opera | to match CEP funding towards the wage costs of an apprentice | £2,000 | 1 year |
| Fairfield (Croydon) Limited | to match CEP funding towards the wage costs of two apprentices | £4,000 | 1 year |
| Islington Community Theatre | to match CEP funding towards the wage costs of an apprentice | £2,000 | 1 year |
| National Army Museum | to match CEP funding towards the wage costs of an apprentice | £2,000 | 1 year |
| Park Theatre | to match CEP funding towards the wage costs of an | £2,000 | 1 year |

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| | apprentice | | |
| Postal Heritage Trust | to match CEP funding towards the wage costs of two apprentices | £4,000 | 1 year |
| Roundhouse Trust | to match CEP funding towards the wage costs of an apprentice | £2,000 | 1 year |
| Southbank Centre | to match CEP funding towards the wage costs of two apprentices | £4,000 | 1 year |
| Studio 3 Arts | to match CEP funding towards the wage costs of an apprentice | £2,000 | 1 year |
| Venture Community Association | to match CEP funding towards the wage costs of an apprentice | £2,000 | 1 year |
| Total Arts Apprenticeships | | £42,000 | |
| | | | |
| Eco-audits | | | |
| Age UK London | for an eco-audit | £4,000 | |
| Centre for Armenian Information & Advice | for an eco-audit | £2,400 | |
| Community Health Action Trust | for an eco-audit | £2,400 | |
| Downside Settlement | for an eco-audit | £2,600 | |
| ELATT (East London Advanced Technology Training) | for an eco-audit | £2,800 | |
| Harrow Central Mosque | for an eco-audit | £2,400 | |
| Kingston Churches Action on Homelessness | for an eco-audit | £3,000 | |
| Manor House Development Trust | for an eco-audit | £2,600 | |
| Old Kent Road Mosque and Islamic Cultural Centre | for an eco-audit | £2,600 | |
| Redbridge CVS | for an eco-audit | £4,200 | |
| Spitalfields City Farm | for an eco-audit | £2,600 | |
| St. Matthew's Church Surbiton | for an eco-audit | £2,000 | |
| St. Edward's Church and Development Project | for an eco-audit | £2,000 | |
| Telegraph Hill Centre | for an eco-audit | £2,000 | |
| Timebank | for an eco-audit | £2,200 | |
| Tower Hamlets Council for Voluntary Service | for an eco-audit | £2,000 | |
| Voluntary Action Harrow | for an eco-audit | £3,400 | |
| Total Eco-audits | | £45,000 | |

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| | | | |
| English for Speakers of Other Languages | | | |
| Communities Welfare Network | for an ESOL tutor and programme costs related to the delivery of ESOL classes at Level 1 and Level 2 | £20,310 | 2 years |
| Friendship Society | for centre-based ESOL classes in Bexley and Newham | £51,300 | 2 years |
| Katherine Low Settlement | for ESOL classes to Entry-level and Level 1 standard | £99,000 | 3 years |
| Kurdish & Middle Eastern Women's Organisation Ltd | for two thirds of the salary costs of the Director | £67,400 | 3 years |
| The New Cross Gate Trust | for an ESOL tutor and running costs of a programme of ESOL classes up to and including Level 2 | £63,500 | 3 years |
| Training Link | for ESOL tutor fees, course accreditation and running costs, up to Level 2 | £34,500 | 3 years |
| Translating & Interpreting Service (TIS) | for ESOL Entry Level 1-3 provision | £40,800 | 2 years |
| Women's Centre Sutton | for ESOL classes for women in Sutton | £57,700 | 3 years |
| Total English for Speakers of Other Languages | | £434,510 | |
| Improving London's Environment | | | |
| Bridge Renewal Trust | for a food growing, cookery and family well-being programme | £72,900 | 3 years |
| Country Trust | for staffing and project costs of the Food Discovery programme | £15,000 | 3 years |
| Friends of Tower Hamlets Cemetery Park | for a training, leisure, learning and community consultancy coordinator to develop environmental education services | £49,050 | 3 years |
| Kingston Environment Centre | for a volunteer coordinator and associated project costs to deliver and develop a | £24,000 | 2 years |

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| | volunteer programme with young people from a range of black and minority communities | | |
| Lift People | for a project worker and associated running costs | £50,000 | 2 years |
| London Sustainability Exchange | for staff salaries and related running costs of a project to improve the local environment in six communities across London | £66,600 | 18 months |
| Providence Row | for the costs of engaging homeless people in food growing initiatives | £52,600 | 3 years |
| Sonshine Club | for the running costs of the Grow to Eat – Eat to Grow project for young people aged 8-13 | £33,700 | 3 years |
| Thames21 Ltd | for the salary of a project officer and related costs of a scheme developing and supporting local volunteers to improve the Thames and London's waterways | £108,000 | 2 years |
| Trees for Cities | for staffing and associated costs of developing and sustaining edible playgrounds in 20 London schools | £150,000 | 3 years |
| Vauxhall City Farm | for the salary of a youth and education manager and education programme costs | £116,400 | 3 years |
| Total Improving London's Environment | | £741,250 | |
| | | | |
| Improving Londoners' Mental Health | | | |
| Action for Stammering Children (ASC) | for the costs of providing specialist consultations to young Londoners | £60,000 | 2 years |
| Attention Deficit Disorders Uniting Parenting in Havering, Barking & Dagenham and the Surrounding Area (Add+up) | for the salary costs of a development manager | £94,000 | 3 years |
| Barons Court Project | for the salary costs of a project worker plus related running costs of the drop-in | £32,600 | 1 year |

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| | service | | |
| CALM, the campaign against living miserably | for work to prevent suicide and reduce self-harm amongst men in London | £100,000 | 2 years |
| Camden Listening and Counselling Centre | for work to increase the level of males aged 19-and-over attending the counselling service | £4,900 | 3 years |
| Centrepont Soho | for the salaries of two dual diagnostic practitioners and related costs | £208,400 | 3 years |
| Choices Islington | for the salaries of two counsellors and related support costs for work in HMP Holloway | £48,600 | 3 years |
| Food Chain | for the Eating Together programme for HIV-positive clients | £48,100 | 1 year |
| Friend Counselling (London) Limited | for the salary costs of a volunteer coordinator and counselling service coordinator plus clinical supervision, programme and management costs | £135,300 | 3 years |
| Havering and Brentwood Bereavement Service | for bereavement counselling services for 30 children and families | £38,900 | 2 years |
| Healthy Living Projects Ltd | for the costs of increasing current nursing provision, plus running costs, and the provision of alternative therapies | £85,000 | 3 years |
| Helen Bamber Foundation | for the salary and related costs of the head of therapies | £150,000 | 3 years |
| Maya Centre | for the running costs of Bridging the Gap project | £52,700 | 2 years |
| Metro Centre Limited | for the salary costs of a service coordinator and associated running costs | £119,600 | 3 years |
| Middle Eastern Women and Society Organisation | for the salary costs of an outreach worker and a counsellor plus associated running costs | £28,800 | 3 years |
| National Association for People Abused in Childhood (NAPAC) | for the costs of six support groups for adult survivors of childhood abuse | £31,000 | 3 years |

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| One North East London | for the salary costs of a counsellor for the NE Teens project | £38,000 | 3 years |
| Open Door, Young People's Consultation Service | for clinical staff and supervision, project and administration costs of a new organisational base in Tottenham | £138,000 | 3 years |
| Paladin – National Stalking Advocacy Service CIC | for the salary of two caseworkers to provide an advocacy service for victims of stalking in London | £140,000 | 3 years |
| Positive East | for the salary costs of a clinical psychologist and a support worker and costs of the Re:Assure project | £86,000 | 2 years |
| Respond | for the costs of a forensic psychotherapist and a contribution to an independent evaluation of Respond's therapeutic model | £144,500 | 3 years |
| Room to Heal | for the salary costs of a specialist therapeutic and support staff, plus therapeutic retreats and clinical supervision | £120,000 | 3 years |
| SANE | for the salary and related costs of the director of services post | £99,000 | 3 years |
| Shepherds Bush Families Project & Children's Centre | for the costs of delivering family counselling sessions | £96,000 | 3 years |
| Sound Minds | for the salary of a project worker, plus a contribution to project and management costs of the Canerows project | £72,000 | 3 years |
| South London YMCA | for the salary costs of a well-being manager, plus running costs to establish a mental health support service for homeless residents | £98,700 | 2 years |
| Victim Support | for a project worker providing support and advocacy for homeless young people in Westminster | £112,200 | 3 years |
| Vietnamese Mental Health Services | for the salary of a bilingual counsellor, plus | £90,550 | 3 years |

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| | administrative support and associated running costs | | |
| Women's Therapy Centre | for the salary and running costs of the Affirm project to provide psychotherapeutic support for women at risk of self-harm and suicide | £120,000 | 3 years |
| Working With Men | to fund a full time case worker, with related costs, to assist disadvantaged young men in Westminster, Hammersmith and Fulham, and Kensington and Chelsea in reducing their risk of acute mental illness or suicide | £145,700 | 3 years |
| YouthNet | for the Live Chat service providing advice and support to young Londoners with mental health needs | £44,700 | 1 year |
| Total Improving Londoners' Mental Health | | £2,783,250 | |
| | | | |
| Making London More Inclusive | | | |
| Action on Disability | for an independent living officer and associated running costs | £121,300 | 3 years |
| Arts For All | for the salary and running costs of The Rainbow Club | £21,000 | 3 years |
| Aspire | for an independent Walk and Talk audit and design appraisal to inform and ensure best practice on access issues | £1,800 | 1 year |
| Back-Up Trust | for salaries, project costs and overheads for work supporting Londoners with a spinal cord injury | £165,600 | 3 years |
| Bell Farm Christian Centre | for an independent access audit and design appraisal for a new extension, and access and disability equality training for staff and volunteers | £2,328 | 1 year |
| Bikeworks CIC | for the cost of a training coordinator, and a contribution to the costs of a | £90,000 | 3 years |

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| | disability cycling programme | | |
| Brent Citizens Advice Bureau | for an independent access audit | £2,000 | 1 year |
| Caxton Youth Organisation | for the salary costs of a youth worker plus a contribution to operational costs | £90,000 | 3 years |
| City YMCA London | for access-related building costs | £100,000 | 1 year |
| Contemporary Dance Trust | for access-related building costs | £55,000 | 1 year |
| CREST Waltham Forest | for an independent access audit | £1,500 | 1 year |
| Deafax | for the Life Control project for deaf young people living in London | £46,500 | 2 years |
| Disablement Association Hillingdon (DASH) | for the salary costs of an activity manager and associated project costs | £90,000 | 3 years |
| Frenford Clubs | for the salary costs of a disability activity development coordinator and related running costs to increase disabled people's participation in sports | £54,000 | 3 years |
| Friends R Us | for an independent access audit | £4,500 | 1 year |
| Friends R US | for access-related building costs | £100,000 | 1 year |
| Graeae Theatre Company | for the salary costs of a training and learning manager and associated programme costs of the Young Artistic Advisors, Outreach and School Residencies programme | £138,650 | 3 years |
| Greenwich + Docklands Festivals | for work supporting large-scale outdoor performances led and created by deaf and disabled Londoners | £50,000 | 2 years |
| KEEN London | for the costs of expanding weekly activities in East London for young people with behavioural, physical and learning disabilities | £10,000 | 1 year |

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|---|---|----------|---------|
| Leonard Cheshire Disability | for salary and project costs of the Enablement and Healthy Living project for disabled people | £147,000 | 3 years |
| London Symphony Orchestra Ltd | for the delivery and evaluation of LSO Create, creative music for adults with learning disabilities at LSO St Luke's, the Barbican, and in residential/day care centres | £172,000 | 3 years |
| Midi Music Company | for the costs of tutors, BSL interpreters and project management | £19,200 | 1 year |
| Mind in Croydon | for the salary costs of a sports coordinator and related project costs | £143,600 | 3 years |
| Norwood Ravenswood Ltd | for the costs of an Elite Team Leader Sports, and Job Coach within the Change the Game sports programme | £121,000 | 3 years |
| Over The Wall | for the salary of a London regional coordinator and related costs | £102,100 | 3 years |
| Panathlon Foundation | for the expansion of work with deaf, visually impaired and power-chair children | £66,300 | 3 years |
| Resources for Autism | for the cost of a transition service, including a support manager, volunteering expenses, and project running costs to benefit young Londoners with autism | £120,600 | 3 years |
| Shine | for the salary of a London support and development worker and related costs | £78,750 | 3 years |
| South London Theatre Buildings Preservation Trust | for an independent access audit | £5,000 | 1 year |
| SS Robin Trust | for an independent access audit | £4,300 | 1 year |
| St John's Church, Waterloo | for an independent access audit | £4,800 | 1 year |
| St Paul's Church, Covent Garden | for an independent access audit | £1,800 | 1 year |
| Sutton Mencap | for the salary of a community activities project manager and related project costs | £102,000 | 3 years |

BRIDGE HOUSE ESTATES
TRUSTEE'S ANNUAL REPORT AND FINANCIAL STATEMENTS

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|---|--|-------------------|---------|
| Sutton's Hospital in Charterhouse | for access-related building costs towards the 'Revealing the Charterhouse' project | £100,000 | 1 year |
| Tara Arts Group Ltd | for access-related building costs | £40,000 | 1 year |
| Tikva | for work to support disabled adults making the transition to independent living | £70,500 | 3 years |
| Toynbee Hall | for an independent access audit | £4,998 | 1 year |
| Triangle Arts Trust | for access-related building costs | £100,000 | 1 year |
| Tricycle Theatre Company | for an independent access audit | £5,000 | 1 year |
| Vineyard Congregational Church | for an independent access audit | £5,000 | 1 year |
| Whittington Park Community Association | for an independent access audit, and disability awareness and safety training | £4,380 | 1 year |
| Wilton's Music Hall Trust | for access-related building costs | £100,000 | 1 year |
| Woodford Parish Church Memorial Hall | for an independent access audit | £900 | 1 year |
| Total Making London More Inclusive | | £2,663,406 | |
| | | | |
| Making London Safer | | | |
| ADVANCE | for the salary of an engagement officer, plus management and project running costs | £90,000 | 3 years |
| AVA (Against Violence and Abuse) | for work supporting organisations and agencies in the field of domestic and sexual violence | £127,500 | 3 years |
| End Child Prostitution, Child Pornography & The Trafficking of Children for Sexual Purposes | for the salary of a youth development programme officer and running costs | £120,400 | 3 years |
| Galop (Registered as Lesbian, Gay, Bisexual Anti-violence and Policing Group) | for the salary of a specialist case worker, and running costs of the service to LGBT victims of hate crime | £150,000 | 3 years |

BRIDGE HOUSE ESTATES
TRUSTEE'S ANNUAL REPORT AND FINANCIAL STATEMENTS

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| National Society of the Prevention of Cruelty to Children | for the salary costs of two Protect and Respect case workers | £180,000 | 2 years |
| Newham Asian Women's Project (NAWP) | for the salary costs of a counsellor, and clinical supervision for the post-holder | £90,000 | 3 years |
| Parents and Abducted Children Together (PACT) | for the establishment of an online Child Abduction Hub to improve the protection of children from abduction in London | £60,000 | 2 years |
| Praxis Community Projects | for a caseworker, with related costs, to provide specialist one-to-one advice and support to migrant and refugee women who have survived trafficking and/or gender-based violence | £182,000 | 3 years |
| Woman's Trust | for core costs to sustain administration and fundraising capacity | £75,000 | 3 years |
| Total Making London Safer | | £1,074,900 | |
| | | | |
| Older Londoners | | | |
| Action on Elders Abuse | for project set-up costs of the buddying service in three London Boroughs | £44,420 | 3 years |
| Adfam | for the salary of a family support development coordinator, plus management and running costs to train older carers as Family Recovery Champions | £153,000 | 3 years |
| AESOP Arts and Society Limited | for a choreographic commission, delivery and evaluation for the Dance to Health programme | £45,900 | 1 year |
| Age Exchange | for the costs of the Inspired Caring project for older carers and the people with dementia who they care for | £48,000 | 1 year |
| Age UK Camden (AUC) | for the salary costs of two development coordinators to | £75,000 | 2 years |

BRIDGE HOUSE ESTATES
TRUSTEE'S ANNUAL REPORT AND FINANCIAL STATEMENTS

List of Grants Approved 2014/15

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| | develop and expand the Open Doors London service | | |
| Age UK Merton | for the salary of a health programme officer plus related project costs for the Active Life health programme | £158,300 | 3 years |
| Arts Depot Trust Limited | for a community champion, and a marketing assistant plus project costs for arts events and creative activities for socially isolated people aged 75+ | £81,300 | 3 years |
| Ballet Rambert Ltd | for the costs of the Dance in Health project for vulnerable older people in London | £124,000 | 3 years |
| Brendoncare Ronald Gibson House Care Centre | for a sensory garden and dementia-friendly dining room furnishings | £9,200 | 1 year |
| Carers Network Westminster | for the costs of the EoL support worker, and respite breaks and events for EoL carers | £122,800 | 3 years |
| Connaught Opera | for a programme of musical concerts for older people | £33,660 | 3 years |
| Dulwich Picture Gallery | for a music and visual arts project for older people with dementia and their carers | £40,000 | 3 years |
| Enfield Mental Health Users Group | for an advocacy worker plus running costs of the elders' project | £17,000 | 1 year |
| Finsbury and Clerkenwell Volunteers | for the maintenance and running costs of two wheelchair accessible minibuses | £30,000 | 3 years |
| Geffrye Museum Trust | for a project coordinator and other staffing and running costs to provide creative activities for people aged 75 and over | £120,000 | 3 years |
| Green Candle Dance Company | for the Dance for Health and Wellbeing programme for people aged 75+ | £105,000 | 3 years |

BRIDGE HOUSE ESTATES
TRUSTEE'S ANNUAL REPORT AND FINANCIAL STATEMENTS

List of Grants Approved 2014/15

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| Harrow Carers | for a respite homecare project coordinator, service subsidy, running and management costs | £78,000 | 3 years |
| Iraqi Community Association | for the salary of a worker, plus management and other related costs for work with older people aged 75 and over | £83,000 | 3 years |
| Irish in Britain | for a volunteer coordinator plus associated running costs for work to help reduce isolation amongst elders from the Irish community who are living with dementia and their carers | £68,900 | 3 years |
| Newham New Deal Partnership | for a project manager and associated running costs | £84,000 | 3 years |
| North London Hospice | for the salary costs of a psychosocial therapies lead post within the day service programme | £90,000 | 3 years |
| Royal Air Force Museum | for the costs of three posts, plus development costs to increase the number of older people engaging with the museum | £87,600 | 3 years |
| Royal Docks Learning & Activity Centre | for the costs of a project worker, plus running and management costs | £49,200 | 3 years |
| South Thames Crossroads – Caring for Carers | for the salary of an older carers peer support coordinator and the running costs of a project setting up and supporting small neighbourhood-based groups of older carers | £140,000 | 3 years |
| St Luke's Hospice (Harrow and Brent) | for the salary and project costs of extending support to carers aged 65+ | £124,000 | 3 years |
| Sydenham Garden | for a project worker's salary, project costs and overheads | £39,100 | 3 years |
| Tax Volunteers | for home visits to Londoners aged over 75 years | £2,850 | 1 year |
| Wandsworth Older People's Forum (WOPF) | for the printing and distribution of 4,000 quarterly | £15,000 | 1 year |

BRIDGE HOUSE ESTATES
TRUSTEE'S ANNUAL REPORT AND FINANCIAL STATEMENTS

List of Grants Approved 2014/15

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|---|---|-------------------|---------|
| | newsletters | | |
| Women's Health and Family Services (WHFS) | for the salaries of a project coordinator and a project support worker, plus related running costs | £114,000 | 3 years |
| Total Older Londoners | | £2,183,230 | |
| | | | |
| Reducing Poverty | | | |
| Age UK Lewisham & Southwark | for the salary and associated running costs of an advice manager | £138,000 | 3 years |
| Amanda Marga Universal Relief Team (AMURT) UK | for the direct running costs of Cooking for Life classes, including a cookery teacher | £60,000 | 3 years |
| Asylum Aid | for the salary of a legal advisor and associated costs | £90,000 | 3 years |
| Bell Farm Christian Centre | for an advice worker and associated project overheads | £97,100 | 3 years |
| Children England | for a membership officer, and a research and learning officer, plus associated running costs to enable the 4 in 10 network to develop its work tackling child poverty | £104,000 | 2 years |
| Christian Care Association | for the costs of van maintenance, fuel, insurance and garage rental | £16,200 | 3 years |
| Disability Rights UK | for salary and related running costs of information and advice services benefitting disabled Londoners | £80,000 | 2 years |
| Enfield Citizens Advice Bureau | for the salary of a debt and benefits advisor, plus associated running costs | £132,200 | 3 years |
| FareShare | for the salary of a London development manager, plus running costs of a project creating satellite distribution centres | £165,000 | 3 years |
| Fitzrovia Neighbourhood Association | for the salary costs of two advisors and related running costs | £99,000 | 3 years |
| FoodCycle | for the salary costs of staff working to expand | £122,200 | 3 years |

BRIDGE HOUSE ESTATES
TRUSTEE'S ANNUAL REPORT AND FINANCIAL STATEMENTS

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| | FoodCycle's work in London | | |
| Harrow Law Centre | for the salary and on-costs of a solicitor to provide legal advice and representation on issues relating to housing and related debt | £77,700 | 3 years |
| Haven | for the salary and associated running costs of a welfare benefits and money adviser | £766,00 | 3 years |
| Kingston Churches Action on Homelessness | for an adviser post and direct costs of the Housing Crisis Intervention service and overheads | £87,800 | 3 years |
| Limehouse Project | for the salary and related costs of a money and debt adviser | £70,800 | 3 years |
| North Kensington Law Centre | for the salary of a triage coordinator and associated running costs of establishing a triage system within the law centre | £150,000 | 3 years |
| North London Action for the Homeless | for the costs of a kitchen/garden manager, plus running costs | £59,000 | 3 years |
| Nucleus Community Action Ltd | for a debt advice caseworker, plus associated running costs for an Ealing-based debt and money advice service | £150,000 | 3 years |
| Redbridge Foodbank | for the salary costs of a project manager to continue and develop the People in Crisis project | £58,200 | 3 years |
| Shelter National Campaign for Homeless People Limited | for the salary, and related costs of a senior advice and guidance worker in Hackney | £179,000 | 3 years |
| Southwark Citizens Advice Bureau Services | for the salary of an advice worker plus related operational costs | £160,600 | 3 years |
| Sutton Borough Citizens Advice Bureaux | for the salary of a project supervisor, plus associated costs of the Benefits Appeal Project | £85,400 | 3 years |
| Turkish Cypriot Women's Project | for the salary of a debt adviser and associated running costs | £63,300 | 3 years |

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TRUSTEE'S ANNUAL REPORT AND FINANCIAL STATEMENTS

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| Wandsworth Citizens Advice Bureau | for an advice service for Wandsworth Foodbank users | £130,000 | 2 years |
| Westminster Citizens Advice Bureau | for a debt advisor, financial workshops and associated running costs | £107,300 | 3 years |
| Total Reducing Poverty | | £2,559,400 | |
| Resettlement and Rehabilitation of Offenders | | | |
| Construction Youth Trust | for the costs of the Toolkit for Life project for young Londoners | £84,000 | 3 years |
| Hibiscus Initiatives | for a community support manager, and associated running costs towards a specialist mentoring programme supporting women in London prisons | £122,000 | 3 years |
| Only Connect | for the costs of OC Kitchen, a catering training programme for ex-offenders, including salary costs for a project manager | £135,000 | 3 years |
| PLIAS Resettlement | for the salary and overhead costs of an employment caseworker | £120,000 | 3 years |
| Prison Advice and Care Trust | for the salaries of a programme manager and a volunteer coordinator, plus running costs and independent evaluation of the London Women's Resettlement Programme | £142,000 | 2 years |
| The HARP Trust | for the salary of an employability officer and running costs of the Work Works project | £109,000 | 3 years |
| WWV | for the salary and running costs of Volunteer Project London | £105,800 | 3 years |
| Total Resettlement and Rehabilitation of Offenders | | £817,800 | |
| Strengthening London's Voluntary Sector | | | |

BRIDGE HOUSE ESTATES
TRUSTEE'S ANNUAL REPORT AND FINANCIAL STATEMENTS

List of Grants Approved 2014/15

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|--|--|----------|---------|
| Association of Chief Executives of Voluntary Organisations (ACEVO) | for research to support and inform the Loneliness project | £29,500 | 2 years |
| Black Training and Enterprise Group (BTEG) | for the Valuing Volunteers project | £165,000 | 3 years |
| Camden Volunteer Bureau | for the costs of the Best Practice Service, promoting improved volunteer management for voluntary organisations in Camden | £125,300 | 2 years |
| Community Action Southwark | for an outcomes framework development officer and running costs for a monitoring and evaluation support programme | £146,900 | 3 years |
| Cranfield Trust | for a London-wide programme matching expert volunteers with charities seeking consultancy support | £128,000 | 2 years |
| Enfield Voluntary Action | for the salaries of a community accountant and development and funding advice manager, plus on-costs, to provide monitoring and evaluation and financial training support to voluntary and community organisations in Enfield | £123,000 | 3 years |
| Ethical Property Foundation | for the provision of the London Property Advice Service to benefit voluntary organisations across London | £147,500 | 3 years |
| GlobalGiving UK | for a volunteer coordinator manager, plus running costs, to expand the GlobalGivingTime platform for London-focused charities | £79,450 | 3 years |
| Hackney Council for Voluntary Service | for the salary of an organisation development officer, plus management and running costs of a capacity building programme helping frontline organisations improve their monitoring, evaluation and impact reporting, and their financial | £157,000 | 3 years |

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TRUSTEE'S ANNUAL REPORT AND FINANCIAL STATEMENTS

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| | management skills | | |
| HAVCO | for the salary of a volunteer centre manager and project costs to improve the quality of volunteering opportunities and management in Havering | £156,500 | 3 years |
| Local Accountancy Project | for the salary costs of a business support manager and related project running costs | £101,000 | 3 years |
| London Play | for the salary of a play works mentor, costs of training playground staff , and related operational and management costs | £138,000 | 3 years |
| Mentoring and Befriending Foundation (MBF) | for the salary and associated running costs of a programme to improve how mentoring and befriending organisations monitor and evaluate their services and report on their impact | £116,300 | 2 years |
| National Association of Child Contact Centres | for the salary and related costs of a London support worker and a development manager | £65,700 | 2 years |
| Partnership for Young London | for a development lead, related administrative support, associated running costs, and events and training sessions | £142,000 | 3 years |
| Race on the Agenda | for the salary and associated running costs of a specialist project officer providing training, capacity building support and advice and information on the Equalities Act 2010 | £55,000 | 1 year |
| Resource for London | for the delivery and evaluation of the Enhance project providing affordable office, meeting, and exhibition space, seminars and training encouraging collaboration between community and voluntary sector groups | £113,500 | 3 years |

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| Timebanking UK | for work to support the London timebanks | £132,100 | 3 years |
| Tower Hamlets Council for Voluntary Service | for the salary of a development worker to deliver support and training on finance, monitoring and impact reporting | £180,000 | 3 years |
| Voice4Change England | for the salary and associated running costs of a project developing models of collaborative and partnership working | £60,000 | 1 year |
| Voluntary Action Islington Limited | for the salaries of a project officer and senior project office, associated running costs and training courses | £96,900 | 2 years |
| Voluntary Action Lewisham | for the salary of a development officer and the operational costs of a project to improve the evaluation of and marketing skills in small organisations in Lewisham | £150,000 | 3 years |
| Volunteer Centre Hounslow | for a good practice officer, plus on-costs and running costs of a project to improve volunteer management in Hounslow | £141,100 | 3 years |
| Total Strengthening London's Voluntary Sector | | £2,749,750 | |
| Total Investing in Londoners | | £16,094,496 | |
| | | | |
| Strategic Initiatives | | | |
| Access Europe Network | for a pilot programme providing capacity building support for London's voluntary organisations wishing to access European funding streams | £60,400 | 30 months |
| Beacon Awards | for the Beacon Award for City Philanthropy | £50,000 | 1 year |
| Buttle UK | for an external evaluation of the Anchor Project | £21,000 | 1 year |
| Buttle UK | for the continuation of the Anchor Project, supporting families in London who have | £634,000 | 18 months |

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TRUSTEE'S ANNUAL REPORT AND FINANCIAL STATEMENTS

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| | experienced domestic violence to resettle and live independently | | |
| Charity Finance Group | for the costs of a review of the provision of community accounting support services to small charities in London | £4,950 | 1 year |
| City Bridge Trust 20 th Anniversary | for work marking the 20 th anniversary of grant-making by City Bridge Trust | £57,000 | 1 year |
| Growing Localities Awards | for the Growing Localities Awards 2014-15 | £32,200 | 1 year |
| Heart of the City | to roll out the Corporate Social Responsibility Newcomer programme across Greater London and to deepen the connections between the London business sector, building on the combined networks of the charity and City Bridge Trust | £278,328 | 3 years |
| Human Trafficking Foundation | for a feasibility study into establishing a pilot to deliver improved after-care/support for survivors of modern day slavery | £22,500 | 2 years |
| Legal Education Foundation | to support the Early Action Funders' Alliance | £4,000 | 1 year |
| London Bombings Relief Charitable Fund Report | to commission an analysis and appraisal of the establishment and work of the London Bombings Relief Charitable Fund - the findings are to be published in 2015 to mark the 10th anniversary of the London bombings | £4,000 | 1 year |
| London Fairness Commission | to complete the funding package required to establish a London Fairness Commission | £38,040 | 2 years |
| London Funders | towards the £15,000 costs of commissioning research into the current and future landscape of play and youth services for children and young people in London | £5,000 | 1 year |

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| London Theatre Consortium | for the operational costs of a programme to pilot and evaluate the on-going engagement of young people as apprentices in the arts | £50,000 | 1 year |
| National Council for Voluntary Organisations (NCVO) | to support the successful merger between NCVO and the Charities Evaluation Services | £25,000 | 1 year |
| Prince's Trust | for a range of services to support London's hardest to reach young people | £1,000,000 | 1 year |
| Social Finance | for the Impact Incubator initiative supporting a Lambeth-based mental health pilot programme | £50,000 | 1 year |
| Thames21 Ltd | for the salaries and operational costs of a development programme to increase and sustain London volunteers' involvement in protecting the capital's waterways | £340,000 | 3 years |
| The Youth Offer | for a mid-term learning event to be held in November 2014 | £10,000 | 1 year |
| Trust for London | for Moving On Up, an initiative to increase employment rates amongst young black men in London | £400,000 | 2 years |
| Young Philanthropy | for the cost of expanding Young Philanthropy to a staffing complement of four FTE and associated costs | £71,750 | 3 years |
| Youth Inclusion Event | for an event exploring inclusion in youth work, to be held at Mansion House in May 2015 | £24,000 | 1 year |
| Total Strategic Initiatives | | £3,182,168 | |
| | | | |
| Initiatives to Tackle Unemployment | | | |
| Employability Partnership | | £1,000,000 | 1 year |
| Total Initiatives to Tackle Unemployment | | £1,000,000 | |
| | | | |

BRIDGE HOUSE ESTATES
TRUSTEE'S ANNUAL REPORT AND FINANCIAL STATEMENTS

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| | | | |
|--|--|--------------------|--|
| Total Investing in Londoners (221 grants) | | £16,094,496 | |
| Total Strategic Initiatives (22 initiatives) | | £3,182,168 | |
| Total Initiatives to Tackle Unemployment (1 initiative) | | £1,000,000 | |
| Total awarded (244 grants/initiatives) | | £20,276,664 | |
| Less write backs | | (£409,054) | |
| Total grants chargeable in 2014/15 | | £19,867,610 | |

BRIDGE HOUSE ESTATES

ANNUAL REPORT AND FINANCIAL STATEMENTS

Membership of Committees

Culture, Heritage and Libraries Committee as at 31 March 2015

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 2015

Chairman

Mark John Boleat

Deputy Chairman

Douglas Barrow *Deputy*

Jeremy Paul Mayhew MA MBA

Catherine McGuinness MA *Deputy*

Aldermen

Charles Edward Beck Bowman

The Lord Mountevans

Sir David Howard Bt MA DSc

The Baroness Patricia Scotland

Sir David Hugh Wootton

The Right Hon. Alan Collin 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*

Wendy Hyde

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*

Ex-Officio

John Alfred Barker OBE *Deputy*

Michael John Cassidy CBE *Deputy*

William Harry Dove OBE JP *Deputy*

Roger Arthur Holden Chadwick

Robert Picton Seymour Howard *Deputy*

Vivienne Littlechild

James Henry George Pollard *Deputy*

Michael Welbank MBE *Deputy*

Finance Committee as at 31 March 2015

Chairman

Roger Arthur Holden Chadwick

Deputy Chairman

Jeremy Paul Mayhew MA MBA

Aldermen

Charles Bowman

John Garbutt

Peter Hewitt FCSI FRSA

Vincent Thomas Keaveny

Commoners

George Christopher Abrahams

Randall Keith Anderson

John Alfred Barker OBE *Deputy*

Christopher Paul Boden

Nigel Kenneth Challis MA FCA FCSI (Hon)

John Douglas Chapman *Deputy*

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

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 *Deputy*

David James Thompson

John Tomlinson *Deputy*

Philip Woodhouse

Ex-Officio

Douglas Barrow *Deputy*

Mark John Boleat

Michael John Cassidy *Deputy*

BRIDGE HOUSE ESTATES
ANNUAL REPORT AND FINANCIAL STATEMENTS

**Property Investment Board
as at 31 March 2015**

Chairman

Michael John Cassidy CBE *Deputy*

Deputy Chairman

Deputy Alastair Moss

Commoners

Kenneth Edwin Ayers MBE *Deputy*

Brian Nicholas Harris

Christopher Boden

Mark Boleat

Roger Arthur Holden Chadwick *Chief Commoner*

George Marr Flemington Gillon

Michael Hudson

Deputy Robert Howard

Dhruv Patel

Tom Sleigh

The following were Members of the Committee within the period 1 April 2014 – 31 March 2015, but were no longer on the Committee on 31 March 2015:

Stanley Keith Knowles MBE *Deputy*

**Financial Investment Board
as at 31 March 2015**

Chairman

Robert Picton Seymour Howard *Deputy*

Deputy Chairman

Andrew Stratton McMurtrie

Commoners

Kenneth Edwin Ayers MBE *Deputy*

Nicholas Bensted-Smith

Roger Arthur Holden Chadwick

Henry Nicholas Almroth Colthurst

Simon D'Olier Duckworth MA DL

Stuart Fraser

Tom Hoffman LL.B

Clare James MA

James Henry George Pollard *Deputy*

Ian Christopher Norman Seaton

Philip Woodhouse

BRIDGE HOUSE ESTATES

ANNUAL REPORT AND FINANCIAL STATEMENTS

Planning and Transportation Committee as at 31 March 2015

Chairman

Michael Welbank MBE *Deputy*

Deputy Chairman

Oliver Arthur Wynlayne Lodge TD BSc

Aldermen

Peter Estlin

David Andrew Graves

Professor Michael Raymond Mainelli FCCA FCSI FBSC

Matthew Richardson

Commoners

Randall Keith Anderson

Deputy Ken Ayers

Alex Bain-Stewart MSc JP

David John Bradshaw

John Douglas Chapman *Deputy*

Dennis Cotgrove

The Revd. Dr Martin Raymond Dudley

Peter Gerard Dunphy

Emma Edhem

Sophie Anne Fernandes

Marianne Fredericks

William Barrie Fraser OBE *Deputy*

George Marr Flemington Gillon

Brian Harris

Christopher Michael Hayward

Gregory Percy Jones QC

Henry Jones *Deputy*

Henry Llewellyn Michael Jones *Deputy*

Paul Nicholas Martinelli

Brian Desmond Francis Mooney MA

Alistair Moss

Sylvia Doreen Moys

Graham Packham

James Henry George Pollard

Tom Sleigh

Graeme Martyn Smith

Angela Starling

Patrick Thomas Streeter

James Michael Douglas Thomson *Deputy*

Vacancy

The City Bridge Trust Committee as at 31 March 2015

Chairman

Jeremy Paul Mayhew MA MBA

Deputy Chairman

Alderman Alison Gowman

Aldermen

Matthew Richardson

Commoners

Kenneth Edwin Ayers MBE *Deputy*

William Harry Dove MBE JP, *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 Alan Yarrow (Alderman)

BRIDGE HOUSE ESTATES
ANNUAL REPORT AND FINANCIAL STATEMENTS

Social Investment Board
as at 31 March 2015

Chairman

Alderman Peter Hewitt FCSI FRSA

Deputy Chairman

Robert Picton Seymour Howard *Deputy*

Commoners

Roger Arthur Holden Chadwick

The Revd. Dr Martin Raymond Dudley

Wendy Hyde

Jeremy Paul Mayhew MA MBA

Andrew Stratton McMurtrie

**CITY'S CASH TRUST FUNDS
FOR THE YEAR ENDED 31 MARCH 2015**

Open Spaces

Ashted Common

Burnham Beeches

Epping Forest

Hampstead Heath

Highgate Wood and Queen's Park Kilburn

West Ham Park

West Wickham Common and Spring Park

Wood, Coulsdon and Other Commons

Sir Thomas Gresham Charity

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SUNDRY TRUST FUNDS FOR THE YEAR ENDED 31 MARCH 2015

Corporation of London Charities Pool

Open Spaces

Hampstead Heath Trust

King George's Field

Books and Libraries

Guildhall Library Centenary Fund

Education

City Educational Trust Fund

The City of London Corporation Combined Relief of Poverty Charity

City of London School Education Trust

Charities Administered ICW The City of London Freemen's School

City of London School Bursary Fund

City of London School for Girls Bursary Fund

City of London Freemen's School Bursary Fund

Other Trusts and Funds

Emanuel Hospital*

Sir William Coxen Trust Fund*

Signore Pasquale Favale Bequest

Wilson's Loan Trust*

Vickers Dunfee Memorial Benevolent Fund *

City of London Almshouses*

The Ada Lewis Winter Distress Fund

The City of London Corporation Combined Education Charity

*The Annual Reports and Financial Statements for these Trusts are received by the Finance Committee but signed by one of the specific Trustees.

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REPORT TO THOSE CHARGED WITH GOVERNANCE
JULY 2015



City of London Corporation

Bridge House Estates, City's Cash Trusts, the
Corporation's Sundry Trusts & Other Accounts

Audit Management Report on the 2014-15 Financial Statements Audit

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Audit management report for the year ended 31 March 2015

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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 reports;
- 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 | Ada Lewis Winter Distress Fund |
| | Charities administered ICW the City of London Freeman'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 Freeman'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 opinions are 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 letters, 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.

Fee

The fee for the 2014-15 audit of City's Cash, Bridge House Estates, City's Cash Trusts and Sundry and Other Trusts amounts to £115,000. Of the total fee, £36,800 has been allocated to Bridge House Estates, with the remaining £78,200 being charged to City's Cash.

In our Audit Planning Report we set out that the fee was dependent upon:

- City of London Corporation delivering a complete Annual Report and Accounts of sufficient quality that have been subject to appropriate internal review on the date agreed;
- City of London Corporation delivering good quality supporting evidence and explanations within the agreed timetable; and
- Appropriate City of London Corporation staff being available during the audit.

Following delays to and difficulties encountered during the 2013-14 final audit of Bridge House Estates and City's Cash, an additional fee of £9,500 was charged. No other non-audit fees have been raised in 2014-15.

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 December 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 |
|--|--|
| <p>Revenue recognition (All funds and entities)</p> <p>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.</p> | <p>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.</p> <p>We have substantively tested material income streams across all entities and funds and performed procedures to ensure income is complete. Investment property income procedures on Bridge House Estates included confirming the amounts received on a sample of properties to rent agreements as well as performing analytical procedures to gain assurance on the completeness of income. Managed investment income procedures included agreeing dividend income obtained as well as confirming realised investments from pooled investment vehicles. We have also considered the movement in fair value on investments (Bridge House Estates) and the unrealised gain on investments by comparing yields obtained by the funds to fund manager reports and benchmarks.</p> <p>Conclusion:</p> <p>Satisfactory assurance has been gained in respect of the presumed risk of fraud in revenue recognition.</p> |
| <p>Management override</p> <p>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.</p> | <p>We carried out 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.</p> <p>Investment property valuations for Bridge House Estates comprise a significant judgement in the financial statements. The value of property held at 31 March 2015 is £532.8m and has increased 18% on the value held at 31 March 2014. Investment property valuations are conducted internally by the City Surveyor's team and by an external firm of property valuers. We have met with representatives of the City Surveyor and the external firm of property valuers to discuss the methodology of the valuations overall and to review individual property valuations that were significantly above or below the average increase. We did not identify any indication of management bias in the valuations applied.</p> <p>No significant issues were noted in our testing.</p> <p>Conclusion:</p> <p>Satisfactory assurance has been gained in respect of the presumed risk of management override.</p> |

Other risk factors

As noted in our audit planning report submitted to the Audit and Risk Management Committee in December 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 |
|---|--|
| <p>Managed Funds Transfer (Bridge House Estates)</p> <p>We understand that the City of London Corporation intends to make a number of changes to managed funds. Segregated funds held by Bridge House Estates are being transferred to pooled vehicles.</p> | <p>We reviewed supporting documentation to assess and agree the accounting treatments applied and the adequacy of disclosures made in the financial statements. Audit testing confirmed that the transactions pre and post transfer have been accounted for appropriately.</p> <p>Conclusion:</p> <p>Satisfactory assurance has been gained in respect of the risk factor identified on the managed funds transfer.</p> |
| <p>Hampstead Heath Ponds (City's Cash Trusts)</p> <p>The City of London Corporation are currently engaged in a Judicial Review regarding proposed works on Hampstead Heath Ponds, which is being opposed by local residents. Following completion of the Judicial Review there will be greater clarity on when and if the works and services will be undertaken.</p> | <p>During the 2014-15 financial year, a Judicial Review found in favour of the City of London Corporation and as a consequence work has begun at Hampstead Heath Ponds. Initial costs have been recorded and capitalised where appropriate up to 31 March 2015. Work on the main contract, which is expected to take 18 months and is worth approximately £14.69m did not begin, nor was the contract signed until after the reporting date. Disclosure has been made in the notes to the Hampstead Heath financial statements to reflect this.</p> <p>Conclusion:</p> <p>Satisfactory assurance has been gained in respect of the risk factor identified on Hampstead Heath expenditure.</p> |

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 2015-16;
- reviewing minutes of relevant City of London Corporation sub-committees held since 31 March 2015;
- 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

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 | 356 | 403 | 47 |
| City's Cash Trusts | | | | |
| Epping Forest | 0 | 0 | 95 | 95 |
| Sundry Trusts | | | | |
| City of London School Educational Trust | 0 | 0 | 1 | 1 |

Disclosure adjustments made on all City's Cash Trust accounts to reclassify debtor balances between 'other debtors' and 'rental debtors'. None of these were material.

Further disclosure adjustments were made on all City's Cash Trust accounts and the accounts of Keats House to reclassify the Carbon Reduction Commitments shown as 'intangible current assets' as 'other debtors'. While 2014-15 carbon tax allowances were purchased in June 2014, the City is not due to pay its carbon tax bill to the Environment Agency and therefore surrender its allowances until October 2015, when the annual consumption return is submitted. The purchase of allowances is therefore treated as a debtor, and creditors have been raised for the estimated consumption of the carbon allowances by property assets at year end. None of these adjustments were material.

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 |
| City's Cash Trusts | | | | |
| Epping Forest | 0 | 0 | 31 | 31 |
| Hampstead Heath | 0 | 3 | 3 | 0 |
| West Ham Park | 0 | 0 | 21 | 21 |
| Sundry Trusts | | | | |
| 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:

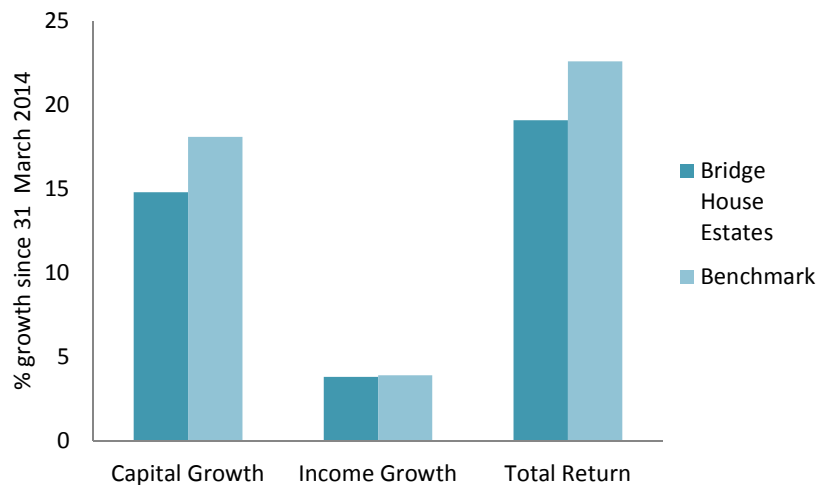
| Qualitative aspect considered | Audit conclusion |
|---|--|
| The appropriateness of the accounting policies used. | We have reviewed the significant accounting policies, which are disclosed in the financial statements, and we consider these to be appropriate to the charities. |
| The timing of the 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. We identified some errors in expenditure transaction testing whereby transactions should have been accounted for and accrued in the 2013-14 period. These are not considered to be material or systemic. |
| 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. We noted a number of misclassifications of current liabilities across the City's Cash Trust accounts. Further details are in appendix 3 to this report. We met with representatives of the City Surveyor and the external firm of property valuers to assess the judgements applied in the valuation of investment properties. We consider the judgements used to be appropriate. |
| 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. Adequate disclosure has been made in the Hampstead Heath accounts of the future commitments made for the Hampstead Heath Ponds project. |
| 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. |
| 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. |
| 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. 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. |

| Qualitative aspect considered | Audit conclusion |
|--|---|
| Difficulties encountered in the audit. | <p>There were no significant difficulties encountered in the audit of the Open Spaces and Sundry and Other Trusts. All sets of accounts were delivered according to timetable.</p> <p>We encountered significant difficulties in the audit of the City of London Almshouses Trust following recent staff attrition that has not allowed time for knowledge transfer to take place.</p> <p>As part of our recommendations on the 2013-14 audit, it was suggested and agreed that a managed investment note, using a new format would be provided for audit review as at 31 December 2014. This was not delivered by the finance team and as a consequence, the managed investment note has taken longer than planned to audit. However and as noted in Section 7, although it took longer than planned to audit, no significant issues were encountered in this area during the 2014/15 audit.</p> |

Investment Property Valuations

Bridge House Estates holds a significant investment property portfolio, totalling £532.8m as at 31 March 2015. Properties are valued annually in line with accounting standard requirements for investment properties. All properties are valued in accordance with the RICS Red Book. The valuation process is split between internal valuations, performed by the City Surveyor's department and a firm of external valuers. In 2014-15, Cushman Wakefield were appointed on a three year contract to perform the property valuations for Bridge House Estates. As part of our audit work, we have met with representatives of the City Surveyor and the external firm of property valuers to discuss the methodology of the valuations overall and to review individual property valuations that were significantly above or below the average increase.

The chart below demonstrates the growth of the fund in the 2014-15 financial year.



Income growth is broadly in line with the benchmark due to increasing rents as properties have refurbishments completed and as a consequence are able to be marketed at a higher rate than prior valuations expected. This has been noted on a number of properties where valuation increases in excess of 20% have been recorded.

Significant valuation increases have also been noted where Bridge House Estates hold the ground lease and are therefore entitled to a percentage of the rental income obtained by the holder of the Head Lease. Increasing rental values in London have led to an increased valuation of the property

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. Copies of these letters for Bridge House Estates, the City's Cash Trusts, the Sundry and Other Trusts and the City of London Almshouses Trust are 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. |

No priority 1 points have been raised during our audit of the 2014-15 Bridge House Estates, City's Cash Trusts and Sundry and Other Trust accounts. Appendix 3 to this report contains a summary of priority 2 and priority 3 findings that have been raised directly with management.

7 Follow up of prior year recommendations

As part of our audit work we have followed up on the priority 1 recommendations made during the 2013-14 audit.

| 1 – Finance team expertise / capacity | |
|--|---|
| 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. |
| Follow up at 31 March 2015 | We have not encountered any significant issues in this area during the 2014-15 audit. However, as noted at appendix 3 to this report, we did encounter difficulties during the audit of the City of London Almshouses Trust following an insufficient knowledge transfer upon key staff leaving the organisation. |
| 2 – City of London Almshouses fixed assets | |
| 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. |
| Follow up at 31 March 2015 | A register detailing the capital expenditure incurred on the Almshouses has not been created during the year. We understand that future developments are planned on the estate, at which point historical costs will be impaired to zero. Future capital spend will be recorded in such a way that depreciation charges can be evidenced. |
| 3 – Bridge House Estates – Reserves policy | |
| 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. |

| | |
|--|--|
| Follow up at 31 March 2015 | There has been no significant change in the reserves policy since the prior year. Grants given to organisations in London are still decided based on the level of surplus. Grants and investments in social/ethical assets are approved through the relevant committees. We will continue to monitor any changes to the reserves policy during our 2015-16 audit. |
| 4 – Bridge House Estates – missing title deeds | |
| 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. |
| Follow up at 31 March 2015 | We reviewed 20 of the highest valued properties owned by Bridge House Estates. Our testing identified that of the sample, 18 had been registered with the Land Registry department and had appropriate title deed documentation. One could not be registered with Land Registry as it has been designated as a Greater London Authority (GLA) property and Land Registry are not currently registering any properties affected by this GLA status. The final item is part of a larger estate held by the Corporation and registration of title is in progress. |
| 5 – Bridge House Estates – review of risk management strategy | |
| 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. Similarly, the charity’s activities are overseen by a number of City Corporation committees. Updated risk registers will be submitted to these committees covering the specific risks pertaining to the activities which each committee oversees. |
| Follow up at 31 March 2015 | Work has been ongoing throughout the 2014-15 year to assess risks faced by all charitable trusts and funds of the Corporation, including Bridge House Estates. A number of charity managing committees have considered updated risk registers pertaining to the activities which they oversee and the remaining committees will receive their registers as soon as the committee timetable allows in the autumn. |

6 - Physical access to the Server room (IT audit)

| | |
|-----------------------------------|--|
| Recommendation | <p>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.</p> <p>All access requests to the server room should be formally approved, with the records retained as an audit trail.</p> |
| Management response | <p>Chamberlain's Chief Technology Officer advises:-</p> <p>A process to review access should be in place. Those with responsibility for controlling access have been requested to;</p> <ol style="list-style-type: none">1. Review and revise current access levels.2. Ensure that 6-monthly reviews are undertaken with the outcome reported to CTO governance board. <p>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.</p> |
| Follow up at 31 March 2015 | <p>The recommendation has been implemented.</p> |

7 - Antivirus Management (IT audit)

| | |
|-----------------------------------|--|
| Recommendation | <p>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.</p> |
| Management response | <p>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.</p> |
| Follow up at 31 March 2015 | <p>Our follow up review identified that a number of workstations did not have the correct antivirus update installed. We will continue to monitor this during our 2015-16 IT audit work.</p> |

8 Future financial reporting developments relevant to the City of London Trusts

FRS 102 and Charities SORP FRS 102

Entities that currently prepare their financial statements under UK GAAP and the Charities SORP 2005, will be applying FRS 102 and the Charities SORP FRS 102 from accounting periods beginning on or after 1 January 2015. For the Bridge House Estates, City's Cash Trusts and the Sundry and Other Trusts, this means that the 2015-16 financial statements will be presented under the new accounting framework.

Section 35 of FRS 102 sets out the transitional requirements. The basic rule is full retrospective application as at the date of transition. This means that the financial statements will need to be prepared as if FRS 102 had always been applied by the Corporation to the Bridge House Estate and Trust accounts. To facilitate this change, we provided a training session in March 2015, to the City of London Corporation finance team to appraise them of the changes to be expected in the new accounting framework.

The most significant changes under the new accounting framework are:

Managed Investments and Investment Properties

Gains or losses on these items will be shown as 'Fair Value through Profit and Loss', meaning that they are shown as an 'incoming resource' and will therefore affect the 'Net Incoming Resources' for the year. Under current UK GAAP, such gains or losses are shown below this line. This will increase volatility in the income statement year on year as the property and investment markets fluctuate.

Statement of cash flows

Renamed, to match the IFRS equivalent, the Statement of Cash Flows has been reduced in size with three mandatory headings of Operating, Investing and Financing activities.

Staff cost disclosures

Under current UK GAAP only those charities subject to an audit had to make disclosures on staff costs. Under FRS 102, the number of employees earning over £60,000 requires to be disclosed.

We will continue to work with the Corporation finance team to establish an agreed program for the restatement exercise, which we would wish to be completed by 31 December 2015. We will keep the Audit and Risk Management Committee apprised of progress.

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 | | | | |
| Accruals | | | 47 | |
| Accrued Interest | | | | 47 |
| <i>Being the correction of accruals at 31 March</i> | | | | |
| Decrease in actuarial loss | | 356 | | |
| Pension liability | | | 356 | |
| <i>Being the correction of pension liability to 31 March position</i> | | | | |
| | 0 | 356 | 403 | 47 |
| City's Cash Trusts | | | | |
| Epping Forest | | | | |
| Rental Debtors | | | | 95 |
| Other Debtors | | | 95 | |
| <i>Being reclassification of unallocated rental receipts at year end</i> | | | | |
| | 0 | 0 | 95 | 95 |
| Sundry and Other Trusts | | | | |
| City of London School Educational Trust | | | | |
| Debtors | | | 1 | |
| Cash | | | | 1 |
| <i>Being the reclassification of debtors</i> | | | | |
| | 0 | 0 | 1 | 1 |

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 |
| City's Cash Trusts | | | | |
| Epping Forest | | | | |
| Accruals | | | 31 | |
| Creditors | | | | 31 |
| <i>Being the correction of costs over accrued</i> | | | | |
| | 0 | 0 | 31 | 31 |
| Hampstead Heath | | | | |
| Expenditure | | 3 | | |
| Accruals | | | 3 | |
| <i>Being the correction of accruals</i> | | | | |
| | 0 | 3 | 3 | 0 |
| West Ham Park | | | | |
| Creditors | | | 21 | |
| Accruals | | | | 21 |
| <i>Being the reclassification of accruals as creditors</i> | | | | |
| | 0 | 0 | 21 | 21 |
| Sundry Trusts | | | | |
| City of London Almshouses | | | | |
| Depreciation expense | 2 | | | |
| Accumulated depreciation | | | | 2 |
| <i>Being the correction of depreciation charge for the year</i> | | | | |
| | 2 | 0 | 0 | 2 |

Appendix 3 – Summary of points arising

As summarised in Section 6, we identified a number of observations which we consider require management action. Using the priority definitions below, we have raised the detailed points directly with management. We will monitor progress being made on these recommendations during the 2015-16 audits. The points raised relate to:

Bridge House Estates

- **Documentation of rent increases** - difficulties encountered in agreeing rent increases for individual properties, which we understand should be alleviated by the introduction of the R12 Oracle release.

City's Cash Trusts

- **Classification of liabilities** – testing identified a number of classification errors between trade creditors, other creditors and accruals. We recommend a system of sample spot checking is put in place, along with updated guidance from the central finance team.
- **Grants receivable documentation** – the system for recording grants applied for and received is not always kept up to date, increasing the risk that grants received for a specific Open Space are not recognised appropriately

Sundry and Other Trusts

- **Housing Accountant knowledge transfer** – following two recent staff movements in the housing team there has been insufficient knowledge transfer put in place before the preparation of the City of London Almshouses Trust accounts.
- **Classification of expenditure and accruals** – audit testing of 2014-15 expenditure identified a number of items that should have been accounted for and accrued as at 31 March 2014. We recommend a system of sample spot checking is put in place, along with updated guidance from the central finance team

All entities and funds

- **Documentation of formal impairment review** – it is good practice to consider whether there have been any indicators of impairment as part of the year end processes and for those considerations to be documented.

Appendix 4 – 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 | 92,600 | 51,000 | 1,141,300 | 1,500 |
| City's Cash Trusts | | | | |
| Ashtead Common | 536 | - | - | 8 |
| Preservation of the common at Ashtead | | | | |
| Burnham Beeches | 902 | (18) | 802 | 14 |
| Preservation of the Open Space known as Burnham Beeches | | | | |
| Epping Forest | 7,537 | 1,420 | 8,195 | 98 |
| Preservation of Epping Forest in perpetuity | | | | |
| Hampstead Heath | 11,318 | 2,586 | 35,631 | 131 |
| Preservation of Hampstead Heath for the recreation and enjoyment of the public | | | | |
| Highgate Wood & Queens Park Kilburn | 1,333 | (16) | 431 | 20 |
| Preservation of the Open Space know as Highgate Wood & Queens Park Kilburn | | | | |
| Sir Thomas Gresham Charity | 79 | - | 1 | 1 |
| To provide a programme of public lectures | | | | |
| West Ham Park | 1,418 | (76) | 40 | 22 |
| To maintain and preserve the Open Space known as West Ham Park | | | | |
| West Wickham Common and Spring Park Coulsdon & Other Commons | 1,448 | 62 | 74 | 21 |
| Preservation of West Wickham Common and Spring Park Coulsdon & Other Commons | | | | |
| Sundry Trusts | | | | |
| Ada Lewis Winter Distress Fund | 8 | 6 | 256 | 5 |
| Assistance and relief for the poor and distressed during winter months | | | | |
| Charities Administered ICW the City of London Freeman's School | 10 | 4 | 173 | 3 |
| Promotion of education through prizes | | | | |
| City Educational Trust Fund | 131 | (9) | 3,593 | 51 |
| Advancement of education through grants | | | | |
| City of London Almshouses | 370 | 46 | 1,599 | 39 |
| 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 | 40 | (8) | 1,099 | 22 |
| Advancing education by the provision of grants and financial assistance | | | | |
| City of London Corporation Relief of Poverty Charity | 4 | (7) | 153 | 2 |
| Relief of poverty for widows, widowers or children of a Freeman of the City of London | | | | |
| City of London Freeman's School Bursary Fund | 43 | 20 | 805 | 12 |
| Promotion of education through bursaries | | | | |
| City of London School Bursary Fund | 136 | 62 | 3,484 | 50 |
| Promotion of education through bursaries, scholarships and prizes | | | | |
| City of London School Educational Trust | - | - | 6 | 0.5 |
| Advancing education | | | | |
| City of London School for Girls Bursary Fund | 669 | (39) | 3,919 | 58 |
| Promotion of education through bursaries, scholarships and prizes | | | | |
| Corporation of London Charities Pool | 1,984 | 1,021 | 22,697 | 334 |
| Investments pool for Sundry Trusts | | | | |
| Emmanuel Hospital | 84 | 16 | 2,364 | 34 |
| Payment of pensions and financial assistance to poor persons | | | | |
| Guildhall Library Centenary Fund | 1 | 1 | 24 | 1 |
| Provision of education and training in library, archives, museum, and gallery services | | | | |
| Hampstead Heath Trust | 1,331 | (21) | 30,723 | 633 |
| To meet a proportion of the maintenance cost of Hampstead Heath | | | | |
| Keats House | 456 | - | 201 | 5 |
| Maintenance of Keats House | | | | |
| King George's Field | 13 | - | - | 1 |
| Open space for sports, games and recreation | | | | |
| Samuel Wilson's Loan Trust | 73 | 31 | 1,982 | 31 |
| Granting of low interest loans to young people who have or are about to set up in business | | | | |
| Signore Pasquale Favale Bequest | - | - | 13 | 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 | 117 | (86) | 2,561 | 54 |
| Granting of assistance to eligible charitable trusts in the form of donations | | | | |
| | | | | |
| Vickers Dunfee Memorial Benevolent Fund | 6 | 6 | 204 | 4 |
| Financial assistance to distressed past and present members of the CoL Special Constabulary and their dependents | | | | |

Appendix 5 – 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 2015 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 Finance Committee, passed today, I am directed to confirm to you, in respect of the financial statements of the charity for the period ended 31 March 2015, 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. Except as disclosed in the notes to the BHE accounts, as at 31 March 2015 there were no significant capital commitments contracted for by BHE.
30. 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.
31. We are of the opinion that the property valuations at 31 March 2015 as updated from the internal valuations at 31 March 2014 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 2015 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 Finance Committee, 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, other than as disclosed 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 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 2015 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 Finance Committee, passed today, I am directed to confirm to you, in respect of the financial statements of the charities for the period ended 31 March 2015, 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 TRUST

Dear Sirs

The City of London Almshouses Trust

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 2015 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 Finance Committee, 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 2015, 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 2015, 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

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The Chamberlain of London
Signed on behalf of the Trustee
On _____ (date)