Public Document Pack

CITY OF LONDON

Finance Committee

Date: **TUESDAY, 19 JULY 2016**

Time: **1.45 pm**

Venue: **COMMITTEE ROOM - 2ND FLOOR WEST WING, GUILDHALL**

6. **CITY FUND AND PENSION FUNDS FINANCIAL STATEMENTS 2015/16**
Report of the Chamberlain

For Decision
(Pages 1 - 222)

John Barradell
Town Clerk and Chief Executive

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Committees:	Dates:
Audit and Risk Management Committee Finance Committee	18 July 2016 19 July 2016
Subject: City Fund and Pension Funds Financial Statements 2015/16	**Public**
Report of: The Chamberlain	**For Decision**
Report author: Stephen Telling, Chamberlain's Department	

Summary

Attached to this report are the City Fund and Pension Funds Financial Statements for the year ended 31 March 2016.

The key points are:

- Total reserves of £1,555.9m, an increase of £374.9m since last year. However, the City is committed to making a £200m contribution to Crossrail which is anticipated to be made in March 2017. 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 £1,355.9m. ***(See the Balance Sheet on page 17 and paras. 10 to 15 of this covering report).***

- The £1,555.9m comprises £258.5m in usable reserves and £1297.4m in unusable reserves. This net asset position is after having deducted total pension funds liabilities of £1,017.1m (a reduction in liabilities of £47m on the previous year)

- The usable reserves of £258.5m have increased by a net £22.3m from a year earlier comprising £35.3m in capital reserves partly offset by a reduction of £13m in revenue reserves. 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. ***(The £258.5m is shown in the Balance Sheet on page 17 and analysed in more detail in the Movement in Reserves Statement on page 13).***

- The unusable reserves of £1,297.4m have increased by £352.6m. The main movements were:
    - revaluation gains on investment and operational properties - £284m;
    - financing of capital expenditure - £41m;
    - deferred capital receipts - £2m;
    - collection fund adjustment account - £31m;
    - a decrease in pension liabilities - £47m (City £9m, Police £38m)

  Partly offset by:
    - disposals, depreciation and impairments - £52m.

  (The £1,294.7m is shown on the Balance Sheet on page 17 and analysed in more detail in note 27 (page 60) to the financial statements).

- There was a net revenue surplus for the year of £0.8m compared to a budgeted deficit of £14.5m, a better than budget position of £15.3m. ***(The £0.8m is shown in the Movement in Reserves Statement on page 13 on the penultimate line of the first column of figures. The comparison to budget is set out in paras. 3 to 6 of this covering report)***.

- BDO commenced its audit on 8 June. There are a number of items still being reviewed, particularly investment property valuations, the business rates retention scheme and the pension fund. It is anticipated that these reviews will be concluded satisfactorily to enable BDO 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 BDO's progress reports;

b) recommend approval of the City Fund and Pension Funds Financial Statements for the year ended 31 March 2016 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 BDO - 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 2016; 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 BDO - 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 2015/16 are set out in Annex 1.

2. The Accounts and Audit Regulations 2015 require the approval and publication of the City Fund and Pension Funds Financial Statements for the year to 31 March 2016 to take place as soon as reasonably practicable, and in any event by 30 September 2016. 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 2015/16 of £0.8m which will be transferred to the City Fund Unallocated Reserve. This is a better than budget position of £15.3m compared with the anticipated surplus of £14.5m.

	Budget **£m**	**Actual** **£m**	**Variation (Better) Worse** **£m**
Net expenditure on services	141.9	133.7	(8.2)
Property Investments funded from Revenue Reserves	9.1	9.2	0.1
City Police - Action Fraud	4.7	4.7	0.0
Cyclical Works Programme and capital expenditure financed from revenue	6.0	3.9	(2.1)
Requirement before investment income from the City's Assets	161.7	151.5	(10.2)
Interest on balances	(2.9)	(4.7)	(1.8)
Estate rent income	(40.9)	(42.9)	(2.0)
City Fund Requirement	117.9	103.9	(14.0)
Financed by:			
Government formula grant	(79.9)	(80.8)	(0.9)
City offset	(10.9)	(10.9)	0.0
Council tax	(6.1)	(6.1)	0.0
City premium	(6.5)	(6.9)	(0.4)
Net (surplus)/deficit transferred (to)/from unallocated reserve	**14.5**	**(0.8)**	**(15.3)**

4. The better than budget position of £14m on the line ‘City Fund Requirement’ can be analysed on a committee basis as follows:

Net Expenditure (Income)	Budget Net £m	Provisional Outturn £m	Variation (Better)/Worse Total £m	Local Risk £m	Central Risk/ Support Services £m
Barbican Centre	25.7	23.4	(2.3)	(0.8)	(1.5)
Barbican Residential	3.0	3.0	0.0	0.1	(0.1)
Community and Children's Services	11.8	11.8	0.0	(0.3)	0.3
Culture Heritage and Libraries	20.9	20.3	(0.6)	(0.1)	(0.5)
Finance	(4.5)	(10.4)	(5.9)	(0.2)	(5.7)
Licensing	0.0	0.0	0.0	0.0	0.0
Markets	(0.6)	(0.7)	(0.1)	0.0	(0.1)
Open Spaces	1.6	1.5	(0.1)	(0.1)	0.0
Planning and Transportation	13.1	12.1	(1.0)	(0.7)	(0.3)
Police - excluding transfers from reserve	66.0	67.4	1.4	2.6	(1.2)
Police - transfers from reserve	(3.1)	(4.5)	(1.4)	(2.6)	1.2
Policy and Resources	4.0	4.1	0.1	(0.2)	0.3
Port Health and Environmental Services	14.7	13.5	(1.2)	(1.0)	(0.2)
Property Investment Board	(34.7)	(37.6)	(2.9)	(0.5)	(2.4)
City Fund requirement to be met from government grants, local taxation and transfers to/(from) reserves.	**117.9**	**103.9**	**(14.0)**	**(3.8)**	**(10.2)**

The Barbican Centre reduced requirement of £2.3m results from box office sales for the theatre and gallery exceeding forecasts and strong commercial income together with a backdated rates refund following a successful valuation appeal.

The £5.7m reduced requirement against central risk/support services on Finance Committee mainly relates to slippage/re-phasing on major revenue repairs, maintenance and improvement projects; increased income from interest earnings; central contingencies and provisions not being required in full; income from grants and contract rebates; and reduced expenditure on support services.

The increase in net income of £2.9m for the Property Investment Board is primarily additional rent income from the City Fund Property Investment Estate including a significant backdated rent review together with reduced operating costs

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 £4.8m 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 2016/17. In addition, £2.1m of projects and works programmes have slipped and/or been rephased to 2015/16.

Government Formula Grant

7. The increased income of £0.9m relates to reimbursement in respect of the impact of the tax changes incurred under the business rates retention scheme (capping of the rates multiplier, doubling of the small business rates relief, and various other reliefs introduced following the autumn statements).

NNDR Premium

8. Growth in business rates has increased the yield from the Premium to £6.9m compared to a budget of £6.5m.

Capital Position

9. The approved capital budget for 2015/16 totalled £44.1m. Actual expenditure during the year was £41.6m, an underspend of £2.5m compared with the budget. This reduction was mainly due to re-phasing of expenditure on highways and streetscene projects.

Balance Sheet

10. The Consolidated Balance Sheet indicates that the City Fund's total net assets increased by £374.9m (or 32%) to £1,555.9m from £1,181m a year earlier. The main reasons for this increase are set out below.

	2015/16	
	£m	**£m**
Long-Term Assets		
Net unrealised gain on revaluation of investment properties	174.2	
Net unrealised gain on revaluation of other fixed assets	110.5	
Acquisitions	40.2	
Disposals (net book value)	(28.0)	
Depreciation, impairment and amortisation	(24.3)	
Increase in other long-term assets	2.1	
Sub-Total Increase in Long-Term Assets		274.7
Increase in short-term investments		197.1
Decrease in cash and cash equivalents		(10.0)
Increase in current liabilities (mainly business rates related)		(59.6)
Increase in capital grants and contributions received in advance		(20.0)
Decrease in Pension liabilities		47.2
Increase in deferred income - premiums received for operating leases		(51.6)
Decrease in other net assets		(2.9)
Increase in net assets		**374.9**

11. This increase in net assets of £374.9m is reflected in the following movements in usable and unusable reserves.

	2014/15 £m	2015/16 £m	(Increase)/ Decrease £m
Usable reserves			
Revenue	(136.0)	(123.0)	13.0
Capital	(100.2)	(135.5)	(35.3)
Sub-total usable reserves	(236.2)	(258.5)	(22.3)
Unusable reserves	(944.8)	(1,297.4)	(352.6)
Total reserves	**(1,181.0)**	**(1,555.9)**	**(374.9)**

12. The £13m reduction in usable revenue reserves primarily relates to a £15.8m transfer from the earmarked reserve for Business Rates Equalisation to the Comprehensive Income and Expenditure Account to mitigate the impact of differences between the accounting and statutory requirements for business rates. This £15.8m reduction has been partly offset by the increase of £0.8m in the unallocated reserve (paragraph 3) and a £2m increase in the HRA reserve. The £35.3m increase in usable capital reserves is the proceeds from planned disposal of certain property assets partly offset by the financing of capital expenditure.

13. Although usable reserves are a relatively healthy £258.5m 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. Whilst City Fund budget policy recognises that in some years of the financial planning period it may be necessary to make contributions from revenue reserves to balance the revenue budget, the strategy is to achieve the ‘golden rule’ of matching ongoing revenue expenditures and incomes over the medium term.

14. The main movements included within the overall net increase of £352.6m in unusable reserves are as follows:
    - revaluation gains on investment and operational properties - £284m;
    - financing of capital expenditure - £41m;
    - deferred capital receipts - £2m;
    - collection fund adjustment account - £31m;
    - a decrease in pension liabilities - £47m (City £9m, Police £38m)

    partly offset by:
    - disposals, depreciation and impairments - £52m

<u>Crossrail</u>

15. 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 2017. 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 was based on the accumulation of annual rental income from

specific investment properties and receipts from the sale of assets. The funding is now in place for this contribution to be made.

Pension Liabilities

16. The City Fund’s total net assets of £1,555.9m are after having deducted net pension liabilities totalling £1,017.1 (City £240.5m, Police £774.6m, Judges £2m). The comparator for 31 March 2014 is £1064.3m (City £249.1m, Police £813.2m, Judges £2m). 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

17. 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.

18. 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.

19. The total net deficit in the City of London Pension Fund was £481m at 31 March 2016 (31 March 2015: £498.2m). The City Fund’s estimated proportion of this deficit is £240.5m or 50% (31 March 2015: £249.1m or 50%).

20. Pension fund deficits (or surpluses) are relatively sensitive to movements in the underlying assumptions. The main reason for the net reduction of £17.2m (City Fund share £8.6m) in the City of London Pension Fund deficit is an increase in the discount rate used for calculating the present day value of future payments from the fund - with an increase in the rate resulting in reduced liabilities and vice-versa - partly offset by a reduction in the fund’s assets. The discount rate is required by regulations to be based on market yields on high quality corporate bonds. For the 31 March 2016, a discount rate of 3.6% has been used, compared to 3.3% a year earlier.

21. 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% for the years 2014/15 to 2016/17 in order to recover the pension fund deficit over a period of 20 years.

22. A triennial valuation as at 31 March 2016 is currently being undertaken by Barnett Waddingham. The results will be considered by the Finance Committee in the autumn with decisions being required on the deficit recovery period and the rate of employer's contribution to be applied during the years 2017/18 to 2019/20.

City Police Pension Schemes

23. 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 2016 was £774.6m, a reduction of £38.6m since last year. Again, the main reasons for the decrease in the deficit is the increase in the discount rate used to value liabilities.

24. The City of London Corporation in its capacity as Police Authority pays an employer's contribution of 21.3% 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 £774.6m 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.

<u>Audit Opinion and Letter</u>

25. BDO commenced its audit on 8 June. BDO's progress report on its audit of the City Fund is set out in Annex 2 and indicates that there are a number of items still being reviewed including investment property valuations and the business rates retention scheme. A progress report on the audit of the City of London Pension Fund is set out in Annex 3 and again there are a number of items still being reviewed including the agreement of asset valuations to readily available observable data and the reasonableness of the assumptions used for calculating pension liabilities. It is anticipated that these reviews will be concluded satisfactorily to enable BDO to issue unqualified opinions. Representatives from BDO will be in attendance at the Audit and Risk Management Committee to present their progress reports and to clarify any points or issues.

<u>Subsequent Adjustments to the Accounts</u>

26. BDO 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.

<u>Publication of the Statement of Accounts</u>

27. As soon as reasonably possible after the conclusion of the audit, and in any event by 30 September 2016, the City is required to publish the 2015/16 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 BDO on its audit will be presented to the Court of Common Council for information.

Dr. Peter Kane
Chamberlain

Contact:
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Annex 1: Statement of Accounts for the City Fund and the Pension Funds
Annex 2: BDO's City Fund Progress Report
Annex 3: BDO's Pension Fund Progress Report

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ANNEX 1

THE CITY OF LONDON

UNAUDITED STATEMENT OF ACCOUNTS FOR THE CITY FUND AND THE PENSION FUNDS YEAR ENDED 31 MARCH 2016

Declaration under regulation 15(2) of the Accounts and Audit Regulations 2015

The 2015/16 Statement of Accounts for the City Fund (including the City of London Corporation Pension Fund and the City of London Police Pension Fund) is unaudited and may be subject to change.

Dr Peter Kane
Chamberlain

Date: 29 June 2016

CITY OF LONDON

Statement of Accounts for the City Fund and the Pension Funds Year Ended 31 March 2016

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AN INTRODUCTION TO THE CITY OF LONDON

1. Although little more than one mile square in size, the City of London is densely developed with 16,580 businesses providing employment for 414,600[1] people, this represents 8.5% of Greater London's employment and 1.4% of the UK's total employment, meaning over 1 in 100 of the UK's workforce is employed in the City. By contrast the residential population of around 8,000[2] is relatively small. In addition, it is estimated that the City attracts some 10 million visitors each year.
2. As the local authority for the "Square Mile" the City of London Corporation is the oldest continuous municipal democracy in the world and predates Parliament. While the City Corporation has a long history, with many traditions and ceremonies continuing to this day, it has a modern outlook that matches that of the City it serves.

THE CITY OF LONDON CORPORATION

3. The City Corporation has three primary functions:-
    - To support and promote The City as the world's leading international financial and business centre and attract new business to the capital and the whole of the UK
    - To work in partnership with local communities to increase skills, employment and opportunities for all Londoners
    - To enhance the capital as a hub of culture, history and green spaces for Londoners – residents, workers and visitors
4. A unique organisation with a diverse range of roles and responsibilities the City Corporation has a role and remit that goes beyond that of an ordinary local authority. In addition to the functions of a local and police authority, a range of specialist services are provided for the business City and to its residents, workers and visitors. Many of the City Corporation's services are of wider regional and national importance including the Barbican Centre, the Old Bailey, Spitalfields Market and the Animal Reception Centre at Heathrow.
5. Recognising that the Square Mile cannot work in isolation, the City Corporation is committed to working in partnership to improve the quality of life of, and increase the opportunities for the wider London community. This work ranges from encouraging corporate responsibility in City firms to assisting in education, promoting employability, jobs and growth.
6. The City Corporation plays a leading role in supporting and promoting the City as the world's leading international financial and business centre and in promoting the interests of the financial services sector in the City and the UK. This includes providing essential infrastructure maintenance, strategic economic development and a dedicated police force for the Square Mile, the national lead force for economic crime.

[1] Source: Business Register and Employment Survey, Office for National Statistics, 2014
[2] Source: GLA 2015 round SHLA A-based population projections: DCLG-Based Model

CITY CORPORATION FUNDS

7. The City Fund covers the City Corporation's activities in its capacity as a local authority, police authority and port health authority. The other funds are Bridge House Estates and City's Cash. Bridge House Estates funds the maintenance of Tower, London, Southwark, Millennium and Blackfriars Bridges and the City Bridge Trust (London's largest grant-giving charity). City's Cash allows us to provide services that are of importance to Greater London as well as to the City at little or no cost to the public. More information on the role and ongoing work of the city Corporation can be found in Cityview and City Resident magazines and on the City's website at www.cityoflondon.gov.uk/publications[3]. The rest of this publication only covers services provided by the City Fund unless otherwise stated.

FINANCIAL PERFORMANCE OF THE CITY FUND 2015/16

Statement of Accounts

8. The Statement of accounts sets out the City Fund's income and expenditure for the year, and its financial position at the 31 March. It 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 13)
  - Comprehensive Income and Expenditure Statement (page 15)
  - Balance Sheet (page 16)
  - Cash Flow Statement (page 18)
  - Explanatory Notes to the Core Financial Statements including Accounting Policies (pages 19 to 100)
- Supplementary Financial Statements
  - Housing Revenue Account (HRA) (pages 101 to 107)
  - Collection Fund (pages 108 to 111)
  - City of London Corporation Pension Fund (pages 112 to 129)
  - Police Pension Fund (pages 130 and 131)

Key Points

9. Total reserves of £1,555.9m, an increase of £374.9m since last year. However, the City is committed to making a £200m contribution to Crossrail which is anticipated to be made in March 2017. 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 £1,355.9m.

10. The £1,555.9m comprises £258.5m in usable reserves and £1297.4m in unusable reserves. This net asset position is after having deducted total pension funds liabilities of £1,017.1m (a reduction in liabilities of £47m on the previous year).

[3] 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

11. There was a net revenue surplus for the year of £0.8m compared to a budgeted deficit of £14.5m, a better than budget position of £15.3m.

Overall Financial Position on the City Fund

12. As at 31 March 2016 the City Fund had reserves of £1,555.9m, an increase of £374.9m 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	2015/16 £m	(Increase)/ Decrease £m
Usable reserves			
Revenue	(136.0)	(123.0)	13.0
Capital	(100.2)	(135.5)	(35.3)
Sub-total usable reserves	(236.2)	(258.5)	(22.3)
Unusable reserves	(944.8)	(1,297.4)	(352.6)
Total reserves	**(1,181.0)**	**(1,555.9)**	**(374.9)**

13. The usable reserves of £258.5m have increased by a net £22.3m from a year earlier comprising £35.3m in capital reserves partly offset by a reduction of £13m in revenue reserves. The increase in capital reserves relates to the planned disposal of certain property assets. The decrease in revenue reserves is mainly due to a transfer from the earmarked reserve for Business Rates Equalisation to the Comprehensive Income and Expenditure Account to mitigate the impact of differences between the accounting and statutory requirements for business rates.

14. 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. A main principle of the City Fund budget policy is to achieve, over the medium term, the 'golden rule' of matching ongoing revenue expenditures and incomes. Consequently, the intention is to minimise the use of reserves to balance the revenue budget.

15. The unusable reserves of £1,297.4m have increased by £352.6m. The main movements were:

- revaluation gains on investment and operational properties - £284m;
- financing of capital expenditure - £41m;
- deferred capital receipts - £2m;
- collection fund adjustment account - £31m;
- a decrease in pension liabilities - £47m (City £9m, Police £38m)

partly offset by:

- disposals, depreciation and impairments - £52m.

16. 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 from earmarked reserves which the City has decided to make, the movement on the Unallocated Reserve for 2015/16 was an increase of £0.8m compared to a £13.5m increase in 2014/15. This year-on-year movement was largely attributable to a reduction in Government formula grants and a planned contribution from revenue towards the financing of capital expenditure in 2015/16.

2014/15 £m		**2015/16 £m**
154.2	Cost of services - excluding revaluations and impairments	148.6
(11.4)	Revaluations and impairments	0.0
(35.6)	Other operating income - net gain on disposal of fixed assets	(16.6)
1.0	Other operating expenditure	1.1
(137.1)	Financing and investment income - gain on revaluation of investment properties	(174.2)
(5.3)	Financing and investment income - other	(10.9)
(116.7)	Taxation and non-specific revenue grant income	(122.1)
(23.2)	Capital grants, contributions and donations	(20.7)
(174.1)	Surplus on the provision of services	(194.8)
29.5	Adjust for HRA	5.3
138.8	Adjustments between accounting basis and funding basis under regulation	204.5
(7.7)	Transfers (from)/to Earmarked Reserves	(15.8)
(13.5)	Decrease/(Increase) in City Fund Unallocated Reserve	(0.8)

2015/16 Revenue Outturn compared to Budget

17. Set out below is a summary comparing actual revenue expenditure for the year against budget and indicating that outturn for the year was £15.3m better than 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 and is therefore not directly comparable to the information in the Comprehensive Income and Expenditure Statement.

	Budget £m	Actual £m	Variation (Better) Worse £m
Net expenditure on services	141.9	133.7	(8.2)
Property Investments funded from Revenue Reserves	9.1	9.2	0.1
City Police - Action Fraud	4.7	4.7	0.0
Cyclical Works Programme and capital expenditure financed from revenue	6.0	3.9	(2.1)
Requirement before investment income from the City's Assets	161.7	151.5	(10.2)
Interest on balances	(2.9)	(4.7)	(1.8)
Estate rent income	(40.9)	(42.9)	(2.0)
City Fund Requirement	117.9	103.9	(14.0)
Financed by:			
Government formula grant	(79.9)	(80.8)	(0.9)
City offset	(10.9)	(10.9)	0.0
Council tax	(6.1)	(6.1)	0.0
City premium	(6.5)	(6.9)	(0.4)
Net (surplus)/deficit transferred (to)/from unallocated reserve	**14.5**	**(0.8)**	**(15.3)**

18. This better than budget position of £15.3m is summarised in the City's management accounts as follows:

	(Better)/Worse than Budget £m	
Chief Officers' cash limited budgets		
City Police	1.4	
Barbican Centre	(0.8)	
City Surveyor	(0.8)	
Built Environment	(0.4)	
Markets and Consumer Protection	(0.4)	
Open Spaces	(0.4)	
Other Chief Officers	(0.5)	
		(1.9)
Increased transfer from earmarked City Police reserve		(1.4)
Works programmes - slippage/rephasing		(2.1)
Interest earned on cash balances		(1.8)
Investment property estate rent income		(2.0)
Income from grants and contract rebates		(1.8)
Unused contingencies		(0.7)
Backdated business rates refund		(1.7)
Reduction in support services		(1.1)
Increase in City Premium		(0.4)
Other net variations		(0.4)
Total increase in the Unallocated Reserve compared to budget		**(15.3)**

2015/16 Capital Outturn compared to Budget

19. The approved capital budget for 2015/16 totalled £44.1m. Actual expenditure during the year was £41.6m, an underspend of £2.5m compared with the budget. This reduction was mainly due to re-phasing of expenditure on highways and streetscene projects.

20. The actual capital expenditure included:

- £14.4m on the acquisition and redevelopment of investment properties;
- £9.7m on highways and streetscene schemes, including £5.1m on the Aldgate highway changes and public realm improvement project;
- £9m on construction and refurbishment of Housing Revenue Account Properties;

- £3.6m on Phase 1 of the replacement of the mechanical and electrical infrastructure of the Central Criminal Court.

Crossrail

21. 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 2017.

City Fund Total Assets and Liabilities

22. As at 31 March 2016, the City Fund Balance Sheet indicates that total assets exceed total liabilities (i.e. net assets) by £1,555.9m, an increase of £374.9m compared to the previous year. The main reasons for the increase in net assets are set out below:

	2015/16	
	£m	**£m**
Long-Term Assets		
Net unrealised gain on revaluation of investment properties	174.2	
Net unrealised gain on revaluation of other fixed assets	110.5	
Acquisitions	40.2	
Disposals (net book value)	(28.0)	
Depreciation, impairment and amortisation	(24.3)	
Increase in other long-term assets	2.1	
Sub-Total Increase in Long-Term Assets		274.7
Increase in short-term investments		197.1
Decrease in cash and cash equivalents		(10.0)
Increase in current liabilities (mainly business rates related)		(59.6)
Increase in capital grants and contributions received in advance		(20.0)
Decrease in Pension liabilities		47.2
Increase in deferred income - premiums received for operating leases		(51.6)
Decrease in other net assets		(2.9)
Increase in net assets		**374.9**

Capital Borrowing

23. 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 external borrowing will be required in 2016/17. However, the 'borrowing option' is kept under review.

Pension Liabilities

24. The 31 March 2016 Balance Sheet includes pension liabilities of £1,017.1m (31 March 2015: £1,064.3m). 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 (£775m – a reduction of £38m from 31 March 2015) and the City Fund's share (£241m – a reduction of £9m from 31 March 2015) of the City of London scheme. Pension fund deficits (or surpluses) are relatively sensitive to movements in the underlying assumptions.
25. The main reason for the decrease in the Police pension deficit is an increase in the discount rate used for calculating the present day value of future payments from the fund - with an increase in the rate resulting in lower liabilities and vice-versa.
26. The increase in the discount rate has also reduced the deficit on the City of London Pension Fund. 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 2015/16 there was a reduction in the value of the Scheme's investments which partly offset the decrease in liabilities.

Impact of Economic Climate

27. The outlook for local government and police forces remains particularly challenging due to the continuing pressures on public finances and the level of uncertainty following Brexit.

Local Government Services

28. Low interest rates continue to depress interest earnings but rental incomes from investment properties are strong (i.e. prior to any impact from the vote to leave the EU). As yields from investment properties are currently 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.
29. Notwithstanding additional rent income, the medium-term financial forecasts indicated that, if left unchecked, the City Fund would incur increasing annual deficits rising to £10m by 2018/19.
30. A Service Based Review was 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 is being implemented over the four year period to 2018/19 and, subject to there being no significant adverse changes in financial planning assumptions across the period, the savings/increased incomes will produce modest headroom in the revenue budget. This will allow consideration of options for investment in service priorities, IT infrastructure and improving the condition of operational properties.

31. There are risks to the City Fund from the vote to leave the EU. In particular, the future levels of demand for office accommodation in the City and surrounding areas and the consequential impacts on rent incomes, rates yields as part of the Government's rates retention scheme, and the amounts generated from the community infrastructure levy which are directly related to the level of development in the City. A close watching brief will be kept on these and other implications as events unfold during the coming months with financial forecasts being refreshed if and when the picture becomes clearer.

City Police

32. The City of London Police manages its budget on a ring-fenced basis and financial forecasts indicate annual deficits of £6m if left unchecked. A financial strategy to balance the budget over the medium term, including the retention of a minimum general reserve balance for unforeseen or exceptional operational requirements, is currently being prepared. The strategy includes maximising opportunities to increase income, exploring potential additional funding streams, and further efficiencies and controls on expenditure.

Capital and Major Revenue Projects

33. 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.

Statement of Responsibilities

34. Local Authorities are required to include in their statement of accounts a Statement of Responsibilities which sets out the respective responsibilities of the authority and relevant financial officer for the accounts. These respective responsibilities are given on page 12.

THE CORPORATE PLAN

35. The Corporate Plan is the City Corporation's main strategic planning document, providing a framework for the delivery of services. It is a clear statement of our vision, strategic aims and key policy priorities. The Corporate Plan process helps us consider competing pressures and the links between them, and establish a shared understanding amongst Members and officers of the priorities going forward. The aim of the Corporate Plan is to prioritise those areas of activity on which we will focus our attentions over the medium term.

36. The Corporate Plan sets out our Vision and Strategic Aims, as follows:

Our Vision:

The City of London Corporation will support, promote and enhance the City of London as the world leader in international finance and business services, and will maintain high quality, accessible and responsive services benefiting its communities, neighbours, London and the nation.

Our strategic 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.
- To provide valued services, such as education, employment, culture and leisure, to London and the nation

NON-FINANCIAL PERFORMANCE OF THE CITY FUND 2015/16

37. Illustrative key performance information from City Fund services, including the City of London Police, during 2015/16:

- The number of total notifiable crimes reduced by 1.7% on the previous year (down from 5,318 to 5,227)
- The level of victim-based acquisitive crime reduced by 8.5% (from 3,512 to 3,212)
- The level of victim-based violent crime increased by 22.4% (from 741 to 908)
- When surveyed, over 80% of people stated that the City of London Police are doing a good or excellent job; and over 90% were reassured by the work done to protect the City from terrorism
- Fewer anti-social behaviour incidents were recorded than in the previous year (835 compared to 1,129)
- The percentage of people engaging in City smoking cessation programmes who quit smoking rose slightly to 46%
- The percentage of secondary school offers meeting the applicant's first choice rose from 63% to 73% (for September 2016), and exceeded the reported Pan-London rate
- 99% of routine housing repairs were attended to within the 5 working day target
- Workplace health and well-being programmes increased their membership by 5%
- Initiatives to tackle illegal occupation and sub-letting resulted in a 50% increase in cases where fraud has been identified
- Over 96% of Freedom of Information requests received were responded to within 20 working days of receipt
- Average staff sickness was 6.3 days per annum, compared with 6.2 days per annum in the previous year
- For the first time, over 100,000 people visited the Guildhall Art Gallery in one year
- In an independent survey by Keep Britain Tidy, the City's streets exceeded the London and nation benchmarks for cleanliness (absence of litter, detritus, fly-posting and graffiti)
- Targets for the percentage of planning applications processed within eight weeks were exceeded
- A revised Air Quality Strategy (2015-20) has been approved, and a bid for funding has been submitted to the Greater London Authority to implement a Low Emission Neighbourhood in the City
- The overall Food Hygiene Scheme ratings profile for City food establishments increased over the year

- Over 1,300 programmed food hygiene or food standards inspections were carried out (an increase of 14.5% over the previous year)

RISK MANAGEMENT

38. The City Corporation recognises and accepts its responsibility to manage risks effectively in a structured manner in order to achieve its objectives and enhance the value of services provided to its communities. In pursuit of this policy, it has adopted a Risk Management Strategy that captures the following key objectives:

- Enables corporate, departmental and programme objectives to be achieved in the optimum way and to control risks and maximise opportunities which may impact on the City Corporation's success.
- The City Corporation recognises its responsibility to manage risks and support a structured and focused approach that includes risk taking in support of innovation to add value to service delivery.
- Risk Management is seen as an internal element of the City Corporation's culture.

39. The Audit and Risk Management Committee monitors and oversees the Risk Management Strategy and undertakes a systematic programme of detailed reviews of each of the risks on the Corporate Risk Register.

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

41. The Corporate Risk Register includes risks in the following areas:

    - Information Technology Service Provision
    - Road Safety
    - Air Quality
    - Resilience (emergency planning)
    - Health and Safety
    - Information Security (including cyber security)
    - Loss of business support for the City
    - Safeguarding
    - Funding Reduction (City Corporation and City Police)

42. The Chief 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.

ANNUAL GOVERNANCE STATEMENT

43. The Annual Governance Statement is reviewed and updated annually, and 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 Annual Governance Statement for the year ended 31 March 2016 is set out on pages 134 to 148.

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 2015/16 ("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 2016.

Dr Peter Kane
Chamberlain Date: 29 June 2016

CITY FUND MOVEMENT IN RESERVES STATEMENT

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

		Usable Reserves								
	Notes	City Fund Unallocated Reserve £m	Earmarked Reserves £m	Housing Revenue Account £m	Capital Receipts Reserve £m	Capital Grants Unapplied £m	Major Repairs Reserve £m	Total Usable Reserves £m	Unusable Reserves £m	Total Reserves £m
Balance at 31 March 2015		**(57.1)**	**(70.8)**	**(8.1)**	**(92.4)**	**(0.7)**	**(7.1)**	**(236.2)**	**(944.8)**	**(1,181.0)**
Movement in reserves during 2015/16										
(Surplus) or deficit on provision of services		(188.5)	0.0	(6.3)	0.0	0.0	0.0	(194.8)	0.0	(194.8)
Other Comprehensive Income & Expenditure		0.0	0.0	0.0	0.0	0.0	0.0	0.0	(180.1)	(180.1)
Total Comprehensive Income & Expenditure		**(188.5)**	**0.0**	**(6.3)**	**0.0**	**0.0**	**0.0**	**(194.8)**	**(180.1)**	**(374.9)**
Adjustments between accounting basis & funding basis under regulations	7	203.5	0.0	4.3	(33.3)	(2.9)	0.9	172.5	(172.5)	0.0
Net (increase) or decrease before transfers to earmarked reserves		**15.0**	**0.0**	**(2.0)**	**(33.3)**	**(2.9)**	**0.9**	**(22.3)**	**(352.6)**	**(374.9)**
Transfers (to) or from earmarked reserves	8	(15.8)	15.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0
(Increase) or decrease in 2015/16		**(0.8)**	**15.8**	**(2.0)**	**(33.3)**	**(2.9)**	**0.9**	**(22.3)**	**(352.6)**	**(374.9)**
Balance at 31 March 2016		**(57.9)**	**(55.0)**	**(10.1)**	**(125.7)**	**(3.6)**	**(6.2)**	**(258.5)**	**(1,297.4)**	**(1,555.9)**

	Notes	Usable Reserves								
		City Fund Unallocated Reserve £m	Earmarked Reserves £m	Housing Revenue Account £m	Capital Receipts Reserve £m	Capital Grants Unapplied £m	Major Repairs Reserve £m	Total Usable Reserves £m	Unusable Reserves £m	Total Reserves £m
Balance at 31 March 2014		**(43.6)**	**(78.5)**	**(6.8)**	**(55.3)**	**(0.5)**	**(4.9)**	**(189.6)**	**(855.5)**	**(1,045.1)**
Movement in reserves during 2014/15										
(Surplus) or deficit on provision of services		(144.6)	0.0	(29.5)	0.0	0.0	0.0	(174.1)	0.0	(174.1)
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		**(144.6)**	**0.0**	**(29.5)**	**0.0**	**0.0**	**0.0**	**(174.1)**	**38.2**	**(135.9)**
Adjustments between accounting basis & funding basis under regulations	7	138.8	0.0	28.2	(37.1)	(0.2)	(2.2)	127.5	(127.5)	0.0
Net (increase) or decrease before transfers to earmarked reserves		**(5.8)**	**0.0**	**(1.3)**	**(37.1)**	**(0.2)**	**(2.2)**	**(46.6)**	**(89.3)**	**(135.9)**
Transfers (to) or from earmarked reserves	8	(7.7)	7.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0
(Increase) or decrease in 2014/15		**(13.5)**	**7.7**	**(1.3)**	**(37.1)**	**(0.2)**	**(2.2)**	**(46.6)**	**(89.3)**	**(135.9)**
Balance at 31 March 2015		**(57.1)**	**(70.8)**	**(8.1)**	**(92.4)**	**(0.7)**	**(7.1)**	**(236.2)**	**(944.8)**	**(1,181.0)**

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.

2014/15					2015/16		
Gross Expenditure £m	Gross Income £m	Net Expenditure (Income) £m		Notes	Gross Expenditure £m	Gross Income £m	Net Expenditure (Income) £m
			Services				
113.2	(53.6)	59.6	Police Services		117.2	(56.5)	60.7
			Cultural & Related Services				
44.9	(22.6)	22.3	Barbican Centre	9	50.3	(25.9)	24.4
25.3	(2.9)	22.4	Other Cultural & Related Services		25.9	(3.2)	22.7
19.0	(12.6)	6.4	Environmental & Regulatory Services		20.6	(13.0)	7.6
11.8	(7.6)	4.2	Planning Services		10.7	(8.4)	2.3
33.8	(21.9)	11.9	Highways & Transport Services		34.5	(22.0)	12.5
8.9	(4.6)	4.3	Children's & Education Services		9.2	(5.0)	4.2
6.1	(0.6)	5.5	Adult Social Care		6.4	(0.8)	5.6
1.9	(2.2)	(0.3)	Public Health		1.7	(1.9)	(0.2)
			Housing Services				
			Housing Revenue Account (HRA)				
14.3	(15.7)	(1.4)	Operations		13.8	(15.7)	(1.9)
(5.7)	0.0	(5.7)	Revaluation gain on dwellings	45	(3.3)	0.0	(3.3)
19.9	(19.1)	0.8	Other Housing Services		21.9	(20.0)	1.9
			Central Services				
9.2	(4.9)	4.3	Court Services		8.8	(5.0)	3.8
7.9	(2.5)	5.4	Corporate & Democratic Core		7.2	(1.9)	5.3
0.9	(0.1)	0.8	Emergency Planning		0.8	0.0	0.8
3.8	(1.9)	1.9	Local Tax Collection		2.7	(1.9)	0.8
0.3	0.0	0.3	Elections		0.3	0.0	0.3
0.0	0.0	0.0	General Grants, Bequests and Donations		0.3	(0.2)	0.1
0.1	0.0	0.1	Non Distributed Costs	39	1.0	0.0	1.0
315.6	**(172.8)**	**142.8**	**Cost of Services**		**330.0**	**(181.4)**	**148.6**
		(34.6)	Other Operating Income	10			(15.5)
		(142.4)	Financing & Investment Income & Expenditure	11			(185.1)
		(139.9)	Taxation & Non-Specific Grant Income	12			(142.8)
		(174.1)	**Surplus on the Provision of Services**				**(194.8)**
		(97.4)	Surplus on the Revaluation of Property, Plant & Equipment	27A			(104.9)
		135.6	Remeasurements of the Pensions Liability	51			(75.2)
		38.2	**Other Comprehensive (Income) & Expenditure**				**(180.1)**
		(135.9)	**TOTAL COMPREHENSIVE (INCOME) & EXPENDITURE**				**(374.9)**

The Balance Sheet on the next page 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 2015 Restated (Note 2) £m		Notes	31 March 2016 £m
811.7	Property, Plant and Equipment	13,14	890.5
8.9	Heritage Assets	15	8.9
1,165.3	Investment Property	16	1,359.0
0.1	Intangible Assets	17	0.1
0.0	Investments	19	0.2
34.6	Long-Term Debtors	21	36.6
2,020.6	**Long-Term Assets**		**2,295.3**
515.3	Short-Term Investments	19	712.4
0.3	Inventories		0.5
0.4	Intangible Current Assets		0.4
70.6	Short-Term Debtors	22	68.0
67.1	Cash and Cash Equivalents	23	57.1
653.7	**Current Assets**		**838.4**
(213.7)	Short-Term Creditors	24	(271.0)
(44.0)	Provisions*	25	(46.3)
(257.7)	**Current Liabilities**		**(317.3)**
(1,064.3)	Pensions Liability	51	(1,017.1)
(70.8)	Capital Grants and Contributions Received in Advance	41	(90.8)
(100.1)	Deferred Credits	42	(151.7)
(0.4)	Other Long-Term Liabilities	44	(0.9)
(1,235.6)	**Long-Term Liabilities**		**(1,260.5)**
1,181.0	**NET ASSETS**		**1,555.9**
(236.2)	Usable Reserves*	26	(258.5)
(944.8)	Unusable Reserves	27	(1,297.4)
(1,181.0)	**TOTAL RESERVES**		**(1,555.9)**

*This is before a £200m commitment towards Crossrail, anticipated to be paid in March 2017 (see paragraph 21 of the narrative report)

Dr Peter Kane
Chamberlain

Date: 29 June 2016

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.

2014/15 £m		**Notes**	**2015/16 £m**
(174.1)	Net surplus on the provision of services		(194.8)
(50.4)	Adjustments for non-cash movements		48.3
97.9	Adjustments for items that are investing and financing activities		66.8
(126.6)	Net cash inflows from operating activities	28	(79.7)
148.5	Investing activities	29	144.3
(48.8)	Financing activities	30	(54.6)
(26.9)	Net increase in cash and cash equivalents		10.0
(40.2)	Cash and cash equivalents at the beginning of the reporting period	23	(67.1)
(67.1)	**Cash and cash equivalents at the end of the reporting period**	23	**(57.1)**

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 2015/16 financial year and its position at the year end of 31 March 2016. 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 Regulations 2015. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 (the Code) and the Service Reporting Code of Practice for Local Authorities 2015/16 (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) Termination benefits

Termination benefits are amounts payable as a result of a decision to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy in exchange for those benefits and are charged on an accruals basis to the appropriate service or, where applicable, to the Non Distributed Costs line in the Comprehensive Income and Expenditure Statement at the earlier of when the authority can no longer withdraw the offer of those benefits or when the authority recognises costs for a restructuring. Where termination benefits involve the enhancement of pensions, statutory provisions require the City Fund Balance to be charged with the amount payable by the employer to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end.

(c) 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: loans and receivables ; and available for sale financial assets. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

<u>Loans and receivables</u>

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.

<u>Available for sale financial assets</u>

Available for sale financial assets have a quoted price and/or do not have fixed or determinable payments. They are maintained in the balance sheet at fair value. Where fair value cannot be measured reliably, they are carried at cost (less any impairment losses).

(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.

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. Business Improvement Districts

A Business Improvement District (BID) scheme applies across an area of the City (Cheapside). The scheme is funded by a BID levy paid by non-domestic ratepayers. The Authority acts as principal under the scheme, and accounts for income received and expenditure incurred (including contributions to the BID project) within the relevant services within the Comprehensive Income and Expenditure Statement.

1.12. Community Infrastructure Levy

The City Corporation has elected to charge a Community Infrastructure Levy (CIL). The levy is charged on new builds (chargeable developments for the Authority) with appropriate planning consent. The City Corporation charges for and collects the levy, which is a planning charge. The income from the levy will be used to fund a number of infrastructure projects to support the development of the area. CIL is received without outstanding conditions; it is therefore recognised at the commencement date of the chargeable development in the Comprehensive Income and Expenditure Statement in accordance with the accounting policy for government grants and contributions set out above. CIL charges will be largely used to fund capital expenditure. However, a small proportion of the charges may be used to fund revenue expenditure.

1.13. 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.

1.14. 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.

1.15. Inventories

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

1.16. Investment Property

Investment properties are those that are used solely to earn rentals and/or for capital appreciation. 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 measured initially at cost and subsequently at fair value, being the price that would be received to sell such an asset in an orderly transaction between market participants at the measurement date. As a non-financial asset, investment properties are measured at highest and best use. Properties are not depreciated but are revalued annually according to market conditions at the year-end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

Rentals received in relation to investment properties are credited to the Financing and Investment Income line and result in a gain for the General Fund Balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account.

1.17. 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.

1.18. 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.

1.19. 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.

1.20. 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

(i) 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.

(ii) 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

(iii) 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.

(iv) 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.

1.21. 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.

1.22. 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.

1.23. 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. Assets are then carried in the Balance Sheet using the following measurement bases:

- Properties regarded as operational - current value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV), or where this cannot be assessed because there is no market for the subject asset, the depreciated replacement cost, based on modern equivalent assets, as an estimate of current value. 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

(v) 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.

(vi) 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.

1.24. 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.

1.25. 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.

1.26. 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.

1.27. 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.

1.28. 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. Prior Year Reclassification

During 2015/16 the City has reconsidered the classification of a property which was included on the balance sheet at 31 March 2015 as a current asset held for sale. This classification did not take into account the nature of the proposed lease agreement which is classed as operating i.e. the City is granting rights over the asset but is not technically disposing of it. The property has therefore been re-classified as at 31 March 2015 as Property, Plant and Equipment as a surplus asset.

The resulting restated balance sheet as at 31 March 2015 is provided on page 16. The adjustments that have been made to that balance sheet compared to the version published in the 2014/15 Statement of Accounts are set out in the following table.

Effect on the Balance Sheet as at 31 March 2015

	Previous £m	Effect of Reclassification £m	Restated £m
Property, Plant and Equipment	804.5	7.2	811.7
Heritage Assets	8.9	0.0	8.9
Investment Property	1,165.3	0.0	1,165.3
Intangible Assets	0.1	0.0	0.1
Assets Held for Sale	0.0	0.0	0.0
Long-Term Debtors	34.6	0.0	34.6
Long-Term Assets	**2,013.4**	**7.2**	**2,020.6**
Short-Term Investments	515.3	0.0	515.3
Assets Held for Sale	7.2	(7.2)	0.0
Inventories	0.3	0.0	0.3
Intangible Current Assets	0.4	0.0	0.4
Short-Term Debtors	70.6	0.0	70.6
Cash and Cash Equivalents	67.1	0.0	67.1
Current Assets	**660.9**	**(7.2)**	**653.7**
Current Liabilities	**(257.7)**	**0.0**	**(257.7)**
Long-Term Liabilities	**(1,235.6)**	**0.0**	**(1,235.6)**
NET ASSETS	**1,181.0**	**0.0**	**1,181.0**
TOTAL RESERVES	**(1,181.0)**	**0.0**	**(1,181.0)**

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

Under the Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 (the Code), the Council is required to disclose information setting out the impact of an accounting change required by a new accounting standard that has been issued but not yet adopted by the Code. The standards introduced in the 20016/17 Code that are relevant to this requirement are:

- Amendments to IAS 19 Employee Benefits (Defined Benefit Plans: Employee Contributions)
- Annual Improvements to IFRSs 2010–2012 Cycle
- Amendment to IFRS 11 Joint Arrangements (Accounting for Acquisitions of Interests in Joint Operations)
- Amendment to IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets (Clarification of Acceptable Methods of Depreciation and Amortisation)
- Annual Improvements to IFRSs 2012–2014 Cycle
- Amendment to IAS 1 Presentation of Financial Statements (Disclosure Initiative)
- The changes to the format of the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement and the introduction of the new Expenditure and Funding Analysis
- The changes to the format of the Fund Account and the Net Assets Statement.

It is not anticipated that the above amendments will have a material impact on the information provided in the financial statements.

4. Critical Judgements in Applying Accounting Policies

In applying accounting policies authorities may have to make certain judgements about complex transactions or those involving uncertainty about future events. 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 (5).

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

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

(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 2016. The estimate has been calculated using the Valuation Office (VAO) ratings list of appeals and the analysis of successful appeals.

(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 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 some £35m. 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 47 to 51.

(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 £13.6m 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 14.

(d) Arrears

At 31 March 2016, the City Fund had a balance for rents and sundry debtors of £32.4m. A review of the length of time past due and progress on recovery action suggested that an impairment allowance for doubtful debts of £3.1m was appropriate. If collection rates were to deteriorate an increase in the amount of the impairment of the doubtful debts would be required.

6. Events after the Balance Sheet Date

The Statement of Accounts was authorised for issue by the Chamberlain on 29 June 2016. Events after the balance sheet date and up to 29 June 2016 have been considered in respect of material impact on the financial statements. Events taking place after this date are not reflected in the financial statements or notes.

7. Adjustments between Accounting Basis and Funding Basis under Regulations

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

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

City Fund Unallocated Reserve

This is the statutory fund into which all receipts are required to be paid and out of which all liabilities are to be met in respect of the City's activities as a local authority, police authority and port health authority, except to the extent that statutory rules might provide otherwise. 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 an element of resources limited to being used on capital expenditure on HRA assets or the financing of historic capital expenditure by the HRA. The balance shows the resources that have yet to be applied at the year-end.

2015/16	Usable Reserves					
	City Fund General Reserve £m	Housing Revenue Account £m	Capital Receipts Reserve £m	Capital Grants Unapplied £m	Major Repairs Reserve £m	Movement in Unusable Reserves £m
Adjustments to the Revenue Resources						
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different for the year calculated in accordance with statutory requirements						
Pensions costs (transfers to or from the Pensions Reserve)	(28.1)	0.1				28.0
Council Tax and Non-Domestic Rates (transfers to or from the Collection Fund Adjustment Account)	31.5					(31.5)
Holiday pay (transfers to or from the Accumulated Absences Reserve)	(0.2)	0.0				0.2
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (transfers to or from the Capital Adjustment Account)	139.2	1.5				(140.7)
Other adjustments	(0.1)	0.1				0.0
Total Adjustments to Revenue Resources	**142.3**	**1.7**	**0.0**	**0.0**	**0.0**	**(144.0)**
Adjustments between Revenue and Capital Resources						
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	42.1		(42.1)			0.0
Administrative costs of non-current asset disposals (funded by a contribution from the Capital Receipts Reserve)	(0.1)		0.1			0.0
Payments to the government housing receipts poool (funded by a transfer from the Capital Receipts Reserve)	(0.4)		0.4			0.0
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	10.0					(10.0)
Transfer of capital grants & contributions from revenue to the Capital Grants Unapplied Account	6.9			(6.9)		0.0
Transfer of deferred non-current asset sale proceeds from revenue to the Deferred Capital Receipts Reserve	2.7					(2.7)
Posting of HRA resources from revenue to the Major Repairs Reserve		2.6			(2.6)	0.0
Total Adjustments between Revenue and Capital Resources	**61.2**	**2.6**	**(41.6)**	**(6.9)**	**(2.6)**	**(12.7)**
Adjustments to Capital Resources						
Use of the Capital Receipts Reserve to finance capital expenditure			8.3			(8.3)
Use of the Major Repairs Reserve to finance capital expenditure					3.5	(3.5)
Application of capital grants to finance capital expenditure (transferred to the Capital Adjustment Account)				4.0		(4.0)
Total Adjustments to Capital Resources	0.0	0.0	8.3	4.0	3.5	(15.8)
Total Adjustments	**203.5**	**4.3**	**(33.3)**	**(2.9)**	**0.9**	**(172.5)**

2014/15 Comparative Figures	**Usable Reserves**					**Movement in Unusable Reserves**
	City Fund General Reserve £m	**Housing Revenue Account £m**	**Capital Receipts Reserve £m**	**Capital Grants Unapplied £m**	**Major Repairs Reserve £m**	**£m**
Adjustments to the Revenue Resources						
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different for the year calculated in accordance with statutory requirements						
Pensions costs (transfers to or from the Pensions Reserve)	(35.0)	(0.1)				35.1
Council Tax and Non-Domestic Rates (transfers to or from the Collection Fund Adjustment Account)	9.2					(9.2)
Holiday pay (transfers to or from the Accumulated Absences Reserve)	0.1					(0.1)
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (transfers to or from the Capital Adjustment Account)	99.1	1.5				(100.6)
Other adjustments	(0.3)	0.3				0.0
Total Adjustments to Revenue Resources	**73.1**	**1.7**	**0.0**	**0.0**	**0.0**	**(74.8)**
Adjustments between Revenue and Capital Resources						
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	54.6	7.1	(61.7)			0.0
Payments to the government housing receipts poool (funded by a transfer from the Capital Receipts Reserve)	(0.3)		0.3			0.0
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	6.0					(6.0)
Transfer of capital grants & contributions from revenue to the Capital Grants Unapplied Account	1.1			(1.1)		0.0
Transfer of deferred non-current asset sale proceeds from revenue to the Deferred Capital Receipts Reserve	4.3	16.7				(21.0)
Posting of HRA resources from revenue to the Major Repairs Reserve		2.7			(2.7)	0.0
Total Adjustments between Revenue and Capital Resources	**65.7**	**26.5**	**(61.4)**	**(1.1)**	**(2.7)**	**(27.0)**
Adjustments to Capital Resources						
Use of the Capital Receipts Reserve to finance capital expenditure			24.3			(24.3)
Use of the Major Repairs Reserve to finance capital expenditure					0.5	(0.5)
Application of capital grants to finance capital expenditure (transferred to the Capital Adjustment Account)				0.9		(0.9)
Total Adjustments to Capital Resources	0.0	0.0	24.3	0.9	0.5	(25.7)
Total Adjustments	**138.8**	**28.2**	**(37.1)**	**(0.2)**	**(2.2)**	**(127.5)**

8. Transfers (to)/from Earmarked Reserves

This note sets out the amounts set aside from the City Fund in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet City Fund expenditure in 2015/16.

	Notes	Balance at 31 March 2014 £m	Transfers Out 2014/15 £m	Transfers In 2014/15 £m	Balance at 31 March 2015 £m	Transfers Out 2015/16 £m	Transfers In 2015/16 £m	Balance at 31 March 2016 £m
Highway Improvements	(i)	(15.7)	6.5	(5.8)	(15.0)	3.4	(5.6)	(17.2)
Police Future Expenditure	(ii)	(15.1)	6.1	0.0	(9.0)	4.9	0.0	(4.1)
Crime Reduction Initiatives	(iii)	(2.4)	0.1	(1.9)	(4.2)	0.6	0.0	(3.6)
Crossrail	(iv)	(20.5)	0.0	(2.4)	(22.9)	0.0	(2.9)	(25.8)
Judges Pensions	(v)	(1.4)	0.2	0.0	(1.2)	0.0	0.0	(1.2)
Service Projects	(vi)	(3.5)	2.0	(1.8)	(3.3)	0.8	(0.4)	(2.9)
Renewals and Repairs	(vii)	(0.5)	0.0	0.0	(0.5)	0.0	0.0	(0.5)
Landfill Allowances	(viii)	(0.3)	0.0	0.0	(0.3)	0.0	0.0	(0.3)
School's Reserve	(ix)	(0.3)	0.1	0.0	(0.2)	0.0	(0.1)	(0.3)
VAT reserve	(x)	(4.2)	0.0	0.0	(4.2)	0.0	0.0	(4.2)
Asset Realisation Costs Fund	(xi)	(0.3)	0.1	0.0	(0.2)	0.0	0.0	(0.2)
Deferred Income Released	(xii)	0.0	0.0	0.0	0.0	0.0	(0.6)	(0.6)
Business Rates Equalisation	(xiii)	(14.3)	4.5	0.0	(9.8)	15.7	0.0	5.9
Total		**(78.5)**	**19.6**	**(11.9)**	**(70.8)**	**25.4**	**(9.6)**	**(55.0)**

(i) 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.

(ii) 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.

(iii) Under the guidelines of the Proceeds of Crime scheme funds received by the City Police must be ring fenced for "crime reduction initiatives".

(iv) Crossrail - Funds set aside to contribute towards the City's £200m commitment towards the Crossrail project, currently anticipated in 2017.

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

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

(vii) 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.

(viii) 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.

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

(x) 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.

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

(xii) Deferred Income Released – deferred income released to revenue in year from premiums received from the sale of operating leases have been set aside in an earmarked reserve and will be used in future years towards the cost of any minimum revenue provision required towards the City's capital financing requirement.

(xiii) Business Rates Equalisation – Set up in 2013/14 to help mitigate the potential volatility of the Business Rates Retention Scheme. The scheme, introduced from 1 April 2013, includes a baseline level of funding and allows the City to keep an element of business rate income above the baseline. However if the business rate income is lower than the baseline, the City bears the loss up to 7.5% of the baseline, after which it receives a safety net payment from the Government. If income is above the baseline a levy of 50% of the additional income is paid to the Government. The system is therefore far more volatile than the previous system where the amount of rates redistributed from the national pool was fixed and known in advance. The way in which business rates have to be accounted for further complicates the issue. Under statutory arrangements the amount of business rates income credited to the City Fund in the year is an amount estimated before the start of the financial year not the actual amount received. If there is a variance between the estimate and actual then this is held in the Collection Fund Adjustment Account (note 27 D) and is taken into account in setting the budget for the following year. However, the same accounting legislation does not apply to safety net or levy payments. As a result any safety net or levy payments paid in the year to or from the City Fund are based on income which has not yet been recognised in the City Fund.

9. Arts Council England

The Barbican Centre's income for 2015/16 includes a grant of £0.5m from Arts Council England (2014/15 £0.6m).

10. Other Operating Income and Expenditure

2014/15 Net Expenditure/ (Income) £m		2015/16 Net Expenditure/ (Income) £m
(35.6)	Net Gain on Disposal of Fixed Assets	(16.6)
0.3	Inner and Middle Temple Precepts	0.3
0.2	Local levies	0.1
0.3	Payment to Government Housing Capital Receipts Pool	0.4
0.2	Pension Fund Administration Expenses	0.3
(34.6)	**Total**	**(15.5)**

11. Financing and Investment Income and Expenditure

2014/15 Net Expenditure/ (Income) £m		2015/16 Net Expenditure/ (Income) £m
	Investment Properties	
(38.7)	Operational	(39.8)
(137.1)	Gain on revaluation	(174.2)
(4.8)	Interest receivable and similar income	(5.2)
38.8	Pension Interest Cost	34.8
(0.6)	Contribution from Trading Services	(0.7)
(142.4)	**Total**	**(185.1)**

12. Taxation and Non-Specific Grant Income

2014/15 Income £m		2015/16 Income £m
(19.2)	Retained National Business Rates	(30.5)
(6.4)	City Non Domestic Rates Premium	(6.9)
(10.7)	City Offset	(10.9)
(6.3)	Council Tax Income	(6.6)
	Non Ringfenced Government Revenue Grants	
(17.4)	Revenue Support Grant	(12.1)
(55.2)	Police Core Grant	(52.4)
(1.5)	Other	(2.7)
(8.4)	Donated Assets	0.0
(14.8)	Capital Grants & Contributions	(20.7)
(139.9)	**Total**	**(142.8)**

13. Property, Plant and Equipment

Movements on Balances 2015/16	Council Dwellings £m	Other Land & Buildings £m	Leasehold Improvements £m	Vehicles, Plant & Equipment £m	Infrastructure £m	Community Assets £m	Assets Under Construction £m	Surplus Assets £m	Total £m
Cost or valuation									
at 1 April 2015	318.2	390.7	60.4	36.2	70.9	0.7	5.0	7.2	**889.3**
Revaluation 1 April 2015	0.0	0.0	0.0	0.0	0.0	0.0	0.0	23.2	**23.2**
Additions	0.5	0.2	0.1	2.4	8.6	0.0	13.9	0.0	**25.7**
Transfers	0.0	(1.6)	0.0	0.0	0.0	0.0	0.0	(28.8)	**(30.4)**
Revaluation increases/(decreases) recognised in the Revaluation Reserve	23.4	49.2	0.0	0.0	0.0	0.0	0.0	(0.7)	**71.9**
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	3.2	1.5	0.0	0.0	0.0	0.0	0.0	0.0	**4.7**
Derecognition - disposals	(2.6)	0.0	0.0	(0.2)	0.0	0.0	0.0	0.0	**(2.8)**
at 31 March 2016	**342.7**	**440.0**	**60.5**	**38.4**	**79.5**	**0.7**	**18.9**	**0.9**	**981.6**
Accumulated Depreciation and Impairment									
at 1 April 2015	(0.1)	(3.6)	(15.5)	(25.8)	(32.6)	0.0	0.0	0.0	**(77.6)**
Depreciation Charge	(2.5)	(8.6)	(2.9)	(3.5)	(6.1)	0.0	0.0	0.0	**(23.6)**
Depreciation written out to the Revaluation Reserve	2.4	7.2	0.0	0.0	0.0	0.0	0.0	0.0	**9.6**
Depreciation written out to the Surplus/Deficit on the Provision of Services	0.1	0.8	0.0	0.0	0.0	0.0	0.0	0.0	**0.9**
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	(0.7)	**(0.6)**
Derecognition - disposals	0.0	0.0	0.0	0.2	0.0	0.0	0.0	0.0	**0.2**
at 31 March 2016	**(0.1)**	**(4.1)**	**(18.4)**	**(29.1)**	**(38.7)**	**0.0**	**0.0**	**(0.7)**	**(91.1)**
Net Book Value									
at 31 March 2015	**318.1**	**387.1**	**44.9**	**10.4**	**38.3**	**0.7**	**5.0**	**7.2**	**811.7**
at 31 March 2016	**342.6**	**435.9**	**42.1**	**9.3**	**40.8**	**0.7**	**18.9**	**0.2**	**890.5**

14. Property, Plant and Equipment (continued)

Movements on Balances Comparative for 2014/2015 Restated	Council Dwellings £m	Other Land & Buildings £m	Leasehold Improvements £m	Vehicles, Plant & Equipment £m	Infrastructure £m	Community Assets £m	Assets Under Construction £m	Surplus Assets £m	Total £m
Cost or valuation									
at 1 April 2014	236.9	388.5	56.3	30.9	57.9	0.7	2.8	0.0	**774.0**
Additions	11.7	0.6	4.1	5.3	13.0	0.0	3.4	0.0	**38.1**
Transfers	1.2	(21.6)	0.0	0.0	0.0	0.0	(1.2)	7.2	**(14.4)**
Revaluation increases/(decreases) recognised in the Revaluation Reserve	67.2	18.3	0.0	0.2	0.0	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	0.0	**10.1**
Derecognition - disposals	(4.0)	0.0	0.0	(0.2)	0.0	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**	**7.2**	**889.3**
Accumulated Depreciation and Impairment									
at 1 April 2014	(0.1)	(5.0)	(13.0)	(23.4)	(27.4)	0.0	0.0	0.0	**(68.9)**
Depreciation Charge	(2.3)	(9.6)	(2.5)	(2.5)	(5.2)	0.0	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	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	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	**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	**0.0**
Derecognition - disposals	0.0	0.0	0.0	0.1	0.0	0.0	0.0	0.0	**0.1**
Transfers	0.0	0.4	0.0	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**	**0.0**	**705.1**
at 31 March 2015	**318.1**	**387.1**	**44.9**	**10.4**	**38.3**	**0.7**	**5.0**	**7.2**	**811.7**

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 2017. 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 £13.7m were outstanding at 31 March 2016, detailed as follows

- £4.5m outstanding in respect of the replacement of windows and cladding on a block of dwellings at the Golden Lane Estate.
- £4.4m relating to various highways and public open space works in the Aldgate area
- £2.9m relating to a scheme to construct eighteen new council dwellings to replace a redundant community centre on the Avondale Estate.
- £1.9m for Phase 1 of a scheme to replace the mechanical infrastructure of the Central Criminal Court.

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 2016 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
- Other Housing Commercial Properties (shops, garages and parking spaces etc)
- Properties at the City of London Cemetery and Crematorium
- 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
- Public Conveniences which have been declared surplus
- 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 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 Jones Lang Lasalle Ltd, Cushman and Wakefield 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.

Non-operational Property, Plant and Equipment (Surplus Assets)
There are no material surplus assets.

15. Heritage Assets

The carrying value of heritage assets currently held in the Balance Sheet at historic cost is £8.9m (2014/15 £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).

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 £m		2015/16 £m
(52.6)	Income from investment properties	(53.4)
13.9	Operating expenses arising from investment property	13.6
(38.7)	**Net gain**	**(39.8)**

There are no restrictions on the City's ability to realise the value inherent in its investment property or on the City's right to the remittance of income and the proceeds of disposal.

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

2014/15 £m		2015/16 £m
1,041.5	Balance at start of the year	1,165.3
14.1	Transfers	30.4
	Additions:	
10.3	Purchases	9.9
3.5	Construction	1.1
1.9	Subsequent expenditure	3.4
(43.1)	Disposals	(25.3)
	Revaluations:	
137.1	Net gains from fair value adjustments	174.2
1,165.3	**Balance at end of the year**	**1,359.0**

Fair value calculations are based on 'inputs' which are categorised within the fair value hierarchy as follows:

- Level 1 inputs – quoted prices (unadjusted) in active markets for identical properties
- Level 2 inputs – inputs other than quoted prices included in Level 1 that are observable, either directly or indirectly
- Level 3 inputs – Unobservable inputs

The fair values of investment properties have been based on a combination of:

- The market approach having regard to current market conditions, recent sales prices and lettings and other relevant information for similar properties in the area.
- The income approach, by means of the discounted cash flow method, where the expected cash flows are discounted at a market rate to establish the present value of the net income stream.

This is in the context of the active property market that exists in the City of London.

All of the investment property fair values as at 31 March 2015 and 31 March 2016 have been categorised within Level 2 of the fair value hierarchy by external valuers.

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 £m		2015/16 £m
	Balance at start of year:	
1.4	Gross carrying amounts	1.4
(1.0)	Accumulated amortisation	(1.3)
0.4	Net carrying amount at start of year	0.1
0.0	Additions	0.0
(0.3)	Amortisation for the period	0.0
0.1	Net carrying amount at end of year	0.1
	Comprising	
1.4	Gross carrying amounts	1.4
(1.3)	Accumulated amortisation	(1.3)
0.1	**Balance at end of the year**	**0.1**

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. As set out in note 44 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		2015/16 £m
(2.5)	**Opening Capital Financing Requirement**	**(2.5)**
	Capital Investment	
38.1	Property, Plant and Equipment	25.7
15.7	Investment Properties	14.4
	Non-property Investments	0.2
0.3	Revenue Expenditure Funded from Capital Under Statute	1.3
	Sources of Finance	
(24.3)	Capital Receipts	(8.4)
(23.3)	Capital grants, contributions and donations	(19.1)
(6.5)	Direct revenue contributions	(13.5)
(2.5)	**Closing Capital Financing Requirement**	**(1.9)**

	Explanation of movement in year	
0.0	Assets acquired under finance leases	0.6

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 31 March 2015 £m	Current 31 March 2015 £m		Long Term 31 March 2016 £m	Current 31 March 2016 £m
		Investments		
0.0	0.0	Unquoted equity investment at cost	0.2	0.0
0.0	515.3	Loans and receivables	0.0	712.4
0.0	**515.3**	**Total Investments**	**0.0**	**712.4**
		Debtors		
34.6	35.2	Loans and receivables	36.5	30.6
34.6	**35.2**	**Total Debtors**	**36.5**	**30.6**
		Creditors		
0.0	(41.3)	Financial liabilities at amortised cost	0.0	(43.4)
0.0	**(41.3)**	**Total Creditors**	**0.0**	**(43.4)**
		Long Term Liabilities		
(0.4)	0.0	Finance Leases	(0.9)	0.0
(0.4)	**0.0**	**Total Long Term Liabilities**	**(0.9)**	**0.0**

Investments

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

Income, Expense, Gains and Losses

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

2014/15 Financial Assets Loans and Receivables £m		2015/16 Financial Assets Loans and Receivables £m
(0.7)	Impairment (gains)/losses	0.2
(0.7)	**Total (Gains)/Losses in Surplus or Deficit on the Provision of Services**	**0.2**
(4.8)	Interest Income	(5.2)
(4.8)	**Total Income in Surplus or Deficit on the Provision of Services**	**(5.2)**
(5.5)	**Net gain for year**	**(5.0)**

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 2016	
Carrying Amount £m	Fair Value £m		Carrying Amount £m	Fair Value £m
515.3	515.3	Loans and receivables	712.4	712.4

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 and Short term F1 or are building societies with assets over £9bn (or which have a minimum credit rating "score" similar to that set for the banks) . The City Corporation also invests in Money Market Funds, which are subject to a minimum credit rating of AAA/mmf. 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 had ten potential borrowers in the form of banks and building societies and it has been necessary to maintain relatively high levels of individual maximum lending limits to accommodate lending requirements. The lending limits attributable to HSBC, Barclays, Royal Bank of Scotland and Santander UK were maintained at maximum lending limits of £100m each, and Lloyds 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 lending limits for the Yorkshire, Coventry, Skipton and Leeds Building Societies were maintained at £20m each and the duration for such loans was fixed at 1 year. The list also contains three foreign banks with individual limits of £25m, being National Australia Bank, Australia and New Zealand Banking Group and Svenska Handelsbanken. The lending list also includes seven top rated Money Market Funds; Aberdeen Sterling Liquidity Fund, CCLA, Deutsche Liquidity Fund, Federated Liquidity Fund, Standard Life Liquidity Funds (formerly Ignis Liquidity Funds), Invesco, and Payden Sterling Reserve Fund. These funds effectively offer very short term 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 failing to repay the principal sum would be mainly 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 £000s		Amount as at 31 March 2016 £000s
12.6	Less than three months	15.7
2.0	Three to six months	1.9
0.6	Six months to one year	0.7
0.4	More than one year	1.0
15.6	**Total**	**19.3**

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 2015/16 continue to have an 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		2015/16 £m
	Increase in interest receivable on investments held at variable rates	
2.1	City Fund	2.9
0.1	HRA	0.1
2.2	**Total**	**3.0**

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 £m		31 March 2016 £m
29.0	Net Investment in Finance Leases	31.3
2.3	Loans to Museum of London (repayable by 2032)	2.1
3.0	Rent	2.9
0.2	Museum in Docklands Loan	0.2
0.1	Service Charge Loans	0.1
34.6		**36.6**

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

31 March 2015		31 March 2016	
£m		£m	£m
20.2	Central Government Bodies		20.0
2.6	Greater London Authority		5.1
10.9	Rents	13.9	
(1.0)	less impairment allowance for bad and doubtful debts	(1.0)	
9.9			12.9
25.8	Sundry	18.5	
(1.9)	less impairment allowance for bad and doubtful debts	(2.1)	
23.9			16.4
6.1	City's share of national business rates arrears	6.8	
(3.3)	less impairment allowance for bad and doubtful debts	(3.2)	
2.8			3.6
0.6	Net Investment in Finance Leases		0.6
0.8	Season Ticket and Loans to Employees		0.7
9.8	Prepayments		8.7
70.6			**68.0**

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

23. Cash and Cash Equivalents

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

31 March 2015 £m		31 March 2016 £m
67.1	Cash at bank	57.1
67.1		**57.1**

24. Creditors and Receipts in Advance

31 March 2015 £m		31 March 2016 £m
(91.1)	Central Government Bodies	(143.7)
(34.4)	Greater London Authority and Transport for London	(50.5)
(16.6)	City's share of national business rates creditors and receipts in advance	(9.0)
(6.2)	Deposits	(7.1)
(35.1)	Sundry	(36.3)
(29.4)	Receipts in advance	(23.6)
(0.9)	Spitalfields Market Tenants Fund	(0.8)
(213.7)		**(271.0)**

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 theses bodies are included as creditors.

25. Provisions

	National Business Rates		City Premium on Business Rates		Total
	Appeals relating to 2015/16	Backdated Appeals adjustments	Appeals relating to 2015/16	Backdated Appeals adjustments	
	£m	£m	£m	£m	
Balance at 1 April 2015	**0.0**	**(42.8)**	**0.0**	**(1.2)**	**(44.0)**
Appeals settled in 2015/16	0.0	11.7	0.0	0.4	**12.1**
Provisions made in 2015/16	(11.0)	(2.9)	(0.3)	(0.2)	**(14.4)**
Balance at 31 March 2016	**(11.0)**	**(34.0)**	**(0.3)**	**(1.0)**	**(46.3)**

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 2015/16.

26. Usable Reserves

Movements in the City's usable reserves are detailed in the Movement in Reserves Statement on page 13 and Notes 7 and 8.

27. Unusable Reserves

31 March 2015 £m		Note	31 March 2016 £m
(232.3)	Revaluation Reserve	A	(306.5)
(1,764.2)	Capital Adjustment Account	B	(1,961.4)
1,064.3	Pensions Reserve	C	1,017.1
5.6	Collection Fund Adjustment Account	D	(25.9)
2.8	Accumulated Absences Account	E	3.0
(21.0)	Deferred Capital Receipts Reserve	F	(23.7)
(944.8)	**Total Unusable Reserves**		**(1,297.4)**

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		**2015/16**	
£m		**£m**	**£m**
(151.9)	Balance at 1 April		(232.3)
(97.6)	Upward revaluation of assets	(107.3)	
0.2	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	2.4	
(97.4)	Surplus on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services		(104.9)
2.8	Difference between fair value depreciation and historical cost depreciation	3.2	
12.1	Assets reclassified as investments	25.7	
2.1	Accumulated losses on assets sold or scrapped	1.8	
17.0	Amount written off to the Capital Adjustment Account		30.7
(232.3)	**Balance at 31 March**		**(306.5)**

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		**2015/16**	
£m		**£m**	**£m**
(1,615.0)	Balance at 1 April		(1,764.2)
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
22.1	Charges for depreciation and impairment of non-current assets	24.3	
(11.4)	Revaluation gains on Property, Plant and Equipment	(5.6)	
0.3	Amortisation of intangible assets	0.0	
0.3	Revenue expenditure funded from capital under statute	1.3	
47.0	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	28.0	
58.3		48.0	
(17.0)	Adjusting amounts written out of the Revaluation Reserve	(30.7)	
41.3	Net written out amount of the cost of non-current assets consumed in the year		17.3
	Capital financing applied in the year:		
(24.3)	Use of the Capital Receipts Reserve to finance new capital expenditure	(8.4)	
(0.5)	Use of the Major Repairs Reserve to finance new capital expenditure	(3.5)	
(22.4)	Capital grants,contributions & donations credited to the Comprehensive Income & Expenditure Statement that have been applied to capital financing	(15.1)	
(0.9)	Application of grants to capital financing from the Capital Grants Unapplied Account	(4.0)	
(6.0)	Capital expenditure charged against the City Fund & HRA balances	(10.0)	
(54.1)			(41.0)
(137.1)	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income & Expenditure Statement		(174.2)
0.7	Museum of London finance lease & loan principle		0.7
(1,764.2)	**Balance at 31 March**		**(1,961.4)**

C. Pension Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding benefits in accordance with statutory provisions. Post-employment benefits in the Comprehensive Income and Expenditure Statement are recognised as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as employer's contributions are paid to pension funds. The debit balance on the Pensions Reserve therefore shows a substantial shortfall between the benefits earned by past and current employees and the resources set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid. The negative pension reserve matches the estimated liabilities on the City of London, Police and Judges Pension Schemes as determined by independent actuaries using the projected unit method and in accordance with IAS19 (see notes 46 to 49).

2014/15 £m		**2015/16 £m**
893.7	Balance at 1 April	1,064.3
135.5	Remeasurements of the net defined benefit liability	(75.2)
66.9	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	69.1
(31.8)	Employer's pension contributions less direct payments to pensioners payable in the year	(41.1)
1,064.3	**Balance at 31 March**	**1,017.1**

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		2015/16 £m
14.8	Balance at 1 April	5.6
(9.2)	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	(31.5)
5.6	**Balance at 31 March**	**(25.9)**

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		2015/16	
£m		£m	£m
2.9	Balance at 1 April		2.8
(2.9)	Settlement or cancellation of accrual made at the end of the preceding year	(2.8)	
2.8	Amounts accrued at the end of the current year	3.0	
(0.1)	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		0.2
2.8	**Balance at 31 March**		**3.0**

F. Deferred Capital Receipts Reserve

The Deferred Capital Receipts Reserve holds the gains recognised on the disposal of non-current assets but for which cash settlement has yet to take place. Under statutory arrangements, these gains are not treated as usable for financing new capital expenditure until they are backed by cash receipts. When the deferred cash settlement eventually takes place, amounts are transferred to the Capital Receipts Reserve.

2014/15 £m		2015/16 £m
0.0	Balance at 1 April	(21.0)
(21.0)	Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(2.7)
(21.0)	**Balance at 31 March**	**(23.7)**

28. Cash Flow Statement – Interest Received

The cash flows for operating activities include the following item:

2014/15 £m		2015/16 £m
(4.8)	Interest received	(5.2)

The surplus on the provision of services has been adjusted for the following non-cash movements:

2014/15 £m		2015/16 £m
(11.0)	Depreciation and impairment	(18.7)
	Amortisation	0.0
(12.7)	(Increase)/decrease in creditors	0.2
0.3	Increase/(decrease) in debtors	2.0
0.0	Increase/(decrease) in inventories	0.2
(35.1)	Movement in pension liability	(28.0)
(47.0)	Carrying amount of non-current assets sold	(28.0)
55.1	Other non-cash items charged to the net surplus or deficit on the provision of services	120.6
(50.4)		48.3

The surplus on the provision of services has been adjusted for the following items that are investing and financing activities:

2014/15 £m		2015/16 £m
82.7	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	44.8
15.2	Any other items for which the cash effects are investing or financing cash flows	22.0
97.9		66.8

29. Cash Flow Statement – Investing Activities

2014/15 £m		2015/16 £m
45.2	Purchase of property, plant and equipment, investment property and intangible assets	38.1
175.8	Movement in short-term and long-term investments	197.3
(57.7)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(43.0)
(0.5)	Income from finance lease	(0.6)
(14.3)	Other receipts from investing activities	(47.5)
148.5	**Net cash outflows from investing activities**	**144.3**

30. Cash Flow Statement – Financing Activities

2014/15 £m		2015/16 £m
(55.1)	Billing Authorities - Council Tax and NNDR Adjustments	(55.4)
2.5	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	0.7
3.8	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	0.1
(48.8)	**Net cash inflows from financing activities**	**(54.6)**

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.

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

Committee Income and Expenditure 2015/16	**Police** £m	**Barbican Centre** £m	**Community & Children's Services** £m	**Planning & Transportation** £m	**Port Health & Environmental Services** £m	**Other** £m	**Total** £m
Fees, charges & other service income	(3.4)	(22.9)	(17.9)	(20.3)	(13.4)	(84.5)	(162.4)
Interest & investment income	0.0	0.0	(0.1)	0.0	0.0	(4.9)	(5.0)
Government grants and other grants and contributions	(53.1)	(3.1)	(13.8)	(4.3)	(0.4)	(10.8)	(85.5)
Transfers from reserves	(5.7)	0.0	(0.6)	(2.4)	0.0	(1.4)	(10.1)
Reversal of capital charges	(3.5)	0.0	0.5	0.0	0.0	(21.0)	(24.0)
Total Income	(65.7)	(26.0)	(31.9)	(27.0)	(13.8)	(122.6)	(287.0)
Employee expenses	88.8	16.9	10.7	9.7	10.7	24.1	160.9
Other service expenses	36.3	29.6	28.3	17.2	15.1	55.3	181.8
Transfers to reserves	0.0	0.0	4.9	5.6	0.0	3.6	14.1
Capital Charges							
Depreciation, amortisation and impairment	3.6	2.9	(0.2)	6.5	0.7	5.2	18.7
Notional interest charges	0.0	0.0	0.0	0.0	0.7	4.6	5.3
Revenue contributions to capital expenditure	0.0	0.0	0.0	0.0	0.0	10.0	10.0
	128.7	49.4	43.7	39.0	27.2	102.8	390.8
City Fund Requirement - Net Expenditure/(Income)	**63.0**	**23.4**	**11.8**	**12.0**	**13.4**	**(19.8)**	**103.8**

Committee Income and Expenditure 2014/15	**Police** £m	**Barbican Centre** £m	**Community & Children's Services** £m	**Planning & Transportation** £m	**Port Health & Environmental Services** £m	**Other** £m	**Total** £m
Fees, charges & other service income	(6.3)	(20.0)	(17.4)	(19.5)	(11.9)	(81.7)	(156.8)
Interest & investment income	0.0	0.0	(0.1)	0.0	0.0	(4.4)	(4.5)
Government grants and other grants and contributions	(47.3)	(2.3)	(12.8)	(4.7)	(0.4)	(9.5)	(77.0)
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	(62.4)	(22.3)	(34.0)	(26.4)	(12.4)	(110.3)	(267.8)
Employee expenses	86.9	16.5	10.6	9.3	10.1	22.8	156.2
Other service expenses	29.6	27.7	27.8	16.4	14.2	57.7	173.4
Transfers to reserves	1.8	0.0	4.7	5.8	0.0	2.7	15.0
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
	122.7	47.6	46.1	37.2	25.7	85.9	365.2
City Fund Requirement - Net Expenditure/(Income)	**60.3**	**25.3**	**12.1**	**10.8**	**13.3**	**(24.4)**	**97.4**

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		2015/16 £m
97.4	Net expenditure in the Committee Analysis	103.8
(4.3)	Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the Analysis	(6.8)
49.7	Amounts included in the Analysis not included in the cost of services in the Comprehensive Income and Expenditure Statement	51.6
142.8	**Cost of Services in the Comprehensive Income and Expenditure Statement**	**148.6**

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.

2015/16	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	(162.4)	0.0	64.6	**(97.8)**	(59.6)	**(157.4)**
Interest and investment income	(5.0)	0.0	5.0	**0.0**	(179.3)	**(179.3)**
National Business Rates	0.0	0.0	0.0	**0.0**	(254.4)	**(254.4)**
City Offset	0.0	0.0	0.0	**0.0**	(10.9)	**(10.9)**
City Premium	0.0	0.0	0.0	**0.0**	(6.9)	**(6.9)**
Income from council tax	0.0	0.0	0.0	**0.0**	(6.6)	**(6.6)**
Government grants and contributions	(85.5)	0.0	1.9	**(83.6)**	(88.1)	**(171.7)**
Transfers from reserves	(10.1)	0.0	10.1	**0.0**	0.0	**0.0**
Reversal of capital charges	(24.0)	0.0	24.0	**0.0**	0.0	**0.0**
City funding for refcus	0.0	0.0	0.0	**0.0**	0.0	**0.0**
Total Income	**(287.0)**	**0.0**	**105.6**	**(181.4)**	**(605.8)**	**(787.2)**
Employee expenses	160.9	(6.8)	(1.6)	**152.5**	1.7	**154.2**
Other service expenses	180.9	0.0	(21.6)	**159.3**	17.3	**176.6**
Transfers to reserves	14.1	0.0	(14.1)	**0.0**	0.0	**0.0**
Depreciation, amortisation and impairment	18.7	0.0	(0.5)	**18.2**	0.5	**18.7**
Notional interest charges	5.3	0.0	(5.3)	**0.0**	0.0	**0.0**
Revenue contributions to capital expenditure	10.0	0.0	(10.0)	**0.0**	0.0	**0.0**
Interest Payments	0.0	0.0	0.0	**0.0**	34.8	**34.8**
Precepts & Levies	0.5	0.0	(0.5)	**0.0**	0.5	**0.5**
National Business Rates Tariff and Levy Payments to Government	0.0	0.0	0.0	**0.0**	224.2	**224.2**
Payments to the Government's housing capital receipts pool	0.4	0.0	(0.4)	**0.0**	0.0	**0.0**
Gain or Loss on Disposal of Fixed Assets	0.0	0.0	0.0	**0.0**	(16.6)	**(16.6)**
Total Expenditure	**390.8**	**(6.8)**	**(54.0)**	**330.0**	**262.4**	**592.4**
Surplus or deficit on the provision of services	**103.8**	**(6.8)**	**51.6**	**148.6**	**(343.4)**	**(194.8)**

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	(156.8)	0.0	59.8	**(97.0)**	(59.1)	**(156.1)**
Interest and investment income	(4.5)	0.0	4.5	**0.0**	(141.8)	**(141.8)**
National Business Rates	0.0	0.0	0.0	**0.0**	(227.9)	**(227.9)**
City Offset	0.0	0.0	0.0	**0.0**	(10.7)	**(10.7)**
City Premium	0.0	0.0	0.0	**0.0**	(6.4)	**(6.4)**
Income from council tax	0.0	0.0	0.0	**0.0**	(6.3)	**(6.3)**
Government grants and contributions	(77.0)	0.0	1.2	**(75.8)**	(97.3)	**(173.1)**
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	**(267.8)**	**0.0**	**95.0**	**(172.8)**	**(549.5)**	**(722.3)**
Employee expenses	156.2	(4.3)	(1.5)	**150.4**	1.6	**152.0**
Other service expenses	172.6	0.0	(17.8)	**154.8**	17.8	**172.6**
Transfers to reserves	15.0	0.0	(15.0)	**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**	208.7	**208.7**
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**	(35.7)	**(35.7)**
Total Expenditure	**365.2**	**(4.3)**	**(45.3)**	**315.6**	**232.6**	**548.2**
Surplus or deficit on the provision of services	**97.4**	**(4.3)**	**49.7**	**142.8**	**(316.9)**	**(174.1)**

32. Trading Operations

2014/15 £m		2015/16 £m
	Spitalfields Market	
(6.2)	Turnover	(6.3)
5.6	Expenditure	5.6
(0.6)	Surplus	(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 £1.7m (2014/15: £2.5m) and £2.7m (2014/15: £5.5m) 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 £9,348 (2014/15: £8,396) 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 the Accounts and Audit Regulations 2015 for 2015/16 and 2014/15 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	2015/16	2014/15	2015/16	2014/15	2015/16
£	Police Officers		Other		Other	
50 - 54,999	122	116	59	83	59	68
55 - 59,999	72	60	38	39	42	41
60 - 64,999	49	52	19	24	33	36
65 - 69,999	24	21	12	13	17	16
70 - 74,999	11	8	5	7	7	10
75 - 79,999	8	7	1	5	5	8
80 - 84,999	0	3	0	2	2	6
85 - 89,999	4	1	3	3	0	1
90 - 94,999	1	2	2	1	3	0
95 - 99,999	1	2	2	3	4	3
100 - 104,999	1	0	3	3	6	3
105 - 109,999	1	0	1	2	2	4
110 - 114,999	0	0	1	1	0	6
115 - 119,999	2	0	0	0	2	0
120 - 124,999	2	1	1	0	1	1
125 - 129,999	1	0	0	0	1	1
130 - 134,999	2	0	1	1	1	2
135 - 139,999	0	0	1	0	0	0
140 - 144,999	1	0	0	1	1	0
145 - 149,999	1	0	0	0	1	0
150 - 154,999	0	1	0	0	0	1
155 - 159,999	0	0	0	0	1	0
160 - 164,999	0	0	0	0	0	1
185 - 189,999	0	0	1	0	0	0
190 - 194,999	0	1	0	0	0	0
195 - 199,999	0	0	0	1	0	0
220 - 224,999	1	0	0	0	1	0
235 - 239,999	0	0	0	0	0	1

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

Table 2 - 2015/16 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)	Bonus	Expenses	Benefits in Kind	Compensation for Loss of Office	Other Payments (Police Officers only)	Total Remuneration excluding pension contributions	Pension Contributions	Total Remuneration including Pension Contributions
			%	£000	£000	£000	£000	£000	£000	£000	£000	£000
Salary is £150,000 or more a year												
Town Clerk & Chief Executive	J. Barradell	i	55%	129	0	0	0	0	0	129	23	152
Chamberlain	P. Kane	i	60%	98	0	7	0	0	0	105	17	122
Police Commissioner	A. Leppard (retired 02 January 2016)			167	0	0	0	0	27	194	0	194
Police Commissioner	I. Dyson (started 03 January 2016)			43	0	0	0	0	0	43	0	43
Managing Director Barbican Centre	N. Kenyon			186	5	6	0	0	0	197	33	230
Salary is between £50,000 and £150,000												
Director of Built Environment (started 19 August 2015)	-			87	0	0	0	0	0	87	15	102
Director of Community & Children's Services	-			128	5	0	0	0	0	133	23	156
Director of Culture, Heritage & Libraries	-	i	65%	70	1	0	0	0	0	71	13	84
Deputy Town Clerk	-	i	55%	70	2	0	0	0	0	72	13	85
Director of Markets & Consumer Protection	-	i	55%	60	0	0	0	0	0	60	10	70
Director of Open Spaces	-	i	30%	29	1	0	1	0	0	31	6	37
Comptroller & City Solicitor	-	i	65%	95	3	0	0	0	0	98	17	115
City Surveyor (0.6 full time equivalent)	-	i	40%	44	2	0	0	0	0	46	0	46
				1,206	**19**	**13**	**1**	**0**	**27**	**1,266**	**170**	**1,436**

Table 3 - 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	0	0	0	0	0	122	11	133
Chamberlain	P. Kane	i	60%	95	0	0	0	0	0	95	17	112
Chamberlain	C. Bilsland (left 5 May 2014)	i	60%	10	0	0	0	0	0	10	0	10
Police Commissioner	A. Leppard			167	40	0	0	0	14	221	0	221
Managing Director Barbican Centre	N. Kenyon			182	5	0	0	0	0	187	33	220
Salary is between £50,000 and £150,000												
Director of Built Environment	-			117	4	0	0	0	0	121	0	121
Director of Community & Children's Services	-			126	5	0	0	0	0	131	23	154
Director of Culture, Heritage & Libraries	-	i	65%	69	1	0	0	0	0	70	12	82
Deputy Town Clerk	-	i	55%	69	2	0	0	0	0	71	12	83
Director of Markets & Consumer Protection	-	i	55%	57	6	0	0	0	0	63	11	74
Director of Open Spaces	-	i	30%	28	1	0	6	0	0	35	6	41
Comptroller & City Solicitor	-	i	65%	92		0	0	0	0	92	16	108
City Surveyor	-	i	40%	56	2	0	0	0	0	58	0	58
				1,190	**66**	**0**	**6**	**0**	**14**	**1,276**	**141**	**1,417**

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		2015/16 Total Salary £000
222	Town Clerk and Chief Executive	235
158	Chamberlain (P. Kane started 1 April 2014)	163
17	Chamberlain (C. Bilsland left 5 May 2014)	0
106	Director of Culture, Heritage & Libraries	108
125	Deputy Town Clerk	127
104	Director of Markets & Consumer Protection	109
93	Director of Open Spaces	97
142	Comptroller & City Solicitor	146
140	City Surveyor (0.6 full time equivalent)	110

36. Exit Packages

2015/16

	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.)	2.0	0.0	2.0	1.0	3.0	1.0	0.0	**9.0**
Number of Other Departures Agreed (FTE No.)	1.0	0.0	0.0	0.0	0.0	1.0	0.0	**2.0**
Total Number of Exit Packages by Cost Band (FTE No.)	**3.0**	**0.0**	**2.0**	**1.0**	**3.0**	**2.0**	**0.0**	**11.0**
Total Cost of Exit Packages in Each Band (£'000)	**35.5**	**0.0**	**95.0**	**67.1**	**281.9**	**279.5**	**0.0**	**759.0**

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**
Total Number of Exit 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)	**105.8**	**114.5**	**52.0**	**0.0**	**0.0**	**0.0**	**0.0**	**272.3**

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 auditor, BDO LLP (2014/15 Deloitte LLP).

2014/15 £m		2015/16 £m
0.12	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.	0.09
0.02	Certification of grant claims and returns by the appointed auditor	0.01
0.02	Fees payable in respect of other services provided during the year	0.00
0.16		**0.10**

The fees for other services payable in 2014/15 related to property advisory services.

Audit Fees of £0.02m (2014/15: £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 2015/16, the City of London received a specific grant from the Department for Education, the Dedicated Schools Grant (DSG), of £2.41m (2014/15: £2.46m). 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 2015/16 are as follows:

	Schools Budget Funded by Dedicated Schools Grant		
	Central Expenditure	**Individual School Budget**	**Total**
	£m	**£m**	**£m**
Final DSG for 2015/16 before Academy recoupment	0.60	1.81	2.41
Academy Figure recouped for 2015/16	0.00	0.00	0.00
Total DSG after Academy recoupment for 2015/16	0.60	1.81	2.41
Brought forward from 2014/15	0.96	0.00	0.96
Carry forward to 2016/17 agreed in advance	0.00	0.00	0.00
Agreed initial budgeted distribution in 2015/16	1.56	1.81	3.37
In year adjustments	(0.03)	0.00	(0.03)
Final budgeted distribution in 2015/16	1.53	1.81	3.34
Less actual central expenditure	(0.80)		(0.80)
Less actual ISB deployed to schools		(1.81)	(1.81)
Local authority contribution for 2015/16	0.00	0.00	0.00
Carry forward to 2016/17	**0.73**	**0.00**	**0.73**

39. Non Distributed Costs

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

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

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

2014/15 £m		2015/16 £m
	Credited to Taxation and Non Specific Grant Income	
	Revenue Grants	
(10.7)	City Offset	(10.9)
(17.4)	Revenue Support Grant	(12.1)
(55.2)	Police Grant	(52.4)
(0.8)	New Homes Bonus	(1.0)
0.0	Efficiency Support Grant	(0.6)
(0.1)	Council Tax Freeze Grant	(0.1)
(0.3)	Business Rates Tax Loss Compensation Grants	(1.0)
(0.3)	Other Non-Specific Government Grants	0.0
	Capital Grants and contributions	
(1.2)	Home Office	(4.0)
(5.5)	Transport for London	(1.8)
	Ministry of Justice	(1.0)
(7.3)	Section 106/278 Contributions	(8.9)
	Community Infrastructure Levy	(2.7)
(8.4)	Donated Assets	0.0
	Bridge House Estates	(2.2)
(0.8)	Other capital grants and contributions	(0.1)
(108.0)	**Total**	**(98.8)**
	Credited to Services	
	Revenue Grants (Government)	
	Home Office	
(14.1)	Police Pensions	(19.6)
(7.8)	Counter Terrorism	(5.3)
(6.8)	National Cyber Security Programme	(7.0)
0.0	National and International Capital City Grant	(2.8)
(3.1)	National Fraud Intelligence Bureau	(2.7)
(2.9)	National Lead Force for Fraud	(2.6)
(0.2)	Innovation Fund	(0.1)
(0.5)	Other	(0.6)
(0.5)	Cabinet Office	(0.2)
0.0	Ministry of Justice	(0.3)
	Department for Work and Pensions	
(6.1)	Housing and Council Tax Benefit	(6.1)
(4.9)	HM Courts and Tribunals Service	(5.0)
	Department for Education	
(2.4)	Dedicated Schools Grant	(2.6)
(0.2)	Other	(0.2)
	Department for Communities and Local Government	
(1.7)	Cost of Collection Allowance	(1.7)
0.0	Other	(0.3)
	Department for Health	
(1.7)	Public Health	(1.7)
(0.1)	Other	(0.3)
0.0	Department of Culture, Media and Sport	(0.5)
(4.2)	Transport for London	(3.6)
(1.2)	Intellectual Property Office	(1.4)
(0.6)	Greater London Authority	(0.8)
(1.2)	Department for International Development	(0.6)
(2.9)	Other revenue grants (Government)	(3.1)
	Non Government revenue grants and contributions	
(1.9)	S106/S278 and other developer contributions	(2.2)
(2.3)	UK Payments Adminstration Ltd	(2.4)
(3.2)	Association of British Insurers	(3.6)
(0.3)	European Commission	(0.2)
(4.1)	Other	(4.5)
	Capital Grants and contributions (funding revenue expenditure under statute)	
(0.3)	Other	(1.3)
(75.2)	**Total**	**(83.3)**

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		2015/16 £m
	Capital Grants and Contributions Receipts in Advance	
70.7	S106/S278 Capital Contributions	89.3
0.0	Department for Education	1.3
0.1	Other	0.2
70.8	**Total**	**90.8**

Short Term

2014/15 £m		2015/16 £m
	Revenue Grants Receipts in Advance	
0.9	Department for Education	0.7
0.7	Skills Funding Agency	0.4
0.2	Cabinet Office	0.0
0.0	Greater London Authority	0.4
0.1	Department of Health	0.0
0.1	Other	0.0
2.0	**Total**	**1.5**

42. Deferred Credits

Premiums received at the commencement of operating leases for investment properties are effectively rents received in advance and are released to revenue on a straight line basis over the lease term.

2014/15 £m		2015/16 £m
	Deferred Credits	
(100.1)	Rents Received in Advance	(151.7)
(100.1)	**Total**	**(151.7)**

43. 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 2015/16 including instances where their close family has made transactions with the City of London.

During 2015/16 the following transactions were disclosed;

- the City Corporation nominates six Members to the various committees of London Councils and another Member declared that he has an independent place on a number of Committees. London Councils was paid £241,000 for various subscriptions and services;
- two Members declared that they are Trustees of the City of London Festival. This charity received grants of £177,000 from the City Fund and paid £32,000 to the City Fund for event related services;
- two Members declared interests in PWC LLP which was paid £264,000 for consultancy services. £10,000 was received from the company for the hire of an event space;
- a Member is a Director/Shareholder of Keepmoat Regeneration Ltd which provided services to the City Fund at a cost of £1,025,000;
- six Members and one Chief Officer are Directors of the 'Lord Mayors Show Ltd'. The company paid the City Fund £11,000 for the provision of services;
- a Member is a Board Member of London and Partners which was paid £41,000 for participation in exhibitions and partnership fees;

- one Member declared that a member of their family worked for Knight Frank which was paid £29,000 for services;
- the City Corporation nominates a Member to the Local Government Association which was paid £19,000 for subscriptions, conference fees and services;
- a Member declared that his accountants are RSM UK Group LLP who were paid £62,000 from the City Fund for consultancy services;
- a Member is a Trustee of Guildhall School Trust which paid £19,000 to the City Fund for catering services;
- a Member is a Trustee of East London NHS Foundation Trust which received £14,000 from the City Fund for mental health reablement services;
- a Member is a Governor of Prior Western Primary School which was paid £94,000 for childcare places and children's' services;
- a Chief officer declared that his wife was a partner of Charles Russell Speechlys LLP for part of the year. The City Fund paid the company £67,000 for legal services in relation to property transactions;

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 six 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 Fund 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 City Fund 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 Fund £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;

- 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 Fund 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.

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 2015/16 was £5.3m (2014/15: £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 2016 are shown in notes 21 and 22.

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

During 2015/16, the City Fund received £2.2m from Bridge House Estates for the construction of a replacement staircase at London Bridge. The project is included within the City Fund Riverside Walk Enhancement Strategy but was assessed as falling within the objects of the Bridge House Estates Trust. The new staircase and its elegant stainless steel screen is clearly identifiable and its curved landings offer panoramic views across the river. The new route is spacious and light and benefits from natural surveillance, ensuring people now feel comfortable and safe when walking between the Bridge and the Riverside.

During 2014/15 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 2016 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

44. 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 £m		**31 March 2016 £m**
	Property, Plant and Equipment	
2.6	Other Land and Buildings	2.6
0.2	Vehicles, Plant and Equipment	0.6
3.4	Investment Properties	4.4
6.2		**7.6**

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 £m		**31 March 2016 £m**
0.4	Long Term Liabilities	0.9

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

City as Lessor

The City has leased out two properties on finance leases with remaining terms of 58 years and 125 years respectively. The City has a gross investment in the leases relating to the minimum lease payments expected to be received over the remaining terms. There is no residual value anticipated for the properties when the leases come to an end. The minimum lease payments comprise settlement of the long-term debtor for the interest in the properties acquired by the lessees 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 £m		31 March 2016 £m
	Finance lease debtor (net present value of minimum lease payments)	
0.6	current	0.6
28.9	non-current	31.1
19.3	Unearned finance income	31.7
48.8	**Gross investment in the lease**	**63.4**

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

Gross Investment in Lease 31 March 2015 Restated £m	Minimum Lease Payments 31 March 2015 Restated £m		Gross Investment in Lease 31 March 2016 £m	Minimum Lease Payments 31 March 2016 £m
0.7	0.7	Not later than one year	1.0	1.0
20.3	20.3	Later than one year and not later than five years	20.4	20.4
27.8	27.8	Later than five years	42.0	42.0
48.8	**48.8**		**63.4**	**63.4**

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.

Operating Leases

City as Lessee

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

31 March 2015 £m		31 March 2016 £m
1.3	Not later than one year	1.2
3.2	Later than one year and not later than five years	3.2
16.3	Later than five years	15.9
20.8		**20.3**

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 (2014/15: £1.3m).

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 £m		31 March 2016 £m
47	Not later than one year	46
150	Later than one year and not later than five years	166
2,648	Later than five years	2,696
2,845		**2,908**

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.

45. Revaluation and Impairment Losses and Reversals

Losses on revaluation amount to £2.4m in 2015/16 (2014/15: £0.2m) have been offset against the balances on the revaluation reserve. Losses reflected in the Comprehensive Income and Expenditure Statement are £0.7m (2014/15: nil). Reversals of previous revaluation and impairment losses amounting to £5.6m (2014/15: £11.4m) 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			2015/16	
Losses £m	Reversals £m		Losses £m	Reversals £m
0.0	(0.7)	Police Services	0.0	(0.3)
		Cultural and Related Services		
0.0	(3.4)	Barbican Centre	0.0	(0.1)
0.0	(0.2)	Other Cultural and Related Services	0.0	0.0
0.0	(0.8)	Environmental and Regulatory Services	0.7	(0.1)
0.0	(0.1)	Planning Services	0.0	0.0
0.0	(0.4)	Highways and Transport Services	0.0	(0.5)
		Housing Services		
0.0	(5.7)	Housing Revenue Account	0.0	(3.3)
0.0	(0.1)	Central Services	0.0	(1.3)
0.0	(11.4)		0.7	(5.6)

46. 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, 2006 and 2015)
- 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 47 to 51 provide further information on each of the above schemes.

47. 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. The next triennial valuation as at 31 March 2016 is currently being undertaken and the results will inform consideration of the level of employer's pension contribution to be charged from 1st April 2017.

Assets and Liabilities in Relation to Retirement Benefits

a. Reconciliation of present value of the scheme liabilities

CITY OF LONDON CORPORATION	CITY FUND SHARE 50%		CITY OF LONDON CORPORATION	CITY FUND SHARE 50%
31 March 2015 £m	**31 March 2015 £m**		**31 March 2016 £m**	**31 March 2016 £m**
(1,065.0)	(521.9)	1 April	(1,250.5)	(625.2)
(25.0)	(12.5)	Current Service Cost	(33.0)	(16.5)
(46.2)	(23.1)	Interest Cost	(40.9)	(20.5)
		Remeasurement gains/losses:		0.0
0.0	0.0	Actuarials Gains/losses arising from demographic assumptions	0.0	0.0
(143.3)	(71.7)	Actuarials gains/losses arising from changes in financial assumptions	88.0	44.0
(0.3)	(10.7)	Other Actuarial Gains/Losses	0.5	0.3
(0.2)	(0.1)	Past Service Cost, including curtailments	(1.8)	(0.9)
0.5	0.3	Liabilities extinguished on settlements	(0.6)	(0.3)
36.7	18.4	Benefits paid	35.6	17.8
(8.3)	(4.2)	Contributions from scheme participants	(9.1)	(4.6)
0.6	0.3	Unfunded Pension Payments	0.6	0.3
(1,250.5)	**(625.2)**	**31 March**	**(1,211.2)**	**(605.6)**

Liabilities are discounted to their value at current prices, using a discount rate of 3.6% (based on the annualised yield at the 18 year point on the Merrill Lynch AA rated corporate bond yield curve).

b. Reconciliation of fair value of the scheme assets

CITY OF LONDON CORPORATION	CITY FUND SHARE 50%		CITY OF LONDON CORPORATION	CITY FUND SHARE 50%
31 March 2015 £m	**31 March 2015 £m**		**31 March 2016 £m**	**31 March 2016 £m**
663.5	325.2	1 April	752.3	376.1
29.0	14.5	Interest on Assets	24.2	12.1
		Remeasurement gains/losses:		
69.7	34.8	Return on Assets less interest	(41.4)	(20.7)
0.0	6.6	Other actuarial gains/losses	0.0	0.0
(0.5)	(0.3)	Administration expenses	(0.5)	(0.3)
19.8	9.9	Contributions by Employer	22.3	11.2
8.4	4.2	Contributions by Scheme Participants	9.1	4.6
(37.3)	(18.7)	Benefits Paid	(36.2)	(18.1)
(0.3)	(0.1)	Settlement Prices Received/(Paid)	0.4	0.2
752.3	**376.1**	**31 March**	**730.2**	**365.1**

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

31 March 2015 %		**31 March 2016 %**
84	Equity Investments	63
13.6	Gilts	n/a
n/a	Cash	0
2.4	Bonds	n/a
n/a	Infrastructure	4
n/a	Absolute return portfolio	33
100		**100**

c. Overall net deficit

CITY OF LONDON CORPORATION	CITY FUND SHARE 50%		CITY OF LONDON CORPORATION	CITY FUND SHARE 50%
31 March 2015 £m	**31 March 2015 £m**		**31 March 2016 £m**	**31 March 2016 £m**
(401.5)	(196.7)	1 April	(498.2)	(249.1)
(185.5)	(103.3)	change in liabilities	39.3	19.7
88.8	50.9	change in assets	(22.1)	(11.1)
(498.2)	**(249.1)**	**31 March**	**(481.0)**	**(240.5)**

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		2015/16
	Mortality assumptions:	
	Life expectancy in years from age 65	
	Retiring today	
22.9	Men	23.0
25.3	Women	25.4
	Retiring in 20 years	
24.7	Men	24.8
27.2	Women	27.3
3.2%	Rate of Inflation - RPI	3.2%
2.4%	Rate of Inflation - CPI	2.3%
4.3%	Salary Increases	3.8%
2.4%	Pension Increases	2.3%
3.3%	Discount Rate	3.6%
75.0%	Take-up of option to convert annual pension into retirement lump sum	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.

<u>Change in Assumptions at 31 March 2016</u>

	CITY OF LONDON CORPORATION		CITY FUND	
	Increase £m	**Decrease £m**	**Increase £m**	**Decrease £m**
0.1% change in rate for discounting scheme liabilities	(21.0)	21.4	(10.5)	10.7
0.1% change in rate of increase in salaries	2.5	(2.4)	1.3	(1.2)
0.1% change in rate of increase in pensions	19.2	(18.9)	9.6	(9.5)
One year change in rate of mortality assumption	(36.9)	35.8	(18.5)	17.9

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 2015/16 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 £249.0m 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 £21.7m (estimated City Fund Share £10.85m).

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

48. The Police Pension Scheme

There are three Police Pension Schemes - the 1987 Scheme, the 2006 Scheme and the 2015 Scheme. Except where otherwise stated, the "Police Pension Scheme" is used generically to cover all the 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 came 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.

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 2016
1987, 2006 Schemes £m		**1987, 2006, 2015 Schemes £m**
(695.1)	1April	(813.2)
(15.3)	Current Service Cost	(16.4)
(30.1)	Interest Cost	(26.4)
	Remeasurement gains/losses:	
0.0	Actuarials Gains/losses arising from demographic assumptions	0.0
(94.5)	Actuarials gains/losses arising from changes in financial assumptions	56.6
0.0	Other Actuarial Gains/Losses	(5.0)
25.3	Benefits paid	33.3
(4.1)	Contributions from scheme particpants	(4.0)
0.6	Injury Benefits Paid	0.5
(813.2)	**31 March**	**(774.6)**

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:

2014/15	Mortality assumptions:	2015/16
	Life expectancy in years from age 65	
	Retiring today	
23.0	Men	23.1
25.3	Women	25.5
	Retiring in 20 years	
25.3	Men	25.4
27.7	Women	27.8
3.2%	Rate of Inflation - RPI	3.2%
2.4%	Rate of Inflation - CPI	2.3%
4.2%	Salary Increases	4.1%
2.4%	Pension Increases	2.3%
3.3%	Discount Rate	3.6%

Impact on defined benefit obligation from changes to actuarial assumptions

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

Change in Assumptions at 31 March 2016

Impact on the Defined Benefit Obligation in the Scheme

	Increase £m	Decrease £m
0.1% change in rate for discounting scheme liabilities	(13.8)	14.0
0.1% change in rate of increase in salaries	1.4	(1.4)
0.1% change in rate of increase in pensions	12.8	(12.6)
One year change in rate of mortality assumption	(25.2)	24.4

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 £774.6m has a substantial impact on the net worth of the City Fund as recorded in the Balance Sheet. However, statutory arrangements for funding the deficit mean that the financial position of the City Fund remains sound. Future contributions are expected to be met by an annually assessed grant from the Home Office.

The total employer contributions for the combined position of the Police Pension Schemes 1987, 2006 and 2015 for the year to 31 March 2017 are expected to be £6.1m and the expected top up grant from the Government is £20.8m.

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

49. 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 £m		31 March 2016 £m
(1.8)	1 April	(2.0)
(0.1)	Current Service Cost	(0.2)
(0.1)	Interest Cost	(0.1)
	Remeasurement gains/losses:	
(0.1)	Actuarials gains/losses arising from changes in financial assumptions	0.2
0.0	Other Actuarial Gains/Losses	0.0
0.1	Benefits paid	0.1
0.0	Contributions from scheme particpants	0.0
(2.0)	**31 March**	**(2.0)**

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.

<u>Change in Assumptions at 31 March 2016</u>

	Increase £m	Decrease £m
0.1% change in rate for discounting scheme liabilities	(0.03)	0.03
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 8, the City has set aside funds in an earmarked reserve to assist with meeting its share of liabilities.

The scheme actuary has estimated that the weighted average combined duration of the defined benefit obligation for the scheme is 13 years.

50. 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 2015/16 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% at 1 April 2015 increasing to 16.4% from 1 September 2015 following the last valuation of the Scheme as at 31 March 2014 by the Government Actuary's Department (2014/15: £0.1m and 14.1%).

In addition, the City of London is responsible for all pension payments relating to added years that it has awarded, together with the related increases. In 2015/16 and 2014/15 no material payments were made.

51. 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.

2015/16 Transactions

	Police £m	Judges £m	City of London £m	Total £m
Comprehensive Income & Expenditure Statement				
Cost of Services:				
Current service cost	16.4	0.2	16.5	33.1
Past service costs	0.0	0.0	0.9	0.9
(gain)/loss from settlements	0.0	0.0	0.1	0.1
Other Operating Income				
adminstration expenses	0.0	0.0	0.2	0.2
Financing & Investment Income & Expenditure				
Interest cost	26.4	0.1	8.3	34.8
Total Retirement Benefit Charged to the Surplus or Deficit on the Provision of Services	42.8	0.3	26.0	69.1
Other Comprehensive Income & Expenditure				
Remeasurement of the net defined benefit liability:				
Return on plan assets	0.0	0.0	20.8	20.8
Actuarial (gains) & losses - changes in financial assumptions	(56.6)	(0.2)	(44.0)	(100.8)
Actuarial (gains) & losses - Other	5.0	0.0	(0.2)	4.8
Total Other Comprehensive Income & Expenditure	(51.6)	(0.2)	(23.4)	(75.2)
Total Retirement Benefit Charged/(Credited) to the Comprehensive Income & Expenditure Statement	(8.8)	0.1	2.6	(6.1)
Movement in Reserves Statement				
Reversal of net charges/credits for retirement benefits in accordance with the Code	8.8	(0.1)	(2.6)	6.1
Actual amount charged against the City Fund General Reserve	29.8	0.1	11.1	41.0

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 2016 a gain of £75.2m and at 31 March 2015 was a loss of £135.6m.

2014/15 Transactions

	Police £m	Judges £m	City of London £m	Total £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				
adminstration 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 Comprehensive Income & Expenditure				
Remeasurement of the net defined benefit liability:				
Return on plan assets	0.0	0.0	(34.8)	(34.8)
Actuarial (gains) & losses - changes in financial assumptions	94.5	0.1	71.7	166.3
Actuarial (gains) & losses - Other	0.0	0.0	4.1	4.1
Total Other Comprehensive Income & Expenditure	94.5	0.1	41.0	135.6
Total Retirement Benefit Charged/(Credited) to the Comprehensive Income & Expenditure Statement	139.9	0.3	62.3	202.5
Movement in Reserves Statement				
Reversal of net charges/credits for retirement benefits in accordance with the Code	(139.9)	(0.3)	(62.3)	(202.5)
Actual amount charged against the City Fund General Reserve	21.8	0.1	9.9	31.8

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 £m		31 March 2016 £m
	Present Value of the defined benefit obligation	
(621.7)	City of London Pension Scheme	(602.6)
(811.6)	Police Pension Schemes	(771.0)
(2.0)	Judges Pension Scheme	(2.0)
	Fair Value of plan assets	
376.1	City of London Pension Scheme	365.0
	Present value of unfunded obligation	
(3.5)	City of London Pension Scheme	(3.0)
(1.6)	Police Pension Schemes	(3.5)
(1,064.3)	Net liability on balance sheet	(1,017.1)

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

52. 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 2016 the Trust's net assets were £0.3m (2015: £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 2016 the Trust's net assets were £1.0m (2015: £1.1m).

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

2014/15		Notes	2015/16	
£m			£m	£m
	Expenditure			
4.8	Repairs and maintenance		4.7	
6.6	Supervision and management		6.5	
2.7	Depreciation of non-current assets		2.7	
(5.7)	Revaluation gain on HRA dwellings		(3.3)	
0.2	Movement in the allowance for bad debts	1	(0.1)	
8.6	**Total Expenditure**			10.5
	Income			
(10.0)	Dwelling rents		(10.6)	
(1.7)	Non-dwelling rents		(1.5)	
(3.9)	Charges for services and facilities		(3.4)	
(0.1)	Contributions towards expenditure		(0.2)	
(15.7)	**Total Income**			(15.7)
(7.1)				(5.2)
0.0	HRA share of Corporate and Democratic Core			0.0
(7.1)	**Net Expenditure/(Income) of HRA Services as included in the City Fund Comprehensive Income and Expenditure Statement cost of services**			(5.2)
	HRA share of other income and expenditure included in the City Fund Comprehensive Inc.and Exp. Statement			
(9.7)	Net Gain on Disposal of Fixed Assets			0.0
(0.1)	Interest and investment income			(0.1)
(4.2)	Investment property gain on revaluation			(1.0)
(8.4)	Donated assets			0.0
(29.5)	**Deficit/(Surplus) for the year on HRA Services**			**(6.3)**

Movement on the HRA Statement

2014/15		Notes	2015/16	
£m			£m	£m
(6.8)	Balance on the HRA at the end of the previous year			(8.1)
(29.5)	Deficit/(Surplus) for the year on the HRA Income and Expenditure Statement		(6.3)	
28.2	Adjustments between accounting basis and funding basis under statute	2	4.3	
(1.3)	Increase in year on the HRA			(2.0)
(8.1)	**Balance on the HRA at the end of the current year**			**(10.1)**

1. Provision for Bad and Doubtful Debts

2014/15 £m		2015/16 £m
0.3	Provision at 1 April	0.5
0.0	Bad Debts written off	0.0
0.2	Increase/(Decrease) in Provision	(0.1)
0.5	Provision at 31 March	0.4

2. Adjustments between Accounting Basis and Funding Basis under Statute

Note 7 to the City Fund Financial Statements (page 39) provides further analysis of the adjustments between the accounting basis and funding basis under statute.

3. Housing Stock

As at 31 March 2016 the City of London's HRA rental stock was 1,930 dwellings. The HRA also includes costs and service charge income relating to properties sold on long leases of which there were 903 as at 31 March 2016 (2015: 897).

31 March 2015 No.		31 March 2016 No.
27	Houses and Bungalows	27
1,864	Flats	1,903
1,891	Total	1,930

31 March 2015 No.		31 March 2016 No.
1,900	Stock at 1 April	1,891
(9)	Sales	(6)
0	Buy Back	1
0	New Build	44
1,891	Stock at 31 March	1,930

Housing stock figures as at 31 March 2015 excluded 43 newly built flats at Horace Jones House.

4. Arrears of Rent, Service and Other Charges

As at 31 March 2016 the total arrears for rent, service charges and other charges were £1.38m (31 March 2015: £1.55m) as follows:

31 March 2015 £m		31 March 2016 £m
0.11	Former residential tenants	0.12
0.23	Current residential tenants	0.23
0.24	Commercial tenants	0.11
0.89	Service charges	0.84
0.08	Other charges	0.08
1.55	Total arrears	1.38

5. HRA Property, Plant and Equipment

Movements on Balances 2015/16	Council Dwellings £m	Other Land & Buildings £m	Vehicles, Plant & Equipment £m	Assets under construction £m	Total £m
Cost or valuation					
at 1 April 2015	216.6	23.2	0.2	1.5	**241.5**
Additions	0.5	0.0	0.0	8.0	**8.5**
Transfers	0.0	0.0	0.0	0.0	**0.0**
Revaluation increases/(decreases) recognised in the Revaluation Reserve	22.7	14.4	0.0	0.0	**37.1**
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	3.3	0.0	0.0	0.0	**3.3**
Derecognition - disposals	(0.5)	0.0	0.0	0.0	**(0.5)**
at 31 March 2016	**242.6**	**37.6**	**0.2**	**9.5**	**289.9**
Accumulated Depreciation and Impairment					
at 1 April 2015	(0.1)	(0.6)	(0.2)	0.0	**(0.9)**
Depreciation Charge	(2.5)	(0.2)	0.0	0.0	**(2.7)**
Depreciation written out to the Revaluation Reserve	2.4	0.7	0.0	0.0	**3.1**
Depreciation written out to the Surplus/Deficit on the Provision of Services	0.1	0.0	0.0	0.0	**0.1**
at 31 March 2016	**(0.1)**	**(0.1)**	**(0.2)**	**0.0**	**(0.4)**
Net Book Value					
at 1 April 2015	**216.5**	**22.6**	**0.0**	**1.5**	**240.6**
at 31 March 2016	**242.5**	**37.5**	**0.0**	**9.5**	**289.5**

6. HRA Property, Plant and Equipment - continued

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**

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 2015 is estimated to be £721.7m (1 April 2014: £585.9m) which has been reduced by 70% to £216.5m (1 April 2014: £175.8m) to reflect social housing use. The reduction of £505.2m (1 April 2014: £410.1m) 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 £m		2015/16 £m
0.0	Balance at start of the year	4.2
14.1	Transfers	0.0
0.0	Additions	0.0
(14.1)	Disposals	0.0
	Revaluations:	
4.2	Net gains from fair value adjustments	1.0
4.2	**Balance at end of the year**	**5.2**

8. Major Repairs Reserve

2014/15 £m		2015/16 £m
(4.9)	Balance 1 April	(7.1)
	Transfer from HRA equal to depreciation	
(2.3)	dwellings	(2.4)
(0.4)	non dwellings	(0.2)
0.5	Capital expenditure (dwellings)	3.5
(7.1)	Balance 31 March	(6.2)

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 £m		2015/16 £m
	Expenditure in year	
	Fixed assets	
1.1	Assets under construction	8.0
11.6	Dwellings	0.5
	Other Land and Buildings	0.0
0.2	Revenue expenditure funded from capital under statute	0.5
12.9		9.0
	Methods of financing	
0.0	Capital Receipts	1.2
0.5	Major Repairs Reserve	3.4
12.4	Reimbursements and Donations	4.4
12.9		9.0

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 2016

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

2014/15				Notes	2015/16		
Council Tax £m	Business Rates £m	Total £m			Council Tax £m	Business Rates £m	Total £m
			INCOME				
(6.8)		(6.8)	Council Tax Receivable		(7.0)		(7.0)
(0.2)		(0.2)	Transfer from City Fund (Reliefs)		(0.2)		(0.2)
	(803.3)	(803.3)	National Business Rates	1		(871.2)	(871.2)
	(0.8)		Deferrals				0.0
		0.0	National Business Rates transitional protection payments				0.0
	(30.4)	(30.4)	GLA Business Rate Supplement			(32.5)	(32.5)
	(6.6)	(6.6)	City Business Rate Premium			(7.0)	(7.0)
(7.0)	(841.1)	(847.3)	**TOTAL INCOME**		(7.2)	(910.7)	(917.9)
			EXPENDITURE				
			Council Tax Precepts and Demands				
5.3		5.3	City	2	5.4		5.4
0.5		0.5	GLA		0.5		0.5
			National Business Rates Precepts and Demands	2			
	219.1	219.1	City			223.5	223.5
	146.1	146.1	GLA			149.0	149.0
	365.2	365.2	Central Government			372.6	372.6
	1.4		National Business Rates transitional protection payments			1.4	1.4
	30.2	30.2	Business Rate Supplement collected on behalf of GLA			32.3	32.3
	6.4	6.4	City Business Rate Premium			6.9	6.9
	10.7	10.7	City Offset	4		10.9	10.9
			Impairment of debts for Business Rates				
	1.8	1.8	National			1.7	1.7
	0.1		GLA			0.1	0.1
			Impairment of appeals for Business Rates				
	29.0	29.0	National			7.5	7.5
	0.2	0.2	Premium			0.1	0.1
		0.0	Cost of Collection Allowance				
	1.7		National Business Rates			1.7	1.7
	0.1		GLA Business Rate Supplement			0.1	0.1
			Contributions towards previous year's estimated Collection Fund Surplus				
0.5	0.1	0.6	City			(0.1)	(0.1)
0.1	0.1		GLA			(0.1)	(0.1)
	0.1		Central Government			(0.2)	(0.2)
6.4	812.3	815.1	Total Expenditure		5.9	807.4	813.3
(0.6)	(28.8)	(29.4)	(Surplus)/Deficit for Year		(1.3)	(103.3)	(104.6)
	(28.8)	(28.8)	National Business Rates			(103.3)	(103.3)
	0.0	0.0	GLA Business Rate Supplement			0.0	0.0
	0.0	0.0	City Premium			0.0	0.0
(0.8)	51.7	50.9	Balance 1 April		(1.4)	22.9	21.5
(1.4)	22.9	21.5	Balance 31 March		(2.7)	(80.4)	(83.1)

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 2015/16 the City of London set a non-domestic rating multiplier of 0.497(49.7p in the £) and a small business non-domestic rating multiplier of 0.484 (48.4p in the £). This comprises the NNDR and SBNDR multipliers of 0.493 and 0.480 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 2015/16 financial year to finance the Crossrail project. The City collects the BRS on an agency basis on behalf of the GLA.

2014/15 £m		**2015/16 £m**
(852.0)	National Business Rates	(928.6)
(1.3)	Government transition scheme	(1.4)
(853.3)	Non-domestic rates income after transition scheme	(930.0)
33.1	Less: Voids	40.3
13.3	Mandatory and discretionary relief	13.7
3.6	Partly occupied allowance	4.8
(803.3)	**Net income from national business rates**	**(871.2)**

The total rateable value of the City at 31 March 2016 was £1,947m (31 March 2015: £1,889m).

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 2015/16 calculated as follows:

	£m	£m
City of London's Original Budget		101.8
Less:		
Share of national business rates	(13.9)	
Non-Domestic rates premium	(6.5)	
Government grants	(64.3)	
City's Offset	(11.0)	
Estimated Collection Fund surplus	(0.7)	
		(96.4)
Estimated amounts to be raised from Council Tax		5.4
Divided by:		
Council Tax base for the City area (number of Band D equivalent properties)		No: 6,239.59
Basic amount for Band D Property		£ 857.31

To this £857.31 is added £86.13 in respect of the precept from the Greater London Authority to arrive at the total Council Tax of £943.44 for a Band D property in 2015/16. Prescribed proportions are applied to this basic amount to determine the Council Tax amounts for each of the bands as follows:

BAND	Proportion	Council Tax £
A	6/9	628.96
B	7/9	733.79
C	8/9	838.61
D	9/9	943.44
E	11/9	1,153.09
F	13/9	1,362.75
G	15/9	1,572.40
H	18/9	1,886.88

3. Tax Bases 2015/16

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	2.47	2.47
B	0.00	0.00	124.91	124.91
C	0.00	0.00	405.62	405.62
D	0.00	0.00	747.11	747.11
E	7.33	3.67	2,012.37	2,023.37
F	40.08	23.47	1,369.00	1,432.55
G	26.25	57.92	1,461.28	1,545.45
H	0.00	4.00	282.50	286.50
AGGREGATE RELEVANT AMOUNTS	73.66	89.06	6,405.26	6,567.98
COLLECTION RATE	95%	95%	95%	95%
TAX BASES	69.98	84.61	6,085.00	6,239.59

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 2015/16 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 and infrastructure holdings are valued by the individual investment managers at the year-end in accordance with generally accepted guidelines. The ability to realise these 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 2015/16.

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 next triennial valuation as at 31 March 2016 is currently being undertaken and the results will inform consideration of the level of employer's pension contribution to be charged from 1st April 2017.

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

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

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

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

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

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

Of the employers' contributions receivable in 2015/16 amounting to £21.5m, the amounts attributable to "deficit funding" are as follows:

		Future Funding £m	Past-service Deficit Funding £m	Total Contributions £m
Scheduled Bodies	City of London	13.59	6.50	20.09
	Museum of London	0.61	0.29	0.90
Admitted Bodies	Irish Society	0.01	0.01	0.02
	Guildhall Club	0.01	0.00	0.01
	Agilisys	0.11	0.05	0.16
	City Academy -Southwark	0.18	0.09	0.27
	Other	0.05	0.02	0.07
	Brookwood			
	Cook & Butler			
	ETDE			
	Enterprise			
	London LGPS CIV Ltd			
		14.56	**6.96**	**21.52**

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

Fund Account for the year ended 31 March 2016

2014/15 £m		Notes	2015/16 £m
	Contributions and benefits		
(29.7)	Contributions receivable	2	(30.9)
(2.8)	Transfers in		(3.7)
(0.4)	Other Income		(1.5)
(32.9)			(36.1)
40.7	Benefits Payable	3	39.9
1.5	Payments to and on account of leavers	4	1.8
0.7	Administrative Expenses	5	0.6
42.9			42.3
10.0	Net deductions		6.2
	Returns on investments		
(5.2)	Income from Investments	6	(0.4)
(86.3)	Change in market value of investment (realised and unrealised)		10.0
4.1	Investment Management Expenses	7	6.1
(87.4)	Net (Gain)/Loss on Investment		15.7
(77.4)	**Net (increase)/decrease in the fund during the year**		21.9
(746.3)	Opening net assets of the scheme		(823.7)
(823.7)	**Closing net assets of the scheme**		**(801.8)**

Net Assets Statement as at 31 March 2016

2014/15 £m		Notes	2015/16 £m
(817.0)	Investment assets	8-13	(800.5)
	Current Assets	14	
(7.5)	Cash and cash equivalents		(2.6)
	Current liabilities	15	
0.8	Creditors		1.3
(823.7)	**Net assets**		**(801.8)**

1. Membership of the Fund

	2015/16				2014/15
	Current Contributors No.	Beneficiaries In Receipt of Pension No.	Deferred Benefits No.	Total No.	Total No.
CITY OF LONDON	3,908	3,576	3,745	11,229	10,924
SCHEDULED BODIES:					
Museum of London	235	227	564	1,026	981
Magistrates Court	0	20	17	37	37
Probation Committee	0	0	0	0	3
	235	247	581	1,063	1,021
ADMITTED BODIES:					
Irish Society	4	11	2	17	17
Parking Committee for London	0	9	3	12	12
Guildhall Club	0	5	5	10	10
City Academy - Southwark	65	3	97	165	150
Sir John Cass (Brookwood)	1	0	1	2	2
AMEY (Enterprise)	7	4	4	15	15
Eville and Jones	0	0	1	1	1
London CIV	5	0	0	5	0
Westminster Drugs Project	3	0	0	3	0
Agilysis	16	0	10	26	28
Agilysis (police)	2	1	0	3	0
Bouygues (EDTE)	0	0	2	2	2
Cook & Butler	2	0	0	2	3
1SC Guarding Limited	0	0	1	1	1
	105	33	126	264	241
GRAND TOTAL	**4,248**	**3,856**	**4,452**	**12,556**	**12,186**

2. Contributions

2014/15 Restated £m			2015/16 £m
	Employers:		
(19.22)	Scheduled bodies	City of London	(20.09)
(0.94)		Museum of London	(0.90)
(0.03)	Admitted bodies	Irish Society	(0.02)
(0.01)		Guildhall Club	(0.01)
(0.18)		Agilysis	(0.16)
(0.25)		City Academy - Southwark	(0.27)
(0.06)		Other	(0.07)
(20.69)			(21.52)
	Employees of:		
(8.35)	Scheduled bodies	City of London	(8.71)
(0.47)		Museum of London	(0.44)
(0.01)	Admitted bodies	Irish Society	0.00
0.00		Guildhall Club	0.00
(0.08)		Agilysis	(0.09)
(0.10)		City Academy - Southwark	(0.11)
(0.03)		Other	(0.03)
(9.04)			(9.38)
(29.73)	**Total Contributions**		**(30.90)**

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 £0.67m were paid in 2015/16 (2014/15 : £0.50m).

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	Total Benefits Paid	2015/16 £m
	Retired Employees	
28.2	pensions	29.5
8.1	lump sums	6.7
1.3	Lump sum on death	0.6
3.0	Widows' or Widowers' pensions	3.0
0.1	Children's pensions	0.1
40.7		**39.9**

2014/15 £m		2015/16 £m
	Benefits Paid Comprises	
40.6	Scheduled Bodies	39.8
0.1	Admitted Bodies	0.1
40.7		**39.9**

4. Payments to and on account of leavers

2014/15 £m		2015/16 £m
1.5	Individual Transfers Out	**1.8**

5. Administrative expenses

2014/15 £m		2015/16 £m
0.5	Central administration	0.5
0.2	Computer costs	0.1
0.7		**0.6**

Audit fees of £21,000 have been charged to the Pension Fund (2014/15: £21,000).

6. Income from investments

2014/15 £m		2015/16 £m
	Fixed Interest :	
(1.4)	UK	0.0
(0.6)	Overseas	0.0
(1.2)	UK equities	0.0
(2.0)	Overseas equities	(0.2)
0.2	Withholding tax on overseas equities	0.0
0.0	Infrastructure	(0.1)
(0.2)	Interest on Cash Instruments	(0.1)
(5.2)		**(0.4)**

Investment income of £0.4m (2014/15 £5.2m) reflects the former investments the Pension Fund had in principally segregated equity and bond funds and income from the Private Equities and Infrastructure 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.

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.

7. Investment Management Expenses

In 2015/16, the City of London Pension Fund incurred investment management expenses of £6.1m (2014/15 £4.1m) and actuarial fees of £5k (2014/15 £40k).

8. Investment Assets

The table below shows the movement in Market Values by asset type between 1 April 2015 and 31 March 2016.

	Market Value at 01/04/2015 £m	Purchases at Cost £m	Sales Proceeds £m	Net (gain)/loss £m	Market Value at 31/03/2016 £m
Managed Investments					
Pooled Units					
UK	(162.7)	0.0	10.1	6.0	(146.6)
Global	(641.5)	(145.4)	172.3	9.1	(605.5)
Private Equity	(11.5)	(5.7)	2.0	0.1	(15.1)
Infrastructure	0.0	(29.6)	0.9	(3.6)	(32.3)
Total Managed Investments	**(815.7)**	**(180.7)**	**185.3**	**11.6**	**(799.5)**
Fund Managers Cash	(0.3)	145.3	(143.4)	(1.6)	0.0
Accrued Income	(1.2)				(1.2)
Investment Liability	0.2				0.2
Total Investment assets	**(817.0)**				**(800.5)**

9. Fair Value of Financial Instruments

a. Classification of Financial Instruments

31 March 2015 £m		31 March 2016 £m
	Financial Assets	
(804.2)	Pooled Investments	(752.1)
(11.5)	Private Equity	(15.1)
0.0	Infrastructure	(32.3)
(0.3)	Cash	0.0
(1.2)	Debtors	(1.2)
(817.2)		(800.7)
	Financial Liabilities	
0.2	Creditors	0.2
0.2		0.2
(817.0)		**(800.5)**

b. Net (Gains) and Losses on Financial Instruments

31 March 2015 £m		31 March 2016 £m
	Financial Assets	
(86.4)	Fair value through profit and loss	0.0
	Financial Liabilities	
0.0	Fair value through profit and loss	10.0
(86.4)		**10.0**

c. Fair Value

31 March 2015 £m Fair Value	31 March 2015 £m Carrying Value		31 March 2016 £m Fair Value	31 March 2016 £m Carrying Value
		Financial Assets		
(816.0)	(816.0)	Fair value through profit and loss	(799.5)	(799.5)
(1.2)	(1.2)	Loans and receivables	(1.2)	(1.2)
(817.2)	**(817.2)**		**(800.7)**	**(800.7)**
		Financial Liabilities		
0.0	0.0	Fair value through profit and loss	0.0	0.0
0.2	0.2	Loans and payables	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.

Values as at 31 March 2016

	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	(752.1)	0.0	(47.4)	(799.5)
Loans and receivables	(1.2)	0.0	0.0	(1.2)
	(753.3)	**0.0**	**(47.4)**	**(800.7)**
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	**(753.1)**	**0.0**	**(47.4)**	**(800.5)**

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)**

10. Movements in Investment Assets

	Value at 01/04/2015 £m	Purchases at Cost £m	Sales Proceeds £m	Net (gain)/loss £m	Value at 31/03/2016 £m
Equity Pooled Vehicles :					
Artemis Pooled	(81.6)	0.0	5.2	0.6	(75.8)
Carnegie Pooled	(100.5)	(24.4)	30.5	1.1	(93.3)
GMO Pooled	(81.1)	0.0	4.9	5.4	(70.8)
Harris Pooled	0.0	(72.6)	0.2	2.3	(70.1)
Southeastern Pooled	(85.9)	0.0	82.2	3.7	0.0
Veritas Pooled	(92.1)	(23.7)	28.8	(6.1)	(93.1)
Wellington Pooled	(92.5)	(24.5)	29.8	5.3	(81.9)
Multi-Asset Pooled Vehicles :					
Pyrford	(122.7)	0.0	0.4	(2.7)	(125.0)
Ruffer	(78.7)	0.0	0.4	2.2	(76.1)
Standard Life	(69.1)	0.0	0.0	3.3	(65.8)
London CIV	0.0	(0.2)	0.0	0.0	(0.2)
Private Equity Funds :					
Ares	(0.5)	(0.8)	0.1	0.6	(0.6)
Coller	0.0	(0.3)	0.1	0.1	(0.1)
Crestview	(0.4)	(0.6)	0.0	0.0	(1.0)
Environmental Technologies	(1.0)	0.0	0.1	0.1	(0.8)
Exponent	(0.4)	(0.7)	0.2	(0.1)	(1.0)
Frontier	0.0	(1.2)	0.1	(0.2)	(1.3)
New Mountain	(0.6)	(0.9)	0.1	(0.4)	(1.8)
Standard Life	(7.2)	(0.9)	1.2	0.2	(6.7)
Warburg Pincus	0.0	(0.2)	0.0	0.0	(0.2)
Yorkshire Fund Managers	(1.4)	(0.1)	0.1	(0.2)	(1.6)
Infrastructure Funds:					
DIF	0.0	(2.8)	0.5	0.2	(2.1)
IFM	0.0	(26.8)	0.4	(3.8)	(30.2)
Total Investments	**(815.7)**	**(180.7)**	**185.3**	**11.6**	**(799.5)**
Fund Managers Cash	(0.3)	145.3	(143.4)	**(1.6)**	0.0
Accrued Income	(1.2)				(1.2)
Investment Creditors	0.2				0.2
Closing Balance	**(817.0)**				**(800.5)**

11. 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.

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.

12. 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 2016.

Potential Market Movements

Asset Type	% Change
UK Equities	9.72%
Global Equities	10.28%
Multi-Asset	3.65%
Infrastructure	5.52%
Cash	0.01%

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	148.1	9.72	162.5	133.7
Global	352.0	10.28	388.2	315.8
	500.1			
Multi-Asset	267.1	3.65	276.8	257.4
Infrastructure	32.3	5.52	34.1	30.5
Cash	0.0	0.01		
Total Assets	**799.5**			

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

Currency Risk

This represents the risk of foreign exchange rate movements affecting the value of the various asset classes held in non-sterling currencies. The following table summarises the position as at 31 March 2016.

Currency	Value £m	Change %	Value on Increase £m	Value on Decrease £m
North America Investments	277.4	7.43	298.0	256.8
Europe Ex UK Investments	108.8	6.46	115.8	101.8
Asia Pacific Investments	57.8	8.06	62.5	53.1
Emerging Investments	21.5	6.79	23.0	20.0
Overseas Total	**465.5**		**499.3**	**431.7**
UK Investments & Cash	334.0	-		
Overall	**799.5**			

The following analyses show a comparison of the same sensitivities but for the year ending 31 March 2015.

Potential Market Movements

Asset Type	% Change
UK Equities	9.04%
Global Equities	10.40%
Multi-Asset	3.22%
Cash	0.02%

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**			

Currency Risk

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**			

13. 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.

14. Current assets

Current assets represent cash balances of £2.6m.

15. Current liabilities

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

16. 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.

17. Funded Obligation of the Overall Pension Fund

The actuarial present value of promised retirement benefits (the Funded Obligation) amounts to £1,311.1m as at 31 March 2016 (£1,352.5m as at 31 March 2015). The Funded Obligation consists of £1,273.7m in respect of Vested Obligation and £37.6m 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.

18. Post Balance Sheet Events

In June 2016, the holdings in the UK pooled vehicle managed by GMO UK Limited were divested and the funds reinvested in two new fund managers, Lindsell Train and Majedie.

Police Pension Fund Account for the year ended 31 March 2016

2014/15 £m		2015/16 £m	2015/16 £m
	Contributions receivable		
	- from employer		
(7.1)	normal	(6.1)	
0.0	early retirements	(0.4)	
(4.1)	- from members	(4.0)	
(11.2)			(10.5)
(0.1)	Transfers in from other Police Authorities		(0.2)
	Benefits payable		
20.6	- pensions	21.8	
4.3	- commutations and lump sums	9.0	
24.9			30.8
	Payments to and on account of leavers		
0.5	- Transfers out to other Police Authorities		0.3
14.1	Sub-total: Net amount payable for the year before transfer from Police Authority		20.4
(14.1)	Additional contribution from Police Authority		(20.4)
0.0	**Net amount payable/receivable for the year**		**0.0**

Net Assets Statement as at 31 March

2014/15 £m		2015/16 £m
0.0	Current assets	0.1
0.0	Current liabilities	(0.1)
0.0		**0.0**

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

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

iii. The fund's financial statements have been prepared using the accounting policies adopted for the City Fund financial statements set out on pages 19 to 35. 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 48).

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.

The City Fund Accounts and Pension Fund Accounts were considered by the Finance Committee on 19 July 2016 and approved on their behalf by:

Chairman of the Finance Committee	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 [4]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 6(1) of the Accounts and Audit (England) Regulations 2015which 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

[4] CIPFA is the Chartered Institute of Public Finance and Accountancy
SOLACE is the Society of Local Authority Chief Executives

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 2016 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 whose role is to promote high standards of member behaviour and to deal with complaints made against members, 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 the Court of Aldermen; 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 as appropriate. The Town Clerk and Chief Executive is the City's statutory head of paid service, and chairs the Chief Officers'

Group, and the Summit Group, which is the primary officer decision-making body. In 2015/16 a new officer governance framework was introduced, comprising three Chief Officer Steering Groups and two Chief Officer Delivery Groups, reporting to the Summit 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.

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 integrity within the Force, 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. Under the Localism Act 2011, the City is 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 approved the current Code of Conduct in October 2014, following a review by the Standards Committee.

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 Procedure. A Dispensations Sub Committee exists 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. Elected and co-opted Members are invited to review and update their Member Declarations on an annual basis (although there is no statutory requirement to do so).

15. 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 under section 28 of the Act.

16. 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 2015/16 was agreed by the Court of Common Council in March 2015 and published on the City's website.

17. To assist in meeting 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.

18. 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 six monthly to the Policy and Resources Committee on the City's use of RIPA powers. In September 2015, the Office of the Surveillance Commissioners conducted an inspection of the City's arrangements. The inspector concluded that the City is keen to set and maintain standards and has a sound RIPA structure, with good policies and procedures.

Standards Committee

19. The Standards Committee oversees the conduct of Members in all areas of the City of London Corporation's activities be it local authority, police authority or non-local authority functions. Its main responsibility is to promote and maintain high standards of conduct by elected Members and Members co-opted on to City of London Committees.

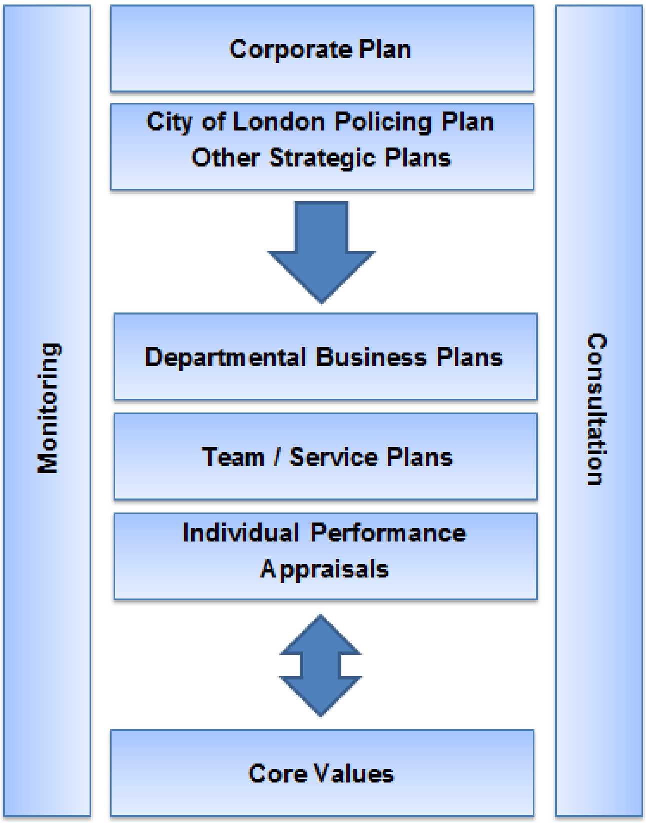
20. Its functions include:

- monitoring and regularly reviewing the operation of the Code of Conduct for Members and related procedures;
- considering any alleged breaches of the Code;
- monitoring Members' declarations to ensure compliance with both the statutory and local registration requirements;
- regularly reviewing the complaints procedure and dispensations arrangements, and
- submitting an annual report to the Court of Common Council.

21. During 2015/16, the Standards Committee endorsed a proposal for the adoption and implementation of a consistent approach to the management and publication of declarations of interest by the City Corporation's elected Members, each of its Co-opted members, and the Independent Persons on the Standards Committee. Amongst

the other matters considered by the Committee were a revised complaints procedure and form (relating to alleged breaches of the Members' Code of Conduct); revised guidance to Members regarding the Code of Conduct, and an annual review of the Protocol on Member/Officer Relations, including a review of the Employee Code of Conduct.

Business Strategy and Planning Process



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

- 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.

23. 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.

24. 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

25. 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.

26. Overall responsibility for Information Management Governance is vested in the Information Technology (IT) Sub Committee. The Information Management Governance Steering Group reports to the Strategic Resources Group and the IT Steering Group, both chaired by the Chamberlain. Both groups report to the Summit Group and the IT Sub Committee. The Chamberlain is now the Senior Information Risk Owner (SIRO) and work continues to identify Information Asset Owners (IAO) within departments and build an information asset register.

Financial Management Arrangements

27. 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.

28. 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 internal audit service combining in-house staff with external knowledge and expertise;
- 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.

29. 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.

30. For non-Police services, the local government settlement in autumn 2015 was challenging but fell within the prudent assumptions included with the City's financial forecast. Agreed actions from a service based review will deliver efficiencies, savings and opportunities for additional income totalling some £11m a year by 2018/19. Subject to there being no significant adverse changes in financial planning assumptions across the period, forecasts indicate a small surplus in each of the next financial years moving close to breakeven by 2019/20. However, the economic outlook and public finances have deteriorated since the announcement of the local government settlement and there is no guarantee that government funding will be not be revised further downwards in future years. The position is being monitored on an ongoing basis.

31. The Efficiency and Performance Sub Committee has 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.

32. City of London Police manages its budget on a ring-fenced basis. The Court of Common Council has agreed to increase the Business Rates Premium from April 2016 (the first increase for ten years) with the additional income, estimated at £1.6m a year,

being allocated to the Police to cover emerging cost pressures relating to security. Nevertheless, the underlying financial position remains challenging with deficits forecast across the period and reserves exhausted during 2017/18. This is despite implementing a challenging savings plan and previous budget reductions resulting in a 14% decrease in the number of police officers and £16m removed from the budget.

33. The Force has a robust financial strategy in place to balance the budget over the period to 2018/19, which includes provision for a minimum general reserve balance for unforeseen or exceptional operational requirements. The Force and the City Corporation are also investigating areas for greater collaboration, including the development of a Joint Contact and Control Room as part of the One Safe City programme.

34. 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; overseeing the Force's risk management arrangements, and ensuring that the Force delivers value for money. The Sub Committee also receives regular updates on the work of internal audit in relation to the Force.

35. 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.

36. 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;
- Corporate Property Asset Management Strategy. This aims to ensure that the City's operational assets are managed effectively, efficiently and sustainably, in support of the organisation's strategic priorities and business needs;

- 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.

37. Consideration is given to efficiency during the development and approval stages of all major projects, with expected efficiency gains quantified within reports to Members.
38. The performance of the City's financial and property investments are monitored and benchmarked regularly, both in-house and independently, through experts in the field.
39. 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

40. 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.
41. 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 Chief Officers Summit Group 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 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.

42. The corporate risk register contains eleven risks, including two new risks which have been added during the last year.

Health & Safety

43. 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.

44. A critical component of the City's management system is monitoring and review. The management system and policy were modified slightly in response to the introduction of the new officer governance framework in January 2016.

45. The compliance audits that were introduced last year have continued, and have proven useful in allowing the Health & Safety Team to drive local and corporate improvements in compliance. They have also assisted the Health & Safety Committee to monitor safety performance through the use of Key Performance Indicators.

46. An independent external audit of the Safety Management System was undertaken by the British Safety Council in November. The City Corporation was awarded a four star (out of five) rating which equates to a ranking of 'very good'. The audit evidenced that "very good" safety mechanisms and structures were in place corporately, and that these were being applied in the departments sampled. The auditors were complimentary about the leadership being shown at the top of the organisation.

47. Top X (the City's Health & Safety risk management system) continues to be an effective safety risk management tool. 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. This alignment has now been completed and Top X reports are being reported through the corporate risk management system. Some departments are yet to fully move onto this system, but the expectation is for this to be fully implemented by November 2016. Top X continues to support health and safety compliance and protect the organisation against any potential Corporate Manslaughter Act 2007 offences. Top X provides the Summit Group and Chief Officers' Group with a corporate strategic oversight of any safety risks by way of a regular report.

Business Continuity

48. 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.

49. 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.

50. Programme management of the City's business continuity management system (BCMS) lies with the Resilience Planning Team, 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). The Team continues its on-going work with the IT service provider Agilisys to ensure robust business continuity plans dovetail between IT functions and critical services.

51. 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

52. 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.

53. 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.

54. 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. Following a number of minor changes that were made in response to observations made in the peer review, the Internal Audit Section fully conforms to the new Standards.

55. 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 risk based anti-fraud and awareness activities. The Audit and Risk Management Committee is provided with six-monthly anti-fraud and investigation up-date reports which detail the anti-fraud and investigation activity undertaken by the Anti-Fraud Team and provides progress against the strategic pro-active anti-fraud plan.

56. The Audit and Risk Management Committee received an update on the mandatory fraud awareness e-learning course for all City of London employees in April 2015, with overall staff completion reported as exceeding 95%. The fraud awareness e-learning package was refreshed and up-dated by the Anti-Fraud Team in November 2015.

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 with the Corporate Performance and Development Team.
    - All departments are required to report regularly 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 2015/16, the Committee continued its 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 taken a keen interest in cyber-security risks, having received a report in April 2015 and periodic updates. The Committee remains committed to supporting the continuous development of cyber security across the City of London Corporation.

Review of Effectiveness

65. 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.

66. 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.

67. 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

68. 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 overall 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.

69. Notwithstanding this 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. Three areas reviewed in 2015/16 resulted in 'red' (limited) assurance opinions. These all related to audit reviews undertaken in respect of the City of London Police: ICT resilience and disaster recovery arrangements, invoices on hold, and supplies and services. The weaknesses identified in these areas are being addressed by management.

Future Developments

70. 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 Complaints Procedure (in respect of complaints against Members) and the Dispensations arrangements.
- Undertaking an annual update for the registration and publication of Declarations of Interest by the City's Members and Co-opted Members.
- Delivering the benefits from the programme of cross-cutting efficiency and effectiveness reviews.
- Completing a review of information security and management, leading to: the identification of Information Asset Owners; the production of an information asset register; the development of an Information Management Policy, and the implementation of an appropriate Data Classification Scheme.
- Reviewing the corporate Business Planning and Performance Management processes and framework.
- Developing an Efficiency Plan in response to the Government's offer of a four-year funding settlement to 2019-20.
- Reviewing the implications of the Government's proposals on devolution to London, including the devolution of business rates.
- Reviewing the Internal Audit Charter.

This annual governance statement was approved by the City's Audit and Risk Management Committee on 14 June 2016.

Accruals	The accounting treatment, where income and expenditure is recorded when it is earned or incurred, not when money is paid or received.
Actuarial gains and losses	For a defined benefit pension, changes in actuarial deficits or surpluses that arise because: • events have not coincided with the actuarial assumptions made for the last valuation (known as experience gains and losses) or • the actuarial assumptions have changed.
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.

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.
Curtailment (pensions)	For a defined benefit scheme, an event that reduces the expected years of future service of present employees or reduces for a number of employees the accrual of defined benefits for some or all of their future service. Curtailments include: • termination of employees' services earlier than expected, for example as a result of discontinuing an activity, and • termination of, or amendment to, the terms of a defined benefit scheme so that some or all future service by current employees will no longer qualify for benefits or will qualify only for reduced benefits.
Debtors	Individuals or organisations that owe the City Fund money at the end of the financial year.

Deferred capital receipts	These result mainly from loans to the Museum of London plus outstanding loans in respect of past sales of council dwellings to tenants who were unable to obtain a building society loan or other external means of financing. Their indebtedness is reflected in the balance sheet under long term debtors. This account shows the amount to be paid on deferred terms and is reduced each year by repayments made.
Defined benefit scheme	A pension or other retirement benefit scheme other than a defined contribution scheme. Usually, the scheme rules define the benefits independently of the contributions payable, and the benefits are not directly related to the investments of the scheme. The scheme may be funded or unfunded.
Defined contribution scheme	A pension or other retirement benefit scheme into which an employer pays regular contributions fixed as an amount or as a percentage of pay and has no legal or constructive obligation to pay further contributions if the scheme does not have sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.
Depreciation	The loss in value of an asset due to age, wear and tear, deterioration or obsolescence.
Direct revenue financing	Expenditure on the provision or improvement of capital assets met directly from revenue account.
Donated assets	Assets transferred at nil value or acquired at less than fair value.
Expected rate of return on pensions assets	For a funded defined benefit scheme, the average rate of return, including both income and changes in fair value but net of scheme expenses, expected over the remaining life of the related obligation on the actual assets held by the scheme.
Experience gains or losses	In pensions accounting, the element of actuarial gains and losses that relates to differences between the actual events as they have turned out and the assumptions that were made as at the date of the earlier actuarial valuation.
Fair value	Fair value is generally defined as the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's-length transaction.
Heritage assets	A tangible asset with historical, artistic, scientific, technological, geophysical or environmental qualities that is held and maintained principally for its contribution to knowledge and culture.
Impairment	A reduction in the value of an asset below its carrying amount on the balance sheet.

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.

Projected unit method

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

- the benefits for pensioners and deferred pensioners (i.e. individuals who have ceased to be active members but are entitled to benefits payable at a later date) and their dependants, allowing where appropriate for future increases; and
- the accrued benefits for members in service on the valuation date. The accrued benefits are the benefits for service up to a given point in time, whether vested rights or not. Guidance on the projected unit method is given in the Guidance Note GN26 issued by the Faculty and Institute of Actuaries.

Provision

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

- the City of London has a present obligation (legal or constructive) as a result of a past event;
- it is probable that a transfer of economic benefits will be required to settle the obligation; and
- a reliable estimate can be made of the amount of the obligation.

Reserves

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

- Usable reserves - surpluses of income over expenditure and amounts set aside outside the definition of a provision and which can be applied to the provision of services. Certain reserves are allocated for specific purposes and are described as earmarked reserves.
- Unusable reserves - those that cannot be used to provide services. This category of reserves include adjustment accounts which deal with situations where statutory requirements result in income and expenditure being recognised against the City Fund or HRA balance on a different basis from that expected by accounting standards.

Revaluation Reserve	Represents increases in valuations of assets since 1 April less amounts written off due to the 'additional depreciation' (including impairment due to consumption of economic benefit) arising because 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.

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

NOTES TO THE CITY FUND CORE FINANCIAL STATEMENTS

NOTES TO THE HOUSING REVENUE ACCOUNT

NOTES TO THE COLLECTION FUND

NOTES TO THE CITY OF LONDON PENSION FUND

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CITY OF LONDON - CITY FUND

AUDIT FINDINGS REPORT TO DATE

Audit for the year ended 31 March 2016 - Issued to the Audit and Risk Management Committee - 7 July 2016

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PURPOSE AND USE OF THIS REPORT

We present our Audit and Risk Management Committee Report which details the key findings to date arising from the audit for the attention of those charged with governance. It forms a key part of our communication strategy with you, a strategy which is designed to promote effective two way communication throughout the audit process.

We will issue our final report of findings to the September 2016 Audit and Risk Management Committee.

As auditors we are responsible for performing our audit in accordance with International Standards on Auditing (UK & Ireland) which provide us with a framework which enables us to form and express an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance. The audit of the financial statements does not relieve management nor those charged with governance of their responsibilities for the preparation of the financial statements.

The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed primarily for the purpose of expressing our opinion on the financial statements and our value for money conclusion. As the purpose of the audit is for us to express an opinion on the financial statements and value for money, you will appreciate that our audit cannot necessarily be expected to disclose all matters that may be of interest to you and, as a result, the matters reported may not be the only ones which exist. As part of our work, we considered internal control relevant to the preparation of the financial statements such that we were able to design appropriate audit procedures. This work was not for the purpose of expressing an opinion on the effectiveness of internal control.

This report has been prepared solely for the use of the Audit and Risk Management Committee and should not be shown to any other person without our express permission in writing. In preparing this report we do not accept or assume responsibility for any other purpose or to any other person.

We would like to thank staff for their co-operation and assistance during the audit to date and throughout the period.

CONTENTS

SUMMARY

AUDIT SCOPE AND OBJECTIVES

- We have completed our audit procedures in accordance with the planned scope and our objectives have been achieved, subject to the completion of work set out within the outstanding matters section of this report.
- There were no significant changes to our planned audit approach nor were any restrictions placed on our work.
- No additional significant audit risks were identified during the course of our audit procedures subsequent to our audit planning report to you dated February 2016
- Our materiality levels have not required reassessment since our audit planning referred to above.

KEY AUDIT AND ACCOUNTING MATTERS

The key matters that have arisen in the course of our audit so far are summarised below:

i. £312,462 in relation to rental income has been recorded as 2015/16 income but should have been recorded as 2016/17 income.

ii. The number of compulsory redundancies within the £0 - £20,000 band should be two rather than three redundancies and the total cost for this band should be amended to £40,000

iii. The number of compulsory redundancies within the £100,001 - £150,000 should be one rather nil and the total cost for this band should be amended to £279,500.

Management has confirmed that the accounts will be amended to correct the income and that the notes to the accounts will be amended to adjust the analysis of redundancies.

AUDIT OPINION

- Subject to the successful completion of the work set out within the outstanding matters section of this report we anticipate issuing an unqualified opinion on the financial statements for the year ended 31 March 2016
- We have no matters to report in relation to the arrangements in place to secure economy, efficiency and effectiveness to date.

OTHER MATTERS FOR THE ATTENTION OF THE AUDIT AND RISK MANANGEMENT COMMITTEE

- Providing there are no significant amendments required to the unaudited whole of government accounts return submitted for audit by 12 August we will aim to complete our audit work and provide our audit opinion on the return at the same time as issuing our audit opinion on the financial statements.
- Our observations on the quality of the audit and our audit independence and objectivity and related matters are set out in Appendix IV and II below.

KEY AUDIT AND ACCOUNTING MATTERS

SIGNIFICANT AUDIT RISKS

We reported our risk assessment, which brought to your attention areas that require additional or special audit consideration and are considered significant audit risks, in the 2015/16 audit planning report dated February 2016. These significant risks have been highlighted in red and findings have been reported in the following table.

We have since undertaken a more detailed assessment of risk following the completion of our review of the authority's internal control environment and draft financial statements, and we have not identified any additional significant risks.

NATURE OF RISK	RELATED CONTROLS / RESPONSE TO RISK	HOW THE RISK WAS ADDRESSED BY OUR AUDIT	CONCLUSION AND RECOMMENDATION
MANAGEMENT OVERRIDE OF CONTROLS	Auditing standards presume that a risk of management override of controls is present in all entities. By its nature, there are no controls in place to mitigate the risk of management override	We respond to this risk by testing the appropriateness of accounting journals and other adjustments to the financial statements, reviewing accounting estimates for possible bias and obtaining an understanding of the business rationale of significant transactions that appear to be unusual.	Our audit work in relation to journals and estimates is in progress (see below for more detail on estimates). Work to date has not identified any significant issues.
REVENUE RECOGNITION	Auditing standards presume there is a risk of fraud in relation to revenue recognition.	We have carried out audit procedures to gain an understanding of the authority's internal control environment for significant income streams, including how this operates to prevent loss of income and ensure that income is recognised in the correct accounting period.	We have documented our understanding and key controls in respect of the City Fund's internal control environment for significant income streams and no significant weaknesses were identified.
	In particular, we consider there to be a significant risk in respect of the existence (recognition) and accuracy of the revenue and capital of grants that are subject to performance and / or conditions before these may be recognised as revenue in the comprehensive income and expenditure statement (CIES). (Continued)	We have tested a sample of grants subject to performance and / or conditions to confirm that conditions of the grant have been met before the income is recognised in the CIES.	Grant income testing is in progress. No significant issues identified to date.

KEY AUDIT AND ACCOUNTING MATTERS
Continued

NATURE OF RISK	RELATED CONTROLS / RESPONSE TO RISK	HOW THE RISK WAS ADDRESSED BY OUR AUDIT	CONCLUSION AND RECOMMENDATION
REVENUE RECOGNITION (continued)	We also consider there to be a significant risk in relation to the completeness and existence of fees and charges and property rental income recorded in the CIES.	We have tested a sample of fees and charges and property rental income to ensure income has been recorded in the correct period and that all income that should have been recorded has been recorded.	Fees and charges and property rental income testing is in progress. To date we have identified one error amounting to £312,462 in relation to rental income that has been recorded as 2015/16 income but which should have been recorded as 2016/17 income. Management has confirmed that this will be adjusted in the amended version of the financial statements.

KEY AUDIT AND ACCOUNTING MATTERS

Continued

OTHER AUDIT RISKS AND ACCOUNTING ISSUES

We report below our findings of the work designed to address all other risks identified in our 2015/16 audit planning report and any other relevant audit and accounting issues identified as a result of our audit: **Normal risk** **Other issue**

NATURE OF RISK	WORK PERFORMED AND FINDINGS	CONCLUSION
CROSSRAIL COMMITMENT	The City Fund has committed to contribute £200 million towards the costs of constructing Crossrail. The payment is dependent on achievement of a number of conditions, primarily completion of certain works in relation to Crossrail stations. Management has reported that the commitment conditions are crystallised only upon completion of these works and continue to report this as a commitment rather than a liability in the financial statements. The original project plan had assumed that the required works would be completed by March 2016, but there appears to be slippage with completion forecast in March 2017.	We have reviewed the progress of the Crossrail works against the agreement required to crystallise the payment and are satisfied that this remains a commitment rather than a liability at 31 March 2016. We await confirmation of whether there has been any recent correspondence with TfL regarding progress with the project and forecast dates to complete milestones.
LEASE PREMIUMS	The City Fund is party to a significant number of lease arrangements as lessor. The premiums and rents are apportioned between the land element, which will ordinarily be an operating lease recognised as revenue, and the building element which is likely to be a finance lease and recorded as a capital disposal. The element of the premium relating to the land is treated as deferred income and released to revenue over the term of the lease. We have met with management and the City Surveyors to discuss the process applied for apportioning the significant lease premiums received in 2015/16 between land and buildings. As part of this meeting, we agreed that management would restate the value of the Bernard Morgan House asset held for sale as at 31 March 2015 (£7.2 million) from assets held for sale to surplus assets as a lease was issued rather than a sale/disposal. The value of the asset would then be revalued to £30.4 million to reflect the lease premium received and then this would be transferred to investment properties within 2015/16.	We are satisfied with the apportionments for these leases and we will track through the accounting of the transactions when working papers are available. The restatement of Bernard Morgan House has been correctly adjusted in the draft accounts.

KEY AUDIT AND ACCOUNTING MATTERS
Continued

NATURE OF RISK	WORK PERFORMED AND FINDINGS	CONCLUSION
CONSIDERATION OF RELATED PARTY TRANSACTIONS	We consider if the disclosures in the financial statements concerning related party transactions are complete and adequate and in line with the requirements of the accounting standards.	Audit work is in progress and no significant issues have been identified to date.
NARRATIVE REPORTING	The Corporation City Fund will be required to produce a 'Narrative Report' replacing the Explanatory Foreword in the financial statements. We received the report on 30 June 2016 and as we complete remaining audit testing we will ensure the financial information in the report is consistent with the financial statement and the CIPFA Code requirements.	Audit work is in progress.

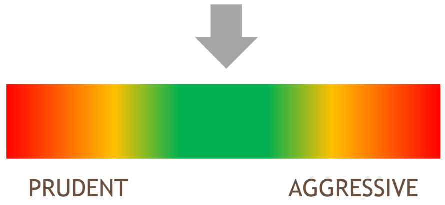
KEY AUDIT AND ACCOUNTING MATTERS

Continued

ACCOUNTING ESTIMATES

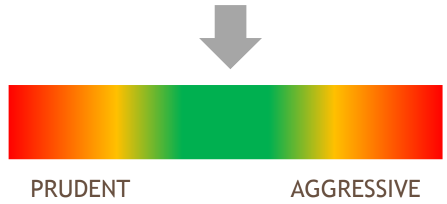
Our views on significant estimates, including any valuations of material assets and liabilities, arrived at the preparation of your financial statements are set out below:

ESTIMATES	AUDIT FINDINGS AND CONCLUSIONS
INVESTMENT PROPERTY VALUATIONS The Code has introduced a change in the basis of valuation of investment properties (IFRS 13), from a market value to a 'highest and best use' valuation. There is a possibility that valuations may be significantly different in certain circumstances particularly where an investment property could be developed for use with alternative consents, such as residential conversion, or where a current lease term is coming to an end and the property could be developed to enhance rental amounts. The Council will instruct JLL to carry out the annual valuation of the City Fund investment property portfolio having regard to the possibility of significant change in valuations under the highest and best use approach. This is not considered to be a change in accounting policy but a change in estimation technique that should be applied prospectively from 1 April 2015. Due to the significant carrying value of investment properties and inherent uncertainty that this new valuation basis could introduce, there is a risk that investment properties may not be appropriately valued as at 31 March 2015 and 31 March 2016.	Our testing of investment property valuations is in progress. Our meeting with management and JLL in February 2016 suggested that investment property valuations were unlikely to move significantly as a result of IFRS 13 because the majority of properties were already valued at 'highest and best use' and that there were sufficient observable inputs to support the assumptions used in valuing the properties We are awaiting JLL valuations certificates to confirm the basis of valuation for each individual property as set out above. In the meantime we have reviewed the overall valuation movement for the City Fund's portfolio of properties and compared the movement to our expectations: • Whilst the City Fund's capital value of investment properties has increased by £174 million this appears to mainly relate to a general increase in the market (using the IPD capital index for City office space) • There are several outliers where the market value has increased/decreased significantly and specific reasons have been provided to explain these. For example, new lease granted and lease premium received or rent reviews. We will test a sample of investment property valuations in detail when we receive valuation certificates for each property.



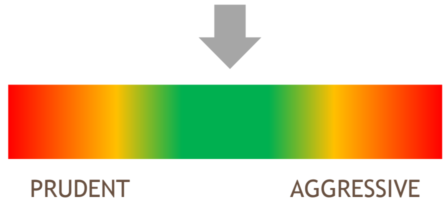
KEY AUDIT AND ACCOUNTING MATTERS
Continued

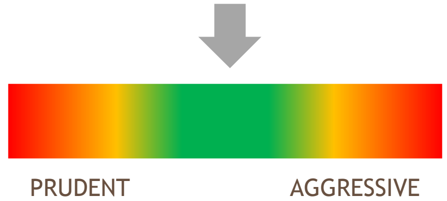
ESTIMATES	AUDIT FINDINGS AND CONCLUSIONS
PROPERTY, PLANT & EQUIPMENT VALUATIONS Local authorities are required to ensure that the carrying value of property, plant and equipment (PPE) is not materially different to the fair value at the balance sheet date. The fair value for housing dwellings, land and buildings included in PPE is a management estimate based on market values or depreciated replacement cost (DRC). Management use external valuation data to assess whether there has been a material change in the value of classes of assets and periodically (minimum of every five years) employs an external expert (valuer) to undertake a full valuation. The indices available to management to assess valuation changes are produced independently and are based on observable data (asset sales and building contract prices). The valuation expert is independent of management and will use its sector knowledge of local sales to estimate the fair values and remaining useful economic lives of assets. We consider there to be a risk over the valuation of housing dwellings, land and buildings where valuations are based on assumptions or where updated valuations have not been provided for a class of asset at year-end.	We have selected a sample of PPE assets and we are in the process of reviewing the basis of the valuation for each asset and tracking the related transactions through the accounts.



KEY AUDIT AND ACCOUNTING MATTERS
Continued

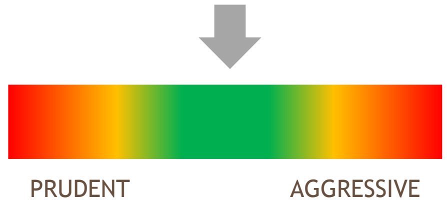
ESTIMATES	AUDIT FINDINGS AND CONCLUSIONS
PENSION LIABILITY ASSUMPTIONS The net pension liability relates to the Police pension fund and City Fund’s share of the City of London Corporation pension fund. Actuarial estimates are calculated by an independent firm of actuaries with specialist knowledge and experience. The estimates are based on the most up to date membership data held by the pension fund and have regard to local factors such as mortality rates and expected pay rises along with other assumptions around inflation when calculating the liability.	This work is in progress and no significant issues have been identified to date.
NON DOMESTIC RATES APPEALS PROVISION Billing authorities are required to estimate the value of potential refund of business rates arising from rate appeals, including backdated appeals. The Valuation Office Agency (VOA) provides information regarding the appeals currently being assessed and settled. Management use this information to calculate a success rate for specific business types for settled appeals, and applies an appropriate rate to each type of business appeal still outstanding at year end. We consider there to be a risk in relation to the estimation of the provision due to potential incomplete data and assumptions used in calculating the likely success rate of appeals. We are aware that some NHS organisations are also appealing their business rate charge and are seeking to obtain charitable status to claim mandatory rate relief.	We have reviewed the current list of appeals provided by the VOA and how this information is used to calculate a success rate for each category of appeal. No issues have been identified. We are in the process of testing the accuracy of the information used to calculate the success rate, for example, settled appeals. No issues have been identified to date. We are not aware of any appeals made by NHS organisations.

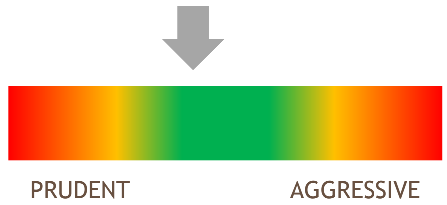




KEY AUDIT AND ACCOUNTING MATTERS
Continued

ESTIMATES	AUDIT FINDINGS AND CONCLUSIONS
ALLOWANCE FOR NON-COLLECTION OF RECEIVABLES The City Fund includes a material amount in respect of provision for non-collection of NDR, rents and sundry debt arrears. The provision is based on management assumptions in relation to the collection of the debt. There is a risk that the provisions may not accurately reflect collection rates based on age or debt recovery rates. (continued)	**Non-domestic rate arrears and cost provision** The City Fund's share of debts and provision at the 31 March 2016 was £6.8 million and £3.2 million respectively. The majority of the provision has been calculated using the best information available at the year-end, for example, current collection rates. Around £0.410 million of the provision has been calculated using CIPFA guidelines which are not considered to be up-to-date and may not accurately reflect the aging profile or current collection of debt within the City. Management has explained that costs are likely to outweigh the benefits of collating current collection rates for these debts. We are satisfied that the provision is not materially misstated. **Rent arrears and cost provision** Arrears and provision as at 31 March 2016 were £13.8 million and £1 million respectively. The majority of arrears relate to current tenants and the management surveyor reviews all individual arrears over £15,000 to determine the likely rent to be recovered The provision relating to approximately £2 million of rent arrears (relating to rent attached to Barbican property and HRA), appears to be based on a standard percentage (3-6 mths 25%, 6-12mth 50% and >1year 100%). The standard percentages do not appear to correlate to the aging profile of debt and corresponding collection rates. Given that the total value of debt is immaterial the provision is not materially misstated. However, we would recommend that current assumptions around standard percentages are regularly reviewed to ensure that any potential material misstatements do not arise.





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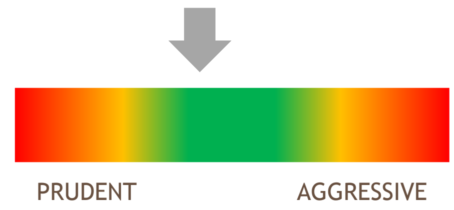
KEY AUDIT AND ACCOUNTING MATTERS
Continued

ESTIMATES	AUDIT FINDINGS AND CONCLUSIONS
ALLOWANCE FOR NON-COLLECTION OF RECEIVABLES	**Sundry debt arrears and cost provision** Arrears and provision as at 31 March 2016 were £9.4 million and £2.1 million respectively. Barbican centre • 3-5 month arrears (£0.443 million) are reviewed on a case-by case basis and provided for based on historical collection of similar debt • All arrears over 6 months (£0.367 million) are fully provided for however this does not appear to be based on current collection history. Police • Arrears totalling £1.4 million are calculated using management percentages of 0%, 5%, 25%, 50%, and 100% at <3mths, 3-6mths, 6-12mths, 12-24mths, 24+mths. However, no workings to support these assumptions have been provided. Given that the total value of debt is immaterial the provision is not materially misstated. However, we would recommend that current assumptions around standard percentages are regularly reviewed to ensure that any potential material misstatements do not arise.



KEY AUDIT AND ACCOUNTING MATTERS
Continued

FINANCIAL STATEMENT DISCLOSURES
Our views on the sufficiency and content of your financial statements' disclosures are set out below:

DISCLOSURE AREA	AUDIT FINDINGS AND CONCLUSIONS
EXIT PACKAGES DISCLOSURE	Our testing of the exit package disclosure has identified the following: • The number of compulsory redundancies within the £0 - £20,000 band should be two rather than three redundancies and the total cost for this band should be amended to £40,000 • The number of compulsory redundancies within the £100,001 - £150,000 should be one rather nil and the total cost for this band should be amended to £279,500. Management has confirmed that the notes to the accounts will be amended to reflect the findings noted above.

OUTSTANDING MATTERS

We have substantially completed our audit work in respect of the risk areas identified for financial statements for the year ended 31 March 2016, and anticipate issuing an unqualified opinion on the financial statements if no significant issues are identified in the work that remains to be completed.

The following matters are outstanding at the date of this report. We will provide our final report to the Audit and Risk Management Committee in September 2016:

1 Completion of work in relation to:
- Transaction and balances testing outstanding on various sections of the financial statements
- Analytical procedures on total NDR gross billing debit
- Review of the annual governance statement
- The work outstanding in relation to use of resources.

2 Review and agreement of the final WGA data collection tool against the final set of financial statements

3 Subsequent events review

4 Management representation letter to be approved and signed.

CONTROL ENVIRONMENT

Significant deficiencies

We are required to report to you, in writing, significant deficiencies in internal control that we have identified during the audit. These matters are limited to those which we have concluded are of sufficient importance to merit being reported to you.

As the purpose of the audit is for us to express an opinion on the authority's financial statements, you will appreciate that our audit cannot necessarily be expected to disclose all matters that may be of interest to you and, as a result, the matters reported may not be the only ones which exist. As part of our work, we considered internal control relevant to the preparation of the financial statements such that we were able to design appropriate audit procedures. This work was not for the purpose of expressing an opinion on the effectiveness of internal control.

We have not identified any significant deficiencies in internal control.

WHOLE OF GOVERNMENT ACCOUNTS

We comment below on other reporting required:

MATTER	COMMENT
For Whole of Government Account (WGA) component bodies that are over the prescribed threshold of £350 million in any of: assets (excluding property, plant and equipment); liabilities (excluding pension liabilities); income or expenditure we are required to perform tests with regard to the Data Collection Tool (DCT) return prepared by the authority for use by the Department of Communities and Local Government for the consolidation of the local government accounts, and by HM Treasury at Whole of Government Accounts level. This work requires checking the consistency of the DCT return with the audited financial statements, and reviewing the consistency of income and expenditure transactions and receivables and payable balances with other government bodies.	HM Treasury's Whole of Government Accounts team issued a newsletter at the end of June to explain the delay in issuing the DCT which was released on Monday 4 July. This means that local authorities' deadline to submit the unaudited DCT to HM Treasury has been extended to 12 August and similarly our deadline to issue our audit opinion on the DCT has been extended to 21 October 2016. Providing there are no significant amendments required to the unaudited DCT submitted for audit by 12 August we will aim to complete our audit work and provide our audit opinion on the DCT at the same time as issuing our audit opinion on the financial statements.

USE OF RESOURCES

Key informed decisions, deployed resources and sustainable outcomes

We are required to be satisfied that proper arrangements have been made to secure economy, efficiency and effectiveness in the use of resources (value for money). This is based on the following reporting criterion:

- **In all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.**

There are three sub criteria that we consider as part of our overall risk assessment:

- Informed decision making
- Sustainable resource deployment
- Working with partners and other third parties

We reported our risk assessment, which included use of resources significant risks, in the 2015/16 Audit Plan issued in February 2016. We have since undertaken a more detailed assessment of risk following our completion of the interim review of financial controls and review of the draft financial statements, and we have not included any additional significant risks.

We report below our findings of the work designed to address these significant risks and any other relevant use of resources work undertaken.

RISK	RISK DETAIL AND WORK PERFORMED	AUDIT ISSUES AND IMPACT ON CONCLUSION
FINANCIAL SUSTAINABILITY (POLICE)	The City's financial forecast, carried out in early 2016 as part of the budget process, indicated that whilst the recently released revenue allocations from the Policing Minister up to 2018/19 were better than expected, City Police is still facing significant challenges in ensuring that it has sustainable finances. The update to the Medium Term Financial Strategy (MTFS) to 2018/19 has forecast current budget gaps for City Police in 2017/18 (£2.9 million) and 2018/19 (£4.8 million) which includes current earmarked reserves being exhausted during 2018. Management is currently reviewing plans to address the resource gaps identified in the MTFS. Identifying the required level of savings from 2016/17 will be a challenge and is likely to require difficult decisions around service provision, potential increases in business rate premium or contributions from the City's other funds.	Our audit work is currently in progress. HMIC inspectors are due to be completing their review of City Police's performance in mid-July therefore we will need to have regard to the results of this review as there are overlaps with our work on financial sustainability.

USE OF RESOURCES
Continued

RISK	RISK DETAIL AND WORK PERFORMED	AUDIT ISSUES AND IMPACT ON CONCLUSION
FINANCIAL SUSTAINABILITY (CITY FUND)	The City Fund's MTFS is currently forecasting a surplus position over the next four years, including a surplus of £5.9 million in 2016/17 reducing to £1 million by 2019/20. This position is healthier than originally planned as the anticipated RSG settlement was predicted to fall from £12 million in 2015/16 to £nil by 2019/20. However, the recent budget announcement indicates that City Fund should still receive £6 million RSG in 2019/20. The MTFS is based on key income and expenditure assumptions as well as saving/income generation proposals where service budgets include savings of £3.8 million in 2015/16 increasing to £10.8 million in 2018/19. If key assumptions and savings plans have not been based on reliable data or have been overly optimistic the financial position could deteriorate over the medium term.	Our review of the assumptions in the City Fund Medium Term Financial Strategy is currently in progress. No significant issues have been identified to date.

APPENDICES

APPENDIX I: MATERIALITY

MATERIALITY - FINAL AND PLANNING

	FINAL	PLANNING
Materiality	£5,300,000	£5,300,000
Clearly trivial threshold	£100,000	£100,000

Planning materiality for the authority has been based on 1.5% of the prior year gross expenditure. The clearly trivial amount is based on 2% of the materiality level. We had no reason to revise our final materiality level.

APPENDIX II: INDEPENDENCE

INDEPENDENCE - ENGAGEMENT TEAM ROTATION		
SENIOR TEAM MEMBERS	NUMBER OF YEARS INVOLVED	ROTATION TO TAKE PLACE IN YEAR ENDED
LEIGH LLOYD-THOMAS – Audit engagement partner	1^{st} year	31 March 2021
Engagement quality control reviewer	1^{st} year	31 March 2021
KERRY BARNES – Audit manager	1^{st} year	31 March 2026

APPENDIX II: INDEPENDENCE

Continued

INDEPENDENCE - THREATS TO INDEPENDENCE AND APPROPRIATE SAFEGUARDS
We have provided non audit services in respect of certain grant claims and returns that do not form part of the Code audit or mandated certification work as directed by Public Sector Audit Appointments Limited. These are recorded on the following page and their fees are not considered significant in relation to the audit fees. We are not aware of any financial, business, employment or personal relationships between the audit team, BDO and the authority. We confirm that the firm complies with the FRC's Ethical Standards and, in our professional judgement, is independent and objective within the meaning of those Standards. In our professional judgement the policies and safeguards in place ensure that we are independent within the meaning of all regulatory and professional requirements and that the objectivity of the audit engagement partner and audit staff is not impaired. Should you have any comments or queries regarding this confirmation we would welcome their discussion in more detail.

APPENDIX III: FEES SCHEDULE

	CURRENT YEAR £	THREATS TO INDEPENDENCE ARISING	SAFEGUARDS APPLIED AND WHY THEY ARE EFFECTIVE
Audit fee	86,383	N/A	
Certification fee (housing benefit subsidy)	11,396	N/A	
TOTAL AUDIT FEE	**97,779**		
Reporting on government grants (see below table for breakdown)	11,340	The threat to auditor independence from Audit Related Services is clearly insignificant. (ES5:54)	No safeguards required
TOTAL ASSURANCE SERVICES	**109,119**		

	CURRENT YEAR £
Teachers' Pension (local education authority)	4,500
Teachers' Pension (Centre for Young Musicians (City's Cash))	4,500
Pooling of Housing Capital Receipts	2,340
TOTAL AUDIT FEE	**11,340**

APPENDIX IV: AUDIT QUALITY

BDO is totally committed to audit quality. It is a standing item on the agenda of BDO's Leadership Team who, in conjunction with the Audit Stream Executive (which works to implement strategy and deliver on the audit stream's objectives), monitor the actions required to maintain a high level of audit quality within the audit stream and address findings from external and internal inspections. BDO welcome feedback from external bodies and is committed to implementing a necessary actions to address their findings.

We recognise the importance of continually seeking to improve audit quality and enhancing certain areas. Alongside reviews from a number of external reviewers, the AQR (the Financial Reporting Council's Audit Quality Review team), QAD (the ICAEW Quality Assurance Department) and the PCAOB (Public Company Accounting Oversight Board who oversee the audits of US firms), the firm undertake a thorough annual internal Audit Quality Assurance Review and as member firm of the BDO International network we are also subject to a quality review visit every three years. We have also implemented additional quality control review processes for all listed and public interest audits.

We seek to make improvements and address weaknesses identified from both external and internal quality reviews. Where issues have been identified an action plan is put in place. These plans may relate to individual assignments, individual offices to be firm-wide and in each instance the outcome of these actions is subject to monitoring and have been the subject of our analysis of root causes. The actions may include, but are not necessarily limited to, one or more of the following:

- The implementation, where appropriate, of relevant training for the engagement team where the issue is team specific;
- The revision and production of additional guidance in connection with the firm's audit approach where we identify that an issue is more wide-spread;
- The development and delivery of firm-wide training;
- Amendments and/or enhancements to stream policies and procedures.

FOR MORE INFORMATION:

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CITY OF LONDON PENSION FUND

AUDIT FINDINGS REPORT TO DATE

Audit for the year ended 31 March 2016 - Issued to the Audit and Risk Management Committee - 7 July 2016

LEIGH LLOYD-THOMAS
Engagement Lead

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KERRY BARNES
Audit Manager

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PURPOSE AND USE OF THIS REPORT

We present our Audit and Risk Management Committee Report which details the key findings arising from the audit to date for the attention of those charged with governance. It forms a key part of our communication strategy with you, a strategy which is designed to promote effective two way communication throughout the audit process.

We will issue our final report of findings to the September 2016 Audit and Risk Management Committee.

As auditors we are responsible for performing our audit in accordance with International Standards on Auditing (UK & Ireland) which provide us with a framework which enables us to form and express an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance. The audit of the financial statements does not relieve management nor those charged with governance of their responsibilities for the preparation of the financial statements.

The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed primarily for the purpose of expressing our opinion on the pension fund financial statements. As the purpose of the audit is for us to express an opinion on the financial statements, you will appreciate that our audit cannot necessarily be expected to disclose all matters that may be of interest to you and, as a result, the matters reported may not be the only ones which exist. As part of our work, we considered internal control relevant to the preparation of the financial statements such that we were able to design appropriate audit procedures. This work was not for the purpose of expressing an opinion on the effectiveness of internal control.

This report has been prepared solely for the use of the Audit and Risk Management Committee and should not be shown to any other person without our express permission in writing. In preparing this report we do not accept or assume responsibility for any other purpose or to any other person.

We would like to thank staff for their co-operation and assistance during the audit to date and throughout the period.

CONTENTS

SUMMARY

AUDIT SCOPE AND OBJECTIVES

- We have completed our audit procedures in accordance with the planned scope and our objectives have been achieved, subject to the completion of the remaining work set out in the outstanding matters section of this report.
- There were no significant changes to our planned audit approach nor were any restrictions placed on our work.
- No additional significant audit risks were identified during the course of our audit procedures subsequent to our audit planning report to you dated February 2016
- Our materiality levels have not required reassessment since our audit planning referred to above.
- Our observations on the quality of the audit and our audit independence and objectivity and related matters are set out in Appendix IV and II below.

AUDIT OPINION

- Subject to the successful completion of the outstanding work we anticipate issuing an unqualified opinion on the pension fund financial statements for the year ended 31 March 2016
- Our review of the Annual Report is in progress.

KEY AUDIT AND ACCOUNTING MATTERS

The key matters that have arisen in the course of our audit to date are summarised below:

i. We have identified differences between payroll listings and the accounts in relation to membership numbers and contribution amounts for both employee and employer contributions for the City of London and Museum of London. These differences do not constitute a material misstatement but management are currently comparing the payroll listings to the accounts to understand and rectify the differences identified.

ii. We have recommended that management liaise with fund managers as soon as possible to encourage them to implement the necessary steps in order for them to provide relevant management expense information for the 2016/17 accounts.

iii. All private equity fund valuations provided agree to the accounts except for two which have overstated the valuations by a net £198,000 due to errors in deriving the year end balances. This will be corrected in the next version of the financial statements.

iv. Although there will be no impact on the year-end investment valuation disclosed in the accounts, total distribution (sales) of £1.2 million from standard life funds was incorrectly classified. Management are currently reviewing the original transactions made in order to correct the treatment.

v. We have identified a small number of pension liability disclosures that should be included in the accounts as set out in the CIPFA disclosure checklist. We have also identified some discrepancies between a number of the assumption figures disclosed in the accounts compared to the actuary report. Management is currently reviewing to make the necessary changes to the accounts.

vi. Management has confirmed that the accounting policy will be updated to clearly state the period to which fund manager fees relate.

KEY AUDIT AND ACCOUNTING MATTERS

SIGNIFICANT AUDIT RISKS

We reported our risk assessment, which brought to your attention areas that require additional or special audit consideration and are considered significant audit risks, in the 2015/16 audit planning report dated February 2016. These significant risks have been highlighted in red and findings have been reported in the following table.

We have since undertaken a more detailed assessment of risk following the completion of our review of the Authority's internal control environment and draft financial statements, and we have not identified any additional significant risks.

NATURE OF RISK	RELATED CONTROLS / RESPONSE TO RISK	HOW THE RISK WAS ADDRESSED BY OUR AUDIT	CONCLUSION AND RECOMMENDATION
MANAGEMENT OVERRIDE OF CONTROLS	Auditing standards presume that a risk of management override of controls is present in all entities. By its nature, there are no controls in place to mitigate the risk of management override	We are required to respond to this risk by testing the appropriateness of accounting journals and other adjustments to the financial statements, reviewing accounting estimates for possible bias and obtaining an understanding of the business rationale of significant transactions that appear to be unusual.	Our audit work in relation to journals and estimates is in progress. Work to date has not identified any significant issues.
REVENUE RECOGNITION	Auditing standards presume that income recognition presents a fraud risk. For pension funds, the risk can be identified as affecting the completeness, accuracy and existence of contributions income.	We have carried out audit procedures to gain an understanding of the pension fund's internal control environment for receiving and recording contributions income in accordance with the schedule of contributions, including how this operates to prevent loss of income and ensure that income is recognised in the correct accounting period.	Our review of key controls in respect of contributions receivable found no significant weaknesses. However, we have identified differences between payroll listings and the accounts in relation to contribution amounts for both employee and employer contributions for the City of London and Museum of London. These differences do not constitute a material misstatement but management are currently comparing the payroll listings to the accounts to understand and rectify the differences identified.

KEY AUDIT AND ACCOUNTING MATTERS
Continued

NATURE OF RISK	RELATED CONTROLS / RESPONSE TO RISK	HOW THE RISK WAS ADDRESSED BY OUR AUDIT	CONCLUSION AND RECOMMENDATION
REVENUE RECOGNITION (CONTINUED)		We have performed an examination, on a test basis, of evidence relevant to the amounts and timing of contributions receivable to the fund including checking to employer payroll records, where relevant. We have checked a sample of contributions receivable from the Corporation to the payroll records to ensure that the correct amounts have been paid by the employee and employer. For other significant admitted and scheduled bodies, we have selected a sample of bodies and requested confirmation from that organisation that the correct amounts have been paid to the pension fund for selected employees.	Our testing has been based on the payroll listings and we have not identified any issues with the timings of contributions receivable to the fund or the accuracy of the amounts paid by the employer or employee.

KEY AUDIT AND ACCOUNTING MATTERS
Continued

OTHER AUDIT RISKS AND ACCOUNTING ISSUES

We report below our findings of the work designed to address all other risks identified in our 2015/16 audit planning report and any other relevant audit and accounting issues identified as a result of our audit.

NATURE OF RISK	WORK PERFORMED AND FINDINGS	CONCLUSION
INVESTMENT MANAGEMENT EXPENSES	Local Government Pension Fund Accounts are required to disclose investment management expenses. Management expenses included in the pension fund accounts represents the fee for the service provided by and any performance related fees in relation to the fund manager. However, fund managers do not ordinarily provide information on any ‘hidden’ fees included in investing contributions. These fees are deducted when the investment is made by the fund manager and hence is included in realised gains or losses or the change in market value of investments. The Financial Conduct Authority criticised the investment management industry for not reporting charges to investors sufficiently clearly. In particular, it criticised the annual management charge as failing ‘to provide investors with a clear, combined figure for charges.’ Last year, CIPFA issued guidance on obtaining and separately presenting these additional charges in the fund accounts. While not mandatory to report these costs separately, there is a clear expectation that LGPS fund accounts do observe this guidance. We have reviewed investment management expenses and have found that fund managers have not provided the relevant information for management to separate out these fees in the financial statements.	We recommend that management liaise with fund managers as soon as possible to encourage them to implement the necessary steps in order for them to provide relevant management expense information for the 2016/17 accounts.

KEY AUDIT AND ACCOUNTING MATTERS
Continued

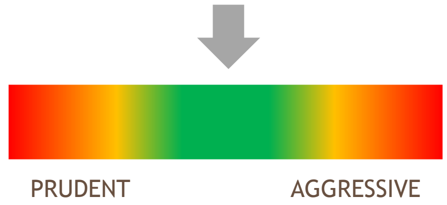
NATURE OF RISK	WORK PERFORMED AND FINDINGS	CONCLUSION
MEMBERSHIP DISCLOSURE	Membership information including the number of current contributors, deferred beneficiaries and pensioners by employer is required to be disclosed. There is a risk that the membership database may not be accurate and up to date to support this disclosure. We have identified differences between payroll listings and the accounts in relation to membership numbers. Management are currently comparing the payroll listings to the accounts to understand and rectify the differences identified.	Our testing has been based on the payroll listings and we have not identified any issues in respect of transactions recorded in the fund. We have requested current matches and management action taken in response to findings of the National Fraud Initiative (NFI) data matching exercise of paid amounts to pensioners with the UK register of deaths, and any 'life certification' exercise undertaken.
CONSIDERATION OF RELATED PARTY TRANSACTIONS	We consider if the disclosures in the financial statements concerning related party transactions are complete and adequate and in line with the requirements of the accounting standards.	Our work is in progress. No significant issues have been identified to date.

KEY AUDIT AND ACCOUNTING MATTERS
Continued

ACCOUNTING ESTIMATES

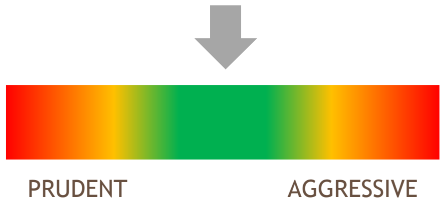
Our views on significant estimates, including any valuations of material assets and liabilities, arrived at the preparation of your financial statements are set out below:

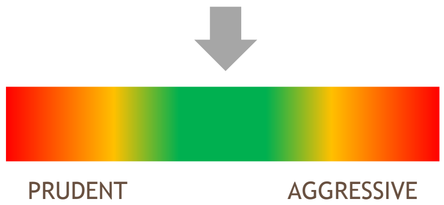
ESTIMATES	AUDIT FINDINGS AND CONCLUSIONS
FAIR VALUE OF INVESTMENTS (PRIVATE EQUITY) The investment portfolio includes unquoted private equity holdings valued by the fund manager. The valuation of private equity assets may be subject to a significant level of assumption and estimation and valuations may not be based on observable market data. In some cases, the valuations are provided at dates that are not coterminous with the pension fund's year end and need to be updated to reflect cash transactions (additional contributions or distributions received) since the latest available valuations. As a result, we consider there to be a significant risk that investments are not appropriately valued in the financial statements.	Year-end valuations for all private equity and underlying assets and fund valuations are as at 31 December 2015. Appropriate adjustments to reflect cash transactions (additional contribution or distributions received) between January and March have been made to the 31 December year-end position to bring the valuation in line with a 31 March 2016 close. All fund valuation confirmations agree to the accounts except for two which have overstated the investment balance by a net £198,000 due to errors in deriving the year end balances. This will be corrected in the next version of the financial statements. Although there will be no impact on the year-end investment valuation disclosed in the accounts, total distribution (sales) of £1.2 million from standard life funds was incorrectly classified. Management are currently reviewing the original transactions made in order to correct the treatment. Our work on translating the sales and purchases in to Sterling is currently ongoing.



KEY AUDIT AND ACCOUNTING MATTERS
Continued

ESTIMATES	AUDIT FINDINGS AND CONCLUSIONS
FAIR VALUE OF INVESTMENTS (POOLED INVESTMENTS) The fair value of funds (pooled investments) is provided by individual fund managers and reported on a quarterly basis. These funds are quoted on active markets. There is a risk that investments may not be appropriately valued and correctly recorded in the financial statements.	All direct confirmations have been received and agreed to the accounts with no exceptions. Our work in respect of agreeing the valuations to readily available data (such as Bloomberg), is in progress. No issues have been identified to date.
PENSION LIABILITY ASSUMPTIONS An actuarial estimate of the pension fund liability to pay future pensions is calculated by an independent firm of actuaries with specialist knowledge and experience. The estimate is based on the most up to date membership data held by the pension fund and has regard to local factors such as mortality rates and expected pay rises along with other assumptions around inflation when calculating the liability. There is a risk the valuation uses inappropriate assumptions to value the liability.	Audit work is in progress. To date we have identified a small number of disclosures that should be included in the accounts as set out in the CIPFA disclosure checklist. We have also identified some discrepancies between a number of the assumption figures disclosed in the accounts compared to the actuary report. Management is currently reviewing the disclosure checklist to ensure the correct disclosures are included in the next version of the financial statements and updating the disclosure to ensure figures agree to the actuary report.





KEY AUDIT AND ACCOUNTING MATTERS
Continued

FINANCIAL STATEMENT DISCLOSURES

Our views on the sufficiency and content of your financial statements' disclosures are set out below:

DISCLOSURE AREA	AUDIT FINDINGS AND CONCLUSIONS
ACCOUNTING POLICIES	There is no formal process or control over the review of investment management expense for private equity investments to ensure that changes are in line with the mandate of the fund manager. There is no process to review and accrue for estimated performance fees where fund managers year end is not conterminous with the year end of the fund. Where fund manager has not provided data for investment expense for the full year there is no process by management to determine or estimate the expense for the period not covered by the fund manager data. It has been concluded that because there are four quarters worth of expenses in the accounts at any time (albeit the first quarter relates to the final quarter of the last financial year), there is unlikely to be a significant difference between the amounts relating to the prior financial year the final quarter of the current financial year if it were to be accrued. Management has confirmed that the accounting policy will be updated to clearly state the period to which management fees relate.

OUTSTANDING MATTERS

We have substantially completed our audit work in respect of the risk areas identified for financial statements for the year ended 31 March 2016, and anticipate issuing an unqualified opinion on the financial statements if no significant issues are identified in the work that remains to be completed.

The following matters are outstanding at the date of this report. We will provide our final report to the Audit and Risk Management Committee in September 2016:

1 Completion of transaction testing in relation to benefits payable, transfers in and out and creditors.

2 Receipt of remaining bank confirmations from Lloyds Bank plc.

3 Review of the Annual Report to ensure the information is consistent with the financial statements.

4 Subsequent events review.

5 Management representation letter to be approved and signed.

CONTROL ENVIRONMENT
Significant deficiencies

We are required to report to you, in writing, significant deficiencies in internal control that we have identified during the audit. These matters are limited to those which we have concluded are of sufficient importance to merit being reported to you.

As the purpose of the audit is for us to express an opinion on the pension fund's financial statements, you will appreciate that our audit cannot necessarily be expected to disclose all matters that may be of interest to you and, as a result, the matters reported may not be the only ones which exist. As part of our work, we considered internal control relevant to the preparation of the financial statements such that we were able to design appropriate audit procedures. This work was not for the purpose of expressing an opinion on the effectiveness of internal control.

No significant control deficiencies have been identified.

APPENDICES

APPENDIX I: MATERIALITY

MATERIALITY - FINAL AND PLANNING

	FINAL	PLANNING
Pension fund overall materiality	£8,200,000	£8,200,000
Fund account specific materiality	£1,500,000	£1,500,000
Clearly trivial threshold	£160,000	£160,000

Planning materiality for the pension fund financial statements was based on 1% of prior year net assets. Specific materiality was set of 5% of prior year contributions for the fund accounts. The clearly trivial amount is based on 2% of the overall materiality level.

We had no reason to revise our final materiality level.

APPENDIX II: INDEPENDENCE

INDEPENDENCE - ENGAGEMENT TEAM ROTATION		
SENIOR TEAM MEMBERS	NUMBER OF YEARS INVOLVED	ROTATION TO TAKE PLACE IN YEAR ENDED
LEIGH LLOYD-THOMAS - Audit engagement partner	1st year	31 March 2021
KERRY BARNES - Audit manager	1st year	31 March 2026

APPENDIX II: INDEPENDENCE
Continued

INDEPENDENCE - THREATS TO INDEPENDENCE AND APPROPRIATE SAFEGUARDS
We have confirmed that we have not provided any non audit services. We are not aware of any financial, business, employment or personal relationships between the audit team, BDO and the Authority. We confirm that the firm complies with the FRC's Ethical Standards and, in our professional judgement, is independent and objective within the meaning of those Standards. In our professional judgement the policies and safeguards in place ensure that we are independent within the meaning of all regulatory and professional requirements and that the objectivity of the audit engagement partner and audit staff is not impaired. Should you have any comments or queries regarding this confirmation we would welcome their discussion in more detail.

APPENDIX III: FEES SCHEDULE

	CURRENT YEAR £	THREATS TO INDEPENDENCE ARISING	SAFEGUARDS APPLIED AND WHY THEY ARE EFFECTIVE
Scale audit fee	21,000	N/A	No safeguards required
Additional fee	-		
TOTAL AUDIT	21,000		
Audit related assurance services	-		
Other assurance services	-		
TOTAL ASSURANCE SERVICES	21,000		

APPENDIX IV: AUDIT QUALITY

BDO is totally committed to audit quality. It is a standing item on the agenda of BDO's Leadership Team who, in conjunction with the Audit Stream Executive (which works to implement strategy and deliver on the audit stream's objectives), monitor the actions required to maintain a high level of audit quality within the audit stream and address findings from external and internal inspections. BDO welcome feedback from external bodies and is committed to implementing a necessary actions to address their findings.

We recognise the importance of continually seeking to improve audit quality and enhancing certain areas. Alongside reviews from a number of external reviewers, the AQR (the Financial Reporting Council's Audit Quality Review team), QAD (the ICAEW Quality Assurance Department) and the PCAOB (Public Company Accounting Oversight Board who oversee the audits of US firms), the firm undertake a thorough annual internal Audit Quality Assurance Review and as member firm of the BDO International network we are also subject to a quality review visit every three years. We have also implemented additional quality control review processes for all listed and public interest audits.

We seek to make improvements and address weaknesses identified from both external and internal quality reviews. Where issues have been identified an action plan is put in place. These plans may relate to individual assignments, individual offices to be firm-wide and in each instance the outcome of these actions is subject to monitoring and have been the subject of our analysis of root causes. The actions may include, but are not necessarily limited to , one or more of the following:

- The implementation, where appropriate, of relevant training for the engagement team where the issue is team specific;
- The revision and production of additional guidance in connection with the firm's audit approach where we identify that an issue is more wide-spread;
- The development and delivery of firm-wide training;
- Amendments and/or enhancements to stream policies and procedures.

FOR MORE INFORMATION:

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