Public Document Pack

Finance Committee
APPENDIX PACK

Date: **TUESDAY, 19 SEPTEMBER 2023**

Time: 12.45 pm

Venue: **COMMITTEE ROOMS, GUILDHALL**

6. **PROJECT GOVERNANCE REVIEW – KEY FINDINGS AND PROPOSALS FOR NEW APPROACH**

Report of the Chief Operating Officer

For Decision
(Pages 3 - 110)

8. **CITY FUND AND PENSION FUNDS STATEMENT OF ACCOUNTS UPDATE**

Report of the Chamberlain.

For Decision
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9. **CITY ASSESSMENT CENTRE – PROCUREMENT STAGE 2 AWARD REPORT**

Joint Report of the Executive Director, Department of Community and Children's Services and the Chief Operating Officer.

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11. **CENTRAL CONTINGENCIES**

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12. **CHAMBERLAIN'S BUSINESS PLAN QUARTER 1 2023/24 UPDATE**

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13. **CITY RE LIMITED – PERFORMANCE MONITORING**

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15. **CHAMBERLAIN'S DEPARTMENTAL RISK MANAGEMENT UPDATE**

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20. **CORPORATE SECURITY SERVICES - PROCUREMENT STAGE 1 REPORT**

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Project Governance Review

City of London Corporation

Report from RedQuadrant

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1. Introduction

1a why are we doing the work (drivers for change and context)

In recent years the Corporation has undergone several changes and developments in its approach to project management. In 2018, the Costed Risk provision was introduced, as was the Project Management Academy, and a revised version of the Projects Procedure. This was then followed by the implementation of the new TOM, which was followed by a number of special arrangements, including the Investment Property Group (IPG) expedited process, the CLS schools' pilot, and the regular maintenance process.

However individually justifiable these changes and developments have been, the cumulative effect has been a fragmentation of approaches, with common practices within individual departments becoming inconsistent both with each other and with the City's Projects Procedure.

This inconsistency has given rise to numerous issues, as identified by the Corporation in the original review brief. As you recognise in that document, it has become necessary to ensure that official procedures and actual practice align with each other, and that both are in alignment with the best interests of the City of London Corporation.

The current approaches create risk for the Corporation, particularly in the following areas:

- The provision of consistent governance and oversight,
- The alignment of scarce resources to strategic objectives,
- Ensuring operational efficiency and effectiveness

Oversight is especially key here. The Corporation currently has no single or collective point of oversight for their projects, and no robust framework to help ensure successful delivery of those projects. This needs to be remedied if the Corporation is to make headway in addressing the other issues they face.

1b. What have we been commissioned for.

RedQuadrant have been commissioned to undertake a review of the Corporation's entire project ecosystem, including projects of all sizes, whilst recognising proportionality as a key principle. The objectives of the work were not to duplicate the scope of the recent Member governance review and therefore, the agreed Committee structure OPP sub- Project Governance Committee and Capital Buildings Board) will remain unchanged (other than potential recommendations to refine Committee terms of reference to include any changes necessitated by the final agreed operating model).

We were commissioned for a total period of 2 months and the work was broken down:

Stage A&B Initiation and Review
Stage C Develop and Enhance - including contact with parallel disciplines.
Stage D Finalise and develop implementation plan.
This report summarises the overall findings and recommendations emerging from this review.

An important point of clarification regarding this commission: as we discovered during the course of this review, there is a confusion of terminology embedded in the system that the Corporation is currently using. What the Corporation refers to as its existing "projects procedure" is in fact an amalgam of what the industry standard would recognise as a 'projects procedure' *and* an 'operational procedure', with the latter being concerned with business-as-usual activity. The industry standard terms as they appear in the APM glossary are as follows:

Business-as-usual	An organisation's normal day-to-day operations. Also referred to as steady state.
Operations management	The management of those activities that create the core services or products provided by an organisation.
Project	A unique, transient endeavour undertaken to bring about change and to achieve planned objectives.

Please note that RedQuadrant has (only) been commissioned to undertake a review of the Corporations *project* ecosystem, including its *projects* procedure. It has not been commissioned to undertake a review of the Corporation's operations procedure. Engaging with any aspect of this would have been squarely beyond the scope of our commission and therefore an inappropriate use of the allotted time.

During the course of this review, we have addressed the confusion of terminology in the Corporation's existing system, illustrated how to disambiguate 'projects' from 'business as usual', and explained the importance of doing so.

A natural result of all of this is that not everything which the Corporation is accustomed to categorising as part of their "projects procedure" is covered by the review or this report. This is not a failure but a feature. Again, we are illustrating what the appropriate boundaries of a project ecosystem are, which is the most valuable insight we can offer the Corporation.

1c. Anticipated benefits/objectives

The proposed portfolio management operating model stands to provide considerable improvements to the financial efficiency of the organisation. It offers consistency in the project delivery approach, which can lead to improved efficiency and reduced costs over time. It offers clarity, and therefore to improved alignment between project goals and strategic objectives, which can ultimately lead to better value for money. It offers flexibility, enabling the Corporation to respond more effectively to shifting market conditions and to opportunities, which can improve the overall value delivered by the portfolio. Above all, it offers the opportunity for continuous improvement, via a centre of excellence devoted to the continual refinement of the operating model, ensuring that the Corporation can continue to deliver value over time.

2. The current state

2a summary of approach and problem statements

The overarching issue is that the "projects procedure" as it stands acts as the core process for all activity in the Corporation, covering business as usual activity, projects, and major programmes. As such, it is not properly what the industry standard would call a "projects procedure" at all, but rather, an amalgam of a projects procedure and an operational procedure. This "one size fits all" approach has contributed towards some of the following issues, as identified in the original brief:

1. LOW THRESHOLDS. The existing threshold of £50k for capital projects means that any undertaking above that figure must be submitted to Operational Property and Projects sub-committee. This committee formed in May 2022 to take over what was formally the remit of three separate sub-committees. The sheer quantity of capital projects which fall above the £50k threshold has meant committee members facing agenda packs of more than 600 pages, plus supplementary pages. This is not conducive to efficiency. This issue is aggravated by the fact that the Corporation has an unsuitable definition of a 'project'.

2. AN UNSUITABLE DEFINITION OF A 'PROJECT'. The existing definition of a 'project' as anything that results in 'tangible physical deliverables' suffers from being simultaneously too wide (since e.g., procurement activities end up defined as 'projects') and too narrow (since resource based or change projects do not meet this definition of 'project'). On the one hand, this adds to the aforementioned problem of the overstuffed agenda packs. On the other, it excludes transformational activities or change projects from the usual capital projects procedures. Not only is it unclear how such projects (for they are *projects*) are to obtain funding, but it is also unclear how their associated business plans are to be subjected to appropriate scrutiny or their outputs evaluated. This contributes towards the problem of the Corporation's fragmented portfolio.

3. A FRAGMENTED PORTFOLIO. As we can see, the guidelines and procedures as they stand only capture conventional capital projects. They do not capture transformational activities or change projects. As a result, there is no central location which oversees *all* projects within the City and allocates effort and resources according to Corporation priorities. Project proposals which don't meet the existing definition of 'project' may thereby go unfunded or underfunded (despite meeting Corporation priorities). Alternatively, they may end up funded piecemeal without oversight, which risks accumulating hard-to-track expenditures for projects that do not meet Corporation priorities. The latter concern would be largely mitigated if there was a clear, agreed understanding of what decisions (budgetary and otherwise) lie within the remit of particular roles within the Corporation. Unfortunately, as things stand, there is a lack of clarity on project roles and responsibilities.

4. LACK OF CLARITY ON PROJECT ROLES AND RESPONSIBILITIES. Across the Corporation, there is an inconsistency in how key project roles are established, as well as a lack of understanding regarding the purpose of such roles. In such circumstances, it is easy for

Project Managers to either overestimate or underestimate the appropriate scope of their role. Current procedures focus on mitigating the former error, by pushing as many financial decisions as possible up the ladder. But underestimating the appropriate scope of the Project Manager's role carries serious risks of its own and in fact reduces the Corporation's capacity for effective assurance/risk management.

5. ASSURANCE/RISK MANAGEMENT. The greater the proportion of decisions put to the Committee, the greater the proportion of Committee time spent on operational issues and approving minor expenses. This in turn severely decreases the amount of time available to focus on the kind of strategic issues and oversight of risks, as well forcing under-developed business cases into funding assumptions too early. Delegating operational issues and decisions regarding minor expenses to Project Managers would address this issue. Unfortunately, as things stand, delegation to Project Managers is minimal, owing to the current structure of budget allocation and drawdown.

6. BUDGET ALLOCATION AND DRAWDOWN: As things stand, delegation to Project Managers is minimal. They must seek Committee approval to access (already approved) project budgets, even for low-value sums. They cannot move project funding across workstreams, within the same project, without seeking Committee approval first. Project Managers experience these restrictions as disabling, as a barrier to effective and agile management of operational risks. The status quo frustrates Project Managers even as it exhausts the Committee.

3. The approach to the review (what we have done)

3a. How we have engaged with stakeholders on journey

In approaching this review, we have drawn on our understanding of a range of industry standard approaches, including portfolio management, as well as on our considerable practical experience of delivering portfolio management frameworks. This has enabled us to de-risk the required changes, and to tailor our approach and recommendations to your specific context.

It should be noted that our engagement with the original project team was interrupted by a team change at the Corporation, which occurred partway through the project. This has resulted in a situation where the new members of the Corporation team are still getting up to speed with the required changes as RedQuadrant's involvement draws to a close. Whilst this is less than ideal, we are confident that the clarity of our recommendations, in combination with the consistent team leadership provided by Genine Whitehorne will suffice to ensure that the programme retains the necessary momentum.

Over the past few weeks (with a total of 2 months allocated to the project), we have conducted the review in the following stages. Prior to the start of each stage, we have engaged with the Corporations project team and SRO to discuss, refine, and agreed both the approach to the stage work plans and the key deliverables/outputs required at the end.

Stage A: Initiation; and B: Review and evaluate current designs.

The initial desktop phase of the process was of necessity a short one. It was further constrained by the need to be mindful of morale. Owing to the recent TOM and the governance review, the Corporation has experienced a number of significant changes in a very short period of time, some of which have been difficult and stressful. As a result, there was an understandable level of change fatigue amongst stakeholders, a reluctance to re-visit and discuss issues which may have already been discussed in relation to the TOM. Therefore, in order to minimise any negative impact on morale and thus maximise stakeholder engagement with the project, we focused our attentions on validating assumptions from the initial brief.

Our initial review was completed through engagement interviews and document review. We engaged with the following relevant stakeholders:

- Staff in project operational roles,
- Staff in governance roles,
- The PMO, and
- Senior Stakeholders

We made use of their insights in order to:

- understand and assess the current expectations of service delivery,
- identify and conform the specific requirements for the Corporation, and
- understand the current context for this project (including ambitions for the future),
- confirm non-negotiables.

We began by arranging a number of focussed sessions with sample representatives from a cross section of the organisation's ppm community. We conducted 1:1 engagement/ workshops with stakeholders at all levels. This included:

- Representatives from both the Corporate PMO and the Major Projects PMO,
- Representatives from the Corporate and Major Projects Programme,
- Project Managers from the following directorates:
    - Environment,
    - Surveyors,
    - Community and Children's Services

Our samples therefore reflected the breadth of specialisms and experience within the Corporation, placing us in the best possible position to understand concerns and to suggest improvements.

We took a blended approach, based upon a number of industry benchmarking standards, to support our independent evaluation and to use as a guide in conducting stakeholder interviews. In particular, we made use of the following tools:

- P3M3 - A self-assessment questionnaire designed to explore and evaluate an organisations maturity and process capability with respect to, programme and project management.
- Infrastructure and Project Authority's (IPA) Project Routemap - A support tool which provides practical advice based on learning from other major projects and programmes.

The themes we explored were as follows:

Themes	**Description**
1. Requirements	Delivering strategic project outcomes and realising the benefits
2. Governance	Establishing clear accountability and empowering effective decision-making
3. Organisational design and development	Organising the project team to deliver successfully
4. Risk Management	Managing uncertainties and opportunities
5. Delivery planning	Readying the project for transition into delivery

Stage C: Develop and enhance design.

During this stage, we focussed on identifying the Portfolio management operating model which would work best for your organisation, and how it would connect with your existing assurance processes.

As with the initial desktop phase, it was necessary to be considerate regarding stakeholder sensitivities arising from the recent work on the TOM. Therefore, it was agreed that the scope of this phase should be focussed on the 'to-be' model, rather than the more in depth 'as is' processes, with this knowledge being provided by the Corporations project team members. It was also agreed that we would revise our initially planned scope for stakeholder involvement in this stage. The original intention was to establish working groups of subject matter experts and wider stakeholders in developing the building blocks for each of the identified deliverables. This was revised to a mixture of smaller focussed groups. 1:1 sessions and workshops in relation to each deliverable.

We also worked in parallel with the Chamberlains Transformation programme to understand key dependencies between the two work strands and ensure that these are captured in our recommendations.

The following list represents the key deliverables, or building blocks for which the revised approach, outputs and stakeholders were agreed prior to commencement:

1. Portfolio Definition – new operating model
2. Portfolio Delivery (defining good governance for projects and programmes)
    2.1. Roles and Responsibilities
    2.2. Governance, Assurance and Risk Management – Links to Chamberlains Transformation
    2.3. Definition, Categorisation and Tiering (to support portfolio prioritisation)
    2.4. PPM Systems and Reporting
3. Skills and Capability – analysis
4. Community of Practice – options
5. PM Academy – funding options

(Our recommendations regarding each of these deliverables is explored in depth in section 5, below.)

We designed the blueprint for the above building blocks based on industry standards, and incorporated strong links with:

- MoP, the Portfolio Management Framework developed by the Cabinet Office,
- The IPA Routemap
- Government functional standards (which incorporate best practice Prince2 and MSP) for:
    - The Project Delivery framework,
    - The Project Capability framework.

Additionally, we worked alongside the Chamberlains Transformation programme and drew on lessons learnt from working with similar public sector organisations when making recommendations for a proposed Scheme of delegation, Costed risk.

The requirement for a summative report with recommendations on future design was merged into the next stage activity.

D) Finalise design and plan implementation

We have worked to finalise the design of the Portfolio management operating model into Blueprints templates and provided extra supporting information in the form of guidance, and tools.

1. Produce finalised design documents.
2. To engage with senior leaders to brief them on the future portfolio operating model.
3. Develop blueprint plans for adopting the new operating model with associated implementation timeframes.

We have presented our findings and recommendations on the proposed new Portfolio Operating model and enhanced Project and Programmes delivery cycle through a number of engagements with Senior Stakeholders, Project managers and to the PLG and Corporate Projects Board.

Coming to the end of our engagement, we have been introduced to the Corporations project team working on the Net Zero Climate strategy. Through a number of engagements, we have briefed them on the changes to the Portfolio, programmes, and projects processes (Portfolio Ecosystem) which align to government functional standards that we have recommended. In addition to the, proposal to introduce more structured feasibility assessments (overseen by the Portfolio Board) which would include a number of impact assessments and the new Gateway Review process based on IPA (OGC) guidelines.

Finally, we have developed this summative report of our findings.

4. Our findings

4a. What works well.

We found significant strengths within the organisation which provide a foundation upon which to build. Above all, it's clear that you have dedicated and capable staff. Our survey showed a good level of project management skills and capability within the organisation, and most of the respondents would welcome career development at the City of London Corporation. This makes them an excellent workforce base to develop. Also demonstrative of the strength of the workforce is the excellent engagement we saw in the workshops and the 1-1's. Staff are clearly keen to give their views in and suggestions to improve the project management process. This is indicative that you can expect positive ongoing engagement during implementation, which is a very positive sign.

We also found useful examples of best practice within the organisation. Notably, the IT department has strong project and programme management practices, which could serve as a blueprint for further development in other areas of the organisation. Furthermore, all Stakeholders had a high opinion of the Project Management Office, agreeing that they were responsive and knowledgeable.

4b. What requires improvement

We have categorised our findings by area, but also indicated how each of the findings connects to the issues identified in the initial brief and discussed in Section 2. This should indicate the systematic nature both of the issues themselves and of our proposed solution.

1. LOW THRESHOLDS
2. AN UNSUITABLE DEFINITION OF A 'PROJECT'
3. A FRAGMENTED PORTFOLIO
4. LACK OF CLARITY ON PROJECT ROLES AND RESPONSIBILITIES
5. ASSURANCE/RISK MANAGEMENT
6. BUDGET ALLOCATION AND DRAWDOWN

- **Strategy and vision** – there are inadequate or inconsistent processes in place for project selection, prioritisation, and resource allocation. There is an overly broad definition of 'project' and no clear and consistent framework for ensuring that there is distinction between programmes and projects (2), and that these are systematically prioritised to deliver the greatest benefits against strategic objectives. (3, 5).
- **Governance and oversight** – Governance responsibilities are disproportionately placed with Members rather than Officers. Insufficient delegation to Officers, coupled with a lack of clarity on project roles and responsibilities, has led to projects requiring additional oversight to compensate. This is a vicious cycle, which leaves Officers without the necessary powers, and Members without the necessary time, to do their respective jobs effectively.

  However (as we shall explore later in 'Recommendations') such ongoing oversight as is required need not be provided by the Members themselves, but could instead sit with a Portfolio Board, whilst accountability for delivery of individual projects and programmes remains within Service Areas/ Directorates. Delegating decision making in this way would allow SRO's and PPMs to follow a more comprehensive framework, that supports all key activities associated with delivery. Meanwhile, relieving Members of the additional scrutiny of projects responsibility of project enabling them to take a more strategic perspective, and thereby strengthen the Corporations strategy and vision. (1, 2, 3, 4, 5, and 6).

- **Management and capability** - The Corporation requires a deeper understanding of best practices for project and programme management, and to develop capability and skills particularly in the latter. This lack of consistency in the way that projects are managed, as well as to limited or unclear processes for project and programme governance, risk and assurance and benefits management is further exacerbating the issues identified.

  All Stakeholders agreed that the PMO were responsive and knowledgeable and would welcome a more proactive approach from them through all phases of the project lifecycle. However, both the Corporate PMO and MPPMO are currently wholly under-resourced to achieve this. It stands in need of investment in order to enable it to effectively support the whole organisation and provide the full breadth of a PMO service offering.

  Part of the issue is the inappropriately broad definition of 'project', which has led (for example) to Members receiving project reports for the purchase of vehicles or pianos to replace existing assets. However, capacity within the PMO is limited not only by the volume of projects, but also by the scope of reporting, a lack of delegated powers, and a lack of clarity regarding the scope of some roles (1, 4). The PMO are currently unable to report on interdependencies between projects or to present an holistic view of projects across the current Portfolio. The impact of this is to limit the Corporation's capacity for an overall strategic vision.

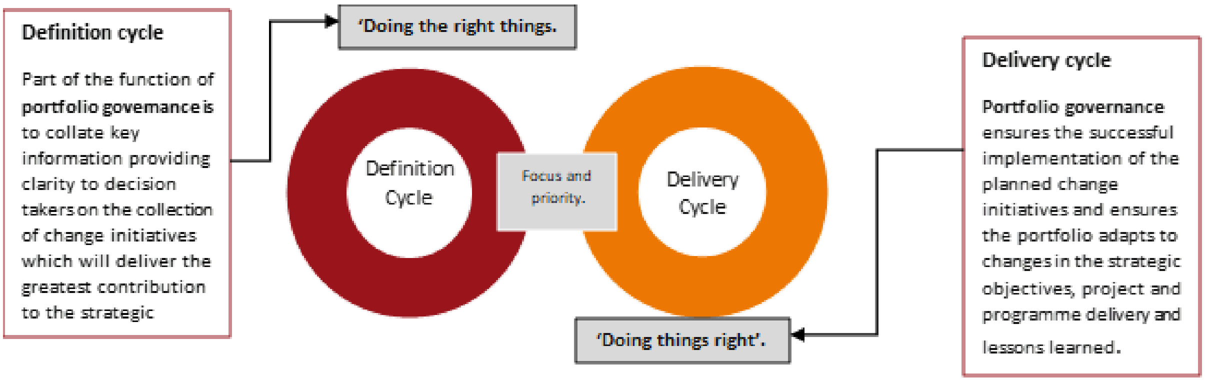
  Proper risk management requires a clear connection between project approval and finance approval. As things stand, there is a disconnect between the two, and notable variation between individual projects, with some going directly to the town clerk's office for approval, instead of following the routes articulated in the project's procedure (1, 3, 4).

  The Corporation's capacity for risk management is also affected by the disproportionate amount of time spent on operational issues and approving reports for nominal sums, rather than more strategic issues and oversight of risks. The cause of this is the high number of reports submitted to the Committee, which is itself caused by the inappropriately broad definition of 'project'. The overall effect is to force under-developed business cases into funding assumptions too early.

  There is a corresponding problem with establishing programmes of work. All activity is classified as a project, which means the Corporation is not making best use of industry standards that would support revenue/ transformation change programmes and the inherent processes which for example emphasise tracking benefits management. Assessing these benefits requires drawing out a clear connection between activities and intended outcomes which a project management approach does not emphasise. Stakeholders we interviewed agreed in general that tracking benefits and lessons learned is not routinely carried out beyond gateway 6, and often not within a project (should be a programme). Whilst capacity was cited as a barrier, most stakeholders were keen to be able to do this.

5. Our proposed model

5a. Summary overview of how it works.



At the core of our recommendations is the implementation of a Portfolio Management Framework, which consists of two portfolio management cycles: portfolio definition (structures and functions) and portfolio delivery (good governance for project and programme delivery). This Framework can be applied to the totality of the Corporations investment portfolio, capital, and revenue projects.

The implementation of this framework will break down silos in the organisation and promote a more integrated and streamlined project delivery process. It will also ensure that the portfolio aligns with organizational strategy and goals, and that interdependencies, benefits, and risks are identified and managed. The proposed approach also suggests organising work into sub-portfolios, which can help to ensure that BAU and cyclical work are not subjected to unnecessary ppm controls, thereby improving the efficiency and effectiveness of portfolio management overall.

It is important to note that a Portfolio Management Framework is more than the adoption of a new delivery standard. It is a total transformation that requires a change in culture, mindset, and processes across the organisation. Whilst the proposal to adopt a portfolio management framework is the right direction of travel for the organisation, it is essential to recognise the substantial gaps that need to be addressed before embarking on this journey fully.

This transformation needs to begin by establishing a set of consistent practices and processes, which are essential to successful portfolio management, and which are currently lacking in the Corporation.

We therefore recommend an incremental approach to building out the foundational elements of good portfolio management practice. This approach can help the organisation to address the gaps identified in the design phase of the review teams work and gradually implement best practices over time. The speed and efficacy of this process will depend on the organisation's resources, capacity, and change appetite. It is essential to have a clear understanding of these factors before embarking on the journey fully. Low change appetite within the organisation can be a challenge, but it's not insurmountable. It will be crucial to communicate the benefits of portfolio management and the need for change clearly to build support for the initiative and increase the organisation's change appetite over time.

There are two major forms of change being proposed for the current project's ecosystem.

- Changes to supporting structures and functions: The introduction of a Portfolio Board, Office, and EPMO (fully resourced), and clarification of roles and responsibilities across different stages of project delivery.
- Procedural changes: Changes to processes related to finance and risk management, definition, categorisation, tiering, reporting, roles and responsibilities, toolkits with standardised templates such as updated Business Cases based on industry best practice, systems, and a new gateway assurance process.

Making changes to the way that project and programmes finance is managed, in connection with the proposed changes in the Chamberlain's transformation process, will mean that risk tolerances will be set and agreed, and funding will be available for more detailed feasibility studies to improve the accuracy of business cases. See annex three for more details.

Both of these forms of change represent a substantial shift in the current operating model of the project ecosystem. The structural changes will result in more centralised oversight and coordination of projects within the portfolio, with greater emphasis on strategic alignment and ensuring quality. The procedural changes will result in more consistent and standardised processes for managing risk and assurance across all projects and programmes within the portfolio. This will be facilitated by the EPMO and the use of ppm methodologies as appropriate, in simple terms governance for projects v programmes, capital v revenue, appropriately scaled.

It will be important to carefully plan and communicate these changes to all stakeholders to ensure that they are properly understood and implemented. It will also be important to provide training and support to staff to upskill them in the new ppm processes and practices. Additionally, ongoing monitoring and adjustment will be necessary to ensure that the processes are effectively implemented and deliver the expected benefits.

To help implement and support these changes, we recommend that the Corporation look to develop a centralised portfolio management office. This centralised office will be in a position to provide oversight and coordination for the portfolio of work, and to develop clear definitions, processes and principles for program and project management, risk management and delivery management. The establishment of this office should be regarded as a medium to long term goal. In the short to medium term, we recommend that the Corporation lay the necessary foundations required in advance of setting up this new office.

Later in this report, we will provide step-by-step guidance for a programme of incremental improvements, each of which will have an immediate positive effect as well as cumulatively preparing the Corporation for the end goal of a centralised portfolio management office. Firstly, however, we will go through a fuller explanation of the portfolio management approach and offer an account of how this approach will benefit the Corporation.

Note that whilst the Portfolio Management Framework can make drastic improvements to the current project ecosystem, its success will rely on changes to the underlying operational changes for instance how BAU activity will be managed once de-coupled from the 'Portfolio ecosystem' as well as cultural and environmental. This work should be considered as a part of a broader transformation effort that addresses not only the current project ecosystem and BAU operational and approval processes but the organisation as a whole e.g., Members commission feasibility assessments/ business cases prior to confirming a project/programme decision on activity. This transformation will require leadership (Officers and Elected members) to come together provide a clear vision and engage employees in the change process to ensure a successful outcome.

Why - Portfolio management

Portfolio management enables organisations to review all work programmes as a whole, developing a deeper understanding not only of their individual functions but also their interdependencies. By understanding the causal interrelationships between different areas of the organisation, senior leaders are able to make far more informed and effective decisions regarding the prioritisation and sequencing of work. They are able to align their projects, programs and initiatives with their strategic objectives and goals by selecting, prioritising, and managing the right mix of projects and programs that deliver the most value.

Portfolio management relies on the implementation of a management framework, which defines how the portfolio should be directed and managed. A portfolio management framework consists of a coordinated collection of practices which, when applied together, enable the most effective balance of organisational change and business as usual, while remaining within a specific funding envelope.

The coordinated collection of practices includes:

- *Agreed roles and responsibilities* for portfolio management, enhancing understanding of *who* will make *what* decisions and *when*.
- *Agreed overarching policies and practices regarding*:
    - Governance
    - Risk management
    - Assurance
- *Agreed applied processes* for:
    - Project selection,
    - Prioritisation,
    - Resource optimisation,
    - Performance measurement,
    - Regular portfolio reviews

We can think of this as the *who*, the *what*, and the *how*. Who is responsible for making the decision? What high-level organisational strategy and goals should inform that decision? How can we best ensure success? The ability to answer these questions is key to effective portfolio management.

How this approach will benefit the City

As things stand, there is a fragmented approach to managing the portfolio of projects across the Corporation, with transformation or change activities excluded from procedural guidelines. Whilst our findings show there are structures in place which could support such activities, they are hampered by one or more of:

1. resource (Corporate PMO and MPPMO) capacity issues,
2. unclear definitions of ppm activity,
3. low thresholds,
4. lack of delegation,
5. lack of portfolio expertise to fulfil this type of function effectively.

This in turn is preventing the development of oversight of all projects within the City and hampering its ability to adequately track and scrutinise the weight or effort of resource apportionment against Corporation priorities**.**

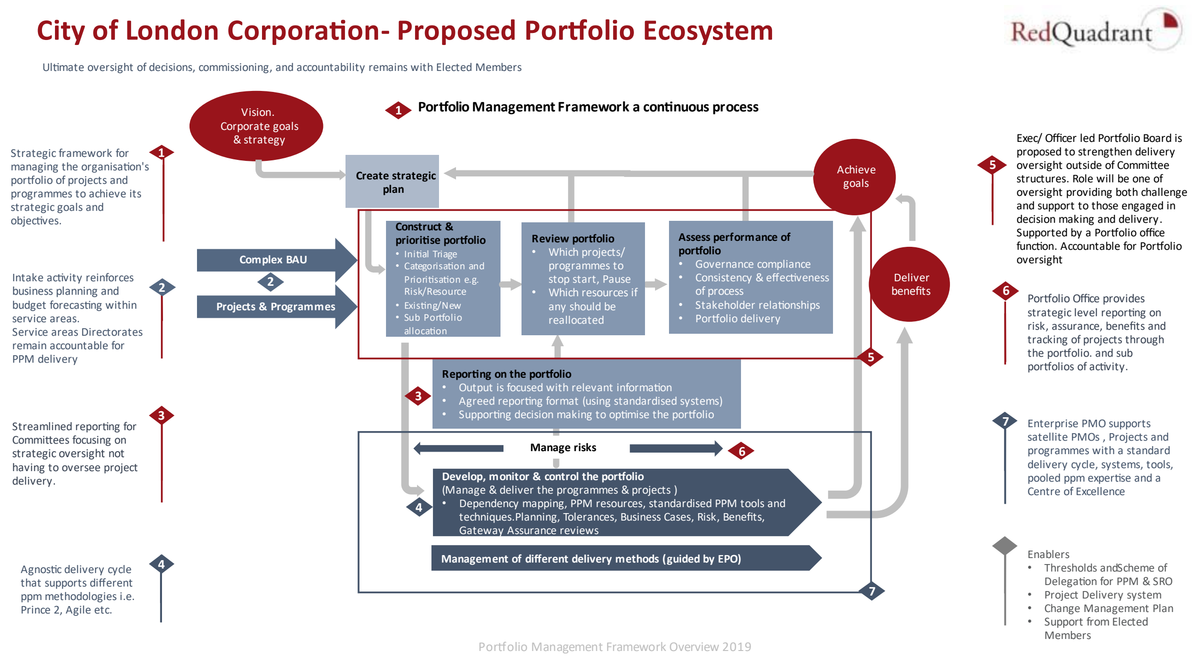
Implementing a Portfolio Ecosystem in the City will help to address the specific weaknesses in the current project governance structure, improving the City's ability to:

1. Deliver projects and programmes effectively and efficiently (e.g., delivering specified outputs to time and cost),
2. Deliver outcomes through projects and programmes, including 'hard' outcomes such as capabilities delivered through equipment or infrastructure as well as 'soft' outcomes delivered through changes in behaviours and cultures,
3. Align its change activities with its objectives,
4. Avoid over-committing to change, and thus risking failure both in the change process and in the delivery of Business as Usual (BAU).

5b. Proposal and Recommendations - structure and processes needed to make it work.

Portfolio Definition – Operating Model

Our recommended operating framework consists of the following elements:



Also see annex Figure 1 and 2

The Portfolio operating model recognises and emphasises the important role of Elected members in providing ultimate oversight of decisions, commissioning, and accountability. By reducing their involvement in micromanagement of project delivery, Elected members can focus on setting strategic priorities, identifying new opportunities, and ensuring that the Corporation is moving in the right direction.

1. **Portfolio Ecosystem** - Proposed operating framework provides a structure for aligning and prioritising projects, allocating resources, and monitoring progress and outcomes. It does not for example assign projects such as engineering/ infrastructure etc but seeks to centralise PMO activity whilst recognising the different delivery methodologies required.
2. **Intake activity** reinforces business planning and budget forecasting within service areas. Cyclical/Routine BAU activity would not be managed through this process, although stakeholders have indicated that more complex BAU would benefit from additional project governance to support delivery.
3. **Streamlined reporting** for Committees focusing on strategic oversight. This implies that Programme board level delivery oversight is managed by Officers and not by Service Committees.
   Reporting will need to be designed agreed with wider stakeholder involvement and standards of reporting templates agreed.
4. **Enhanced project and programme delivery** practices. Is describing an agnostic and enhanced delivery cycle (aligned to government functional standards for ppm delivery) it supports different ppm methodologies i.e., Prince 2, Agile and should be determined by the

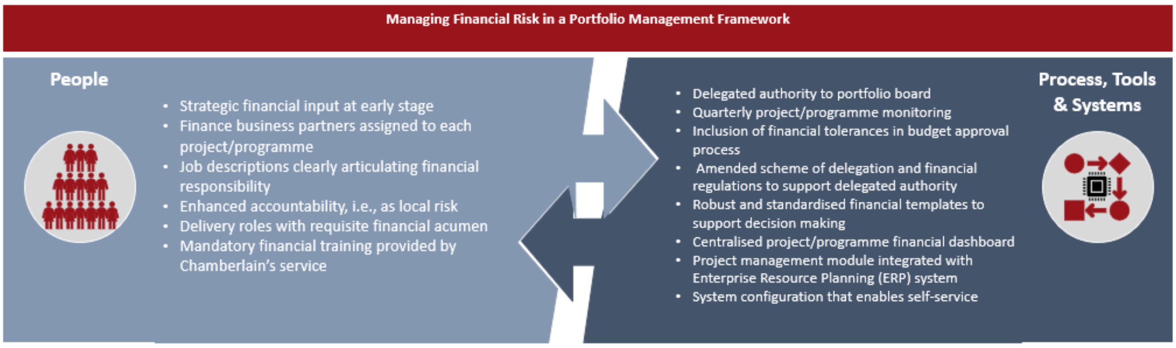
nature of the programme or project. The Enterprise PMO should look to define what these methodologies will be.

5. **Portfolio Office** provides strategic level reporting on risk, assurance, benefits and tracking of projects through the portfolio. and sub portfolios of activity.
6. **Officer led Portfolio Board** is proposed to strengthen delivery oversight outside of Committee structures. Role will be one of oversight providing both challenge and support to those engaged in decision making and delivery. It will be responsible for managing Portfolio operations but accountability for delivery remains with individual departments or service areas.
7. **Enterprise PMO** supports satellite PMOs, Projects and programmes with a standard delivery cycle (new project and programme management processes), systems, tools, pooled ppm expertise and a Centre of Excellence

The models also require the **definition of sub-Portfolios of work**. There are a number of approaches, to achieve this but it will be down to the organisation to select the most appropriate one. Examples include alignment of sub-Portfolio to the top 5 strategic objectives, alternatively these sub-Portfolio could be aligned thematically. It helps to frame the definition of sub portfolios in terms of the management information requirements of the organisation.

By defining the sub-portfolios, it will **support project and programme selection and prioritisation**, and allow for clear and measurable objectives and ppm goals to be defined. This will ensure that the portfolio remains aligned with organisational strategy and goals and that resources are used efficiently. Regular review and performance measurement will help to identify areas for improvement and ensure the portfolio remains aligned with organisational strategy and goals over time (vis the Portfolio Office and Portfolio Board functions).

The project governance review was preceded by a process improvement project in the Chamberlain's service that also included recommendations for the management of financial risk; and the dependencies between the two activities. These have been incorporated into the proposed portfolio management operating model.



Benefits and outcomes

Proposed Benefits (to the operating framework as a whole)

- A clear structure for decision-making, communication, and reporting across the organisation, ensuring that all stakeholders are aware of the portfolio's objectives, progress, and performance.
- Clear processes around definition and categorisation, allowing BAU/Low value activity to be filtered out of the Portfolio and new projects and programmes processes at the initiation stage.
- Projects and programmes can be prioritised effectively.
- The opportunity to create a Portfolio Board, with clear terms of reference, and the authority to recommend stopping projects.
- Central oversight of the Portfolio pipeline enables clear visibility of strategic alignment, risk profile, resource management and dependencies.
- Streamlined, transparent, evidence-based decision-making.
- Merge funding and project /programme approvals allowing for faster turnaround time for decisions to be made and funding to be released.
- Improved information flows, allowing governance bodies to be proactive, and to make decisions to delay or desist actions, or to recommend interventions.
- Consistent, effective delivery of projects and programmes in line with Government Functional Standard

During implementation the activities within each stage will need to be refined, e.g., level of delegated authority and decision making that the proposed Corporate Portfolio Office structures are allowed. This may for instance include changes to the TORs of the OPP committee once reviewed against the proposed TORs of the Portfolio Board.

Key Changes Required

The proposed changes to supporting structures and functions are as follows:

Officer led Portfolio Board to be established, reporting to the Town Clerk.

We propose the creation of a Portfolio Board, supported by a Portfolio Office. This will strengthen delivery oversight outside of Committee structures. These central oversight functions will coordinate delivery, strategic reporting and monitoring, assurance, risk, and investment.

The Portfolio Boards proposed remit:

- Their role will be one of oversight providing both challenge and support to those engaged in decision making and delivery.
- The Board will exert its influence through the gateway review processes, which overlay project and programme management practices, and which are aligned to portfolio management.
- The Board will have a mandate to recommend stop/ pause/ rejection of ppm activity.
- The Board will make recommendations on investment decisions.

- The Board will provide (through the Portfolio Office) an Initial project filter, implemented prior to member oversight, that ensures that only projects that are likely to be feasible are accepted.
- Capital funding to be ringfenced for general pre-feasibility and feasibility activities, and will sit with the portfolio board, enabling them to maintain central oversight and to support alignment to strategic objectives. The Board would make recommendations on new proposals after completion of these activities.

The **Portfolio Board** works in the space where corporate objectives and delivery processes meet. Its function is to maintain awareness and alignment. There currently exists a corporate level projects board, which has tried to undertake some of the functions described above. This could be requisitioned to form an early-stage Portfolio Board. However, Service Areas / Directorates will remain accountable for project or programmes delivery.

Portfolio Office and Enterprise PMO (as the Hub to satellite PMO's in the Corporation and Institutions)

Current

The Corporate PMO and MPPMO are made up of two full time staff each, who are not in a position to provide the full range of services normally associated with a PMO. Additionally, there are a number of additional PMOs that operate across the Corporation acting independently of each other.

We propose the establishment of a common approach to portfolio management via a centralised portfolio management office which will consist of the office supporting the Portfolio Board and the enterprise level PMO.

The Portfolio Office will help the Portfolio Board make decisions by providing it with an accurate and detailed view of progress against the strategic objectives. It will administer the Portfolio Board processes, and coordinates activity with other Boards.

This function does not exist and would require investment.

Enterprise level PMO (EPO): As part of this Portfolio Office structure, there would be a central EPO function. This function will manage the front-end delivery cycle, which projects and programmes will follow.

- This enterprise level PMO will function as the Centre for all other PMOs within the organisation, encompassing both the Corporate and the Major Programmes PMOs. As part of implementation, it is recommended that an assessment is made to determine the number and specific function of all the PMOs that exist within the Corporation, with a view to merging these under the Enterprise Level Office. Institution PMOs are excluded from and suggestion of a merger in implementation. They would instead function as spokes to the main Hub EPO. (There may be value in undertaking a cost/benefit analysis of this in the future).

- The EPMO will set the standards for ppm delivery, provide tools, templates, and guidance, and administer alignment to the new project and programme management delivery standards, through the articulation of a service catalogue.
- Within this structure there will be a pool (permanent / temporary) of delivery experts. Their initial function will be to build the Portfolio management framework, but in the longer term, the EMPO will be comprised of an internal staff of delivery experts.
- This office would also house a Centre of Excellence Function, focussed on improving the City's in house ppm capability and capacity, and managing the evolution of the inhouse Project Academy/ or other training and development functions in coordination with Learning and Development functions within the Corporation.

This function does not exist and would require investment. Currently only one individual remains in the Corporate PMO, and this is insufficient to meet the Corporation's ongoing needs. There is also an Interim Head of Strategy/PMO to manage the development of this function.

Portfolio Delivery - enhanced projects and programmes processes

Current

Based on our analysis, the current project procedure has several limitations and weaknesses and does not meet the needs of all stakeholders involved in the project and programme delivery process. As previously indicated from stakeholder feedback it is felt that the current process/gateways add unnecessary governance for what should be routine BAU activity. The procedures focus is on construction projects, and the restriction to capital projects between £50k-£100m, creates limitations for other types of projects and creates inconsistencies across the Corporation. Some but not all of these issues are contributing to inconsistent project practices across the Corporation. It should be noted that there are some areas within the Corporation that have strong ppm standards, but feedback suggests that by and large the lack of clarity around the project's procedures, in terms of gateways, as well as the number of committee approvals required, ultimately detracts from the efforts of 'getting on with the job'.

The current projects procedure also has significant issues with the Gateway process. The lack of clear governance roles, and the absence of an assurance process, are causing excessive scrutiny of low value/BAU activity. This leads to an onerous and cumbersome process for those involved. The Gateway documentation is not proportionate, which results in key documents being submitted on non-standard templates, which is aggravating the difficulties with the process. There is also confusion about who is responsible for supporting the Gateway process and maintaining standards, which is further complicating the situation.

Proposed

We propose that the Corporation adopt a more up to date holistic ppm delivery framework, that is agnostic of methodology, and fit for providing appropriate and proportionate governance across projects and programmes. It should be flexible, risk-aware, and stakeholder-focused, and should provide clear and effective communication channels. It should also provide a standardised framework for ALL projects and programmes, and set out a consistent, repeatable process for delivery.

Recommendations

- Separating BAU activity from the new Portfolio Ecosystem and adopting standards of project and programme management aligned to industry standards will support the Corporation in addressing key issues with the current project procedure and Gateway process. Alongside the other recommendations (see Chamberlains Transformation review) This will help streamline the ppm delivery processes overall.
- The enhanced ppm process would apply to ALL projects and programmes across the Corporation, as part of the new Portfolio Ecosystem. It would ensure that Officers are empowered to effectively manage the projects they are responsible for, and to take prompt decisions to manage operational risks. It will also ensure that they are enabled by corporate systems and financial processes, as the Corporation develops a more streamlined, joined-up process focussed on the needs of Project and Programme delivery teams.
- The proposed changes should also help to increase the visibility of strategic alignment, risk profile, resource management, dependencies, finance, benefits, and consistent quality of delivery. By aligning with government functional standards for ppm delivery, which themselves align with a Portfolio Management framework, the Corporation could ensure that it is following best practices in the field and achieving the highest standards of project and programme delivery.
- In conjunction with the Portfolio office, the enhanced projects and programmes process will facilitate regular aligned ppm reporting into corporate boards on the current status of initiatives, risks, issues, dependencies, progress against key targets, deliverables, and benefits. Details of further enhancements can be found at Annex 7.

Proposed Benefits/ Outcomes:

- The new process would apply to ALL projects and programmes across the Corporation, ensuring increased visibility of strategic alignment, risk profile, resource management, dependencies, and finance, as well as putting more effective controls in place to ensure quality of delivery.
- The Corporation would have an up to date and industry best practice approach to delivery.
- The Corporation would build core competencies within project and programme management teams and provide opportunities for career development.
- Project closeout would be better facilitated. There would be a clear handover to the business receiving the change, a consistent financial closeout process, and lessons learnt.
- A clearer project definition, along with an initial project filter developed prior to member oversight, will ensure that only projects that are likely to be feasible are accepted.
- Project and Finance approval would be brought together (see Chamberlains Transformation Recommendations) and through the new Business Case process.
- An improved and integrated assurance process based on the 3 lines of defence model including adopting a new Gateway process as defined in annex 3. (These assurance enhancements through a revised gateway process can also incorporate additional checks against other Corporate ambitions such as the Net Zero Strategy).

Key changes required.

Listed below and described in more detail in section seven.

Recognising that BAU activity is no longer part of the Portfolio ecosystem and subject to new project and programme management processes (exception being complex BAU to be agreed as part of implementation activity). There are two major changes being proposed for the current project's Ecosystem:

Firstly - The introduction of a Portfolio Board, Office, and EPMO, with clarification of roles and responsibilities across different stages of project and programme delivery. Alongside the financial recommendations aligned with the Chamberlains Transformation project this would bring in new delegations and approval routes,

Furthermore, making changes to the way that project and programme finance is managed, in connection with the proposed changes in the Chamberlain's transformation process, will mean that risk tolerances will be set and agreed, and funding will be available for more detailed feasibility studies to improve the accuracy of business cases, and long-term ppm budget and finance reporting.

Secondly - Changes to processes related to finance and risk management, definition, categorisation, tiering, reporting, roles and responsibilities, toolkits with standardised templates such as updated Business Cases based on industry best practice, systems, and a new gateway assurance process.

Both of these changes represent a substantial shift in the current operating model of the project ecosystem. The first change will result in more centralised oversight and coordination of projects and programmes within the portfolio, with greater emphasis on strategic alignment and ensuring quality. The second change will result in more consistent and standardised processes for managing risk and assurance across all projects and programmes within the portfolio. This will be facilitated by the EPMO and the use of ppm methodologies as appropriate, in simple terms governance for projects v programmes, capital v revenue, High risk vs low risk, appropriately scaled.

It will be important to carefully plan and communicate these changes to all stakeholders to ensure that they are properly understood and implemented. It will also be important to provide training and guidance to staff to upskill them in the new processes and procedures. Additionally, ongoing monitoring and adjustment will be necessary to ensure that the new practices are effectively implemented and deliver the expected benefits.

Overall, these changes represent a significant transformation in the current project ecosystem and will require a thoughtful and deliberate approach to implementation. With the right planning, communication, and support, the Corporation could ensure that it is following best practices in the field and achieving the highest standards of project and programme delivery.

5c. Benefits of the structure and how it mitigates problem statements.

The ultimate benefit is to support the aim of the corporate plan: 'to strengthen the character capacity and connections of the city, London and the UK for the benefit of people who live, learn, work and visit here'. Implementing the suggested framework will ensure the City Corporation is justifiably confident that their projects and programmes represent best value and deliver the intended benefits for stakeholders.

The goal of Portfolio Management is to align the Corporation's resources and initiatives, enabling it to achieve its strategic goals. It involves the continuous evaluation and optimisation of the portfolio of projects, balancing investment, and risk across the Portfolio. Programmes and projects to deliver the desired outcomes, ensure effective use of resources and manage risk.

The implementation of a Portfolio Ecosystem, as proposed, would provide the necessary framework and support to manage the portfolio effectively. This will help ensure that the sum of the parts of the Corporation's portfolio of work delivers the desired outcomes, and allow for adaptation if priorities, desired outcomes, available resources, or delivery context change. It would also make it possible to compare individual projects and see them as part of a bigger picture.

The Portfolio Ecosystem will empower officers to effectively manage the projects they are responsible for. They will have the necessary autonomy to take prompt decisions and manage operational risks, whilst being properly supported by corporate systems and financial processes.

It will therefore ensure that Members are able to focus on strategic issues and areas of high risk and/or value, confident in the knowledge that lower risk/value projects are well managed, and that an effective assurance framework exists to identify any potential issues or risks.

Our recommendations clarify the role of the Portfolio ecosystem, including the proposed Enterprise PMO, and its function in maintaining project and programme management standards across the organisation. We have also recommended further investment in this function, improving its capacity to fulfil this role effectively.

Our recommendations would also ensure that delivery activities have an enhanced overall impact. The Portfolio process, combined with stronger programme management, will 'join up' projects and programmed into coherent groupings. The greater visibility of these connections will facilitate the realisation of 'soft' outcomes, which would be delivered through changes in behaviours and cultures.

Overall, the proposed portfolio management operating model will offer:

Consistency: By standardising the project and programme delivery approach, the operating model can help ensure that projects are delivered consistently, regardless of the project team or project type. This consistency can lead to improved efficiency and reduced costs over time.

Clarity: This clarity can lead to improved alignment between project goals and strategic objectives, which can ultimately lead to better value for money.

Flexibility: A proposed delivery cycle that is designed to be flexible and can adapt to changing project requirements or organisational priorities. This can help the Corporation respond more effectively to shifting market conditions or emerging opportunities, which can improve the overall value delivered by the portfolio.

Continuous improvement: Through a centre of excellence that continually refine the operating model, the Corporation can ensure that it continues to deliver value over time. This can include identifying areas for improvement, implementing best practices, and incorporating feedback from stakeholders.

In summary, the proposed portfolio delivery operating model can represent value for money if it is designed to align with the Corporations strategic objectives and is regularly assessed and refined to ensure that it continues to meet the needs of the Corporation and its stakeholders.

6. Implementation plan

6a. What you need to do

In recognition of the Corporation's starting point, implementation will need to be incremental starting with a focus on the foundations of good programme and project management. The speed and approach will need to acknowledge the appetite for change and the available capacity to deliver change. This needs to manage the risk of over-committing to change and adequately account for the need to maintain business as usual and ensure the delivery of corporate priorities.

Detailed bespoke blueprints to support key implementation activities have been developed and define the way in which the Portfolio Definition functions work in conjunction with Portfolio Delivery processes. Included within this are guidance and examples of the roles, responsibilities, processes, and tools necessary for successful implementation.

To successfully implement the recommendations, there needs to be a focus on wider enablers, beyond the direct implementation of the Portfolio Management Framework.

- It is critical that operational management arrangements (including business planning and budget forecasting) are strengthened, and clear governance and approval arrangements are put in place for business as usual and cyclical activities. This will release committee capacity to focus on strategic priorities by increasing trust. This is a major task but needs to go hand in hand with the implementation of the Portfolio management framework to ensure benefits are realised.
- Executive leaders will need to take more ownership and accountability for central oversight. For their part, Elected Members will need to sign up to and fully support the delegation of authority to executive leaders. The eventual goal of this should be the establishment of a portfolio board staffed by executive leaders, who will relieve the Members of some of their current project governance responsibilities.
- The implementation will be most successful if there is sufficient investment in resources to support the change process. It is recommended that a transformation programme team, bringing experience of delivering change in a complex organisation, is established to lead and manage the change process. It is acknowledged that some progress has already been made towards building this team.
- Investment is also vital to sustain the benefits of implementation. Immediate priorities include strengthening of the project management office to support its transformation to an Enterprise PMO, provision of targeted training across the organisation to build and embed capability and standardisation of ppm systems and processes to create strong foundations.
- Additional levers that sit outside of this review, related to financial thresholds and a Scheme of Delegation, via the Chamberlains Transformation project will play a key role in shaping the success of the Portfolio Ecosystem.

6b. Order to do it in

Phased Implementation of a Portfolio Management approach

It is recognised that adopting a Portfolio Management framework is a long-term ambition and will need to happen in phases, at a pace which matches the Corporation's appetite for change and capacity for managing the transition. The initial step will involve getting sign off and buy in to the recommendations and proposed operating model defined in this report. The next step will be refining these into workplans/ workstreams to build out the implementation plans (depending on what mix of recommendations is finally agreed upon).

Pre-implementation or 'Discovery' phase activities will include an assessment of readiness for initiating Implementation:

Resources – Investment decision needed on the resources required to support immediate implementation activity. Proposed:

- Interim AD of Portfolio – to be responsible for the overarching Portfolio Ecosystem Transformation Programme
- Interim Head of Strategy / EPMO – In post
- Head of Transformation Change Management x2 - In post
- Short term programme planner to build and capture this Transformation programme activity, milestones, and dependencies with other transformation activity.
- Expert level Programme Management resources x 3 to support with building out Portfolio Strategies, Tools, and templates, and supporting new projects and programmes to get off the ground using the new processes. Can support as ppm lead workstreams.
- PPM analyst support x2 to support with data collection and analysis.

Portfolio Definition (operating model)

The highest priority in terms of Portfolio Definition would be to work with senior stakeholders such as the Town Clerk and Elected Members, to set out the overall vision and strategy for the Portfolio, ensuring alignment with Corporate Priorities, and clarity for Delivery teams.

Portfolio Delivery

- **Centralised Database for ppm data and reporting** - Standardised Project Management System, This requires an immediate decision post Project Governance Review completion. Given the associated timeframes with design of the system, training, rollout and embedding the use of this system across all ppm activity this requires an immediate start.
- **Definitions, Categorisation, Tiering and Prioritisation**– Agree on the proposed definitions for Complex BAU (to be managed as a project/programme), Projects and Programmes and the proposal for categorisation and tiering of projects and programmes. Once agreed commission this activity for an initial picture of the Portfolio pipeline.
- **Work with the Chamberlains department** – Inform activity such as developing standardised templates which capture finance data requirements both for project and programmes and financial forecasting and aligning the schedule of finance monitoring and forecasting with the Portfolio Delivery cycle. Additionally, to introducing standardised business case templates and defining the processes to be followed.

- **Scope requirements and Draft Job Descriptions for Portfolio support functions** - In order to arrive at Initial Operating Capacity (IoC) there will need to be a minimum level of staff in the Portfolio Office and EPMO. It is therefore essential to get the recruitment process underway.
- **Development of Portfolio Strategies** i.e., Risk and Benefits management, supported by standardised documentation and Tooling - Several strategies will need to be defined at Portfolio level, for example Risk Management. The development of these strategies can begin immediately; once signed off, the implementation team can then begin building a toolkit of standardised templates, guidance, and documentation to support project and programme delivery. They can also inform the design of the ppm system in terms of reporting.
- **Change Management strategy and plan** – The activity and support that will run throughout the implementation to help embed the changes within the Corporation.
- **Skills and Capability** – Work with L&D and HR colleagues to broaden the skills and capability survey or conduct a separate training needs analysis (TNA) to build a holistic picture across the organisation. This can be used to inform training and development requirements and align with implementation activities to ensure that staff are suitably skilled and prepared to adopt the new ways of working**.**

7. Annex

Supplementary guidance and tools to support this section can be found in the Blueprint Appendix

1. Proposed - Roles and Responsibilities.

Proposal for clear roles and Responsibilities inc. SRO / Sponsor and project/ Programme Boards

The review team held workshops and 1-1 discussions and explored a range of documents including project and programme board terms of reference (ToR), job descriptions (JDs) for project roles, and the project procedure document, to provide a better understanding of how the current project governance structure is operating, and where there may be inconsistencies or gaps.

The review team found that there appears to be an inconsistent approach to defining roles and responsibilities across the City's project governance process and that this appears to contribute to confusion among stakeholders about who is responsible for what. Potentially impacting on project outcomes.

Additionally, the interviews suggested that project managers fulfil multiple roles in addition to their primary role as a project manager. This can and does, lead to capacity issues and ineffective delivery of some responsibilities. A specific example is benefits tracking post project close which is not routinely carried out. This is a critical activity which ensures benefits are realised over the longer term with projects delivering the full value intended.

The review work also found that project and programme board Terms of Reference pointed to a variation in quality and definition. There are good areas of practice such as the Major programmes board whose approach was consistent and well defined although very administrative heavy.

SRO role descriptions were not apparent. However, it is acknowledged that a role specification has been created for SROs in recent weeks. Current lack of clarity on this means that those agreeing to be SRO's underestimate the capacity, obligations and knowledge required to undertake the role effectively.

Proposed

To address these issues, it will be important to establish clear and consistent definitions of roles and responsibilities across the portfolio governance lifecycle. See Blueprint appendix.

Recommendations

It is recommended that you define clear roles and responsibilities at project definition stage and adopt standard roles and responsibilities as part of the enhanced projects and programmes process. This will be supported in part by the EPMO who will provide standards for good governance. This will give a better distinction between the roles of a project manager, programme manager, benefits manager, business change functions, risk management, finance Business Partner and SROs.

It is also recommended that this includes responsibilities, and accountabilities for each project and programme, and those of project boards and that the role of service committees are captured at the start. In addition, this should include clearly defined delegated authority given by the new scheme oof delegation This will enable accountability of responsibilities, facilitate decision making and reduce delays.

It may also be necessary to reassess the workload of project managers to ensure that they are not being overburdened. Additional resources may be needed to fulfil roles in the new ppm governance standards and ensure that responsibilities and roles are effectively carried out.

Benefits / Outcomes

- ✓ Empowerment through clearer definition of roles and responsibilities
- ✓ Through the proposed initial filter/ triage of projects also assess the availability and level of PM resource and other key roles required for successful delivery, to avoid overburdening individuals.

Changes Required

- ✓ Through the establishment of the Portfolio office structures, the EPMO can establish good guidelines for project and programme governance and roles and responsibilities.
- ✓ Looking to the future ensure career defining pathways are adopted in conjunction with HR/ L&D.

2. Proposed - Governance, Assurance and Risk Management

An effective and proportionate Governance, Assurance and Risk Management approach for PPM establishing key lines of defence and an effective and proportionate Risk management processes across the Portfolio ecosystem.

The requirement was to propose an effective and proportionate project Governance, Assurance and Risk Management approach for PPM establishing key lines of defence and an effective and proportionate Risk management processes across the proposed Portfolio ecosystem.

We worked closely with key stakeholders in Corporate Risk and Strategy, Audit and Finance to review the current policies and strategies around Assurance and Risk, how these interact with the current Gateway process and projects procedure and validated the issues that were raised in the project brief. Next, we worked with stakeholders such as the Head of Audit and Corporate Risk Lead as well as the Head of Corporate Strategy to develop a proposal for a more effective approach to Portfolio Governance, Assurance and Risk Management, based on best practice in similar local government organisations as well as industry best practice i.e., Government Functional Standard for Portfolio, Programme, and project delivery.

Governance

The oversight and ownership of individual projects and programmes currently sits with SROs, and Project Boards, however SROs are not empowered to deliver against these governance requirements. The Corporation relies heavily on Members and committees (rather than officers) to carry out such functions as project oversight, risk management, and assurance functions; the OPP Sub Committee Terms of Reference state that Members are responsible for authorising individual projects and overseeing the Corporation's 'programme of projects to ensure their delivery within the parameters set by the Resource Allocation Sub-Committee'. A common thread fed back from all stakeholders is the view that there is excessive direct involvement of committees and Members in the project procedure/gateway, and Members feel overwhelmed by heavy Committee agendas and meetings in which a disproportionate amount of time is spent on the detail of low value/BAU activity which is drawn into the gateway process drawing focus away from strategic decision-making. The Corporate Projects Board reviews projects and programmes but does not provide any triage, definition or categorisation which would more effectively determine proportionate Governance arrangements. There also seems to be a lack of clarity around the approach to stopping poorly performing projects; feedback from stakeholders indicates that this rarely happens.

Proposals:

Through the Portfolio Ecosystem and coordinating functions specifically the EPO introduce more robust standards for establishing good governance arrangements for ppm activity.

Recommendations:

To create a Portfolio Board with the proposed remit as follows:

- Role will be one of oversight providing both challenge and support to those engaged in decision making and delivery.
- Exert its influence through the gateway review processes which overlay project and programme management practices aligned to portfolio management.
- Have a mandate and recommend stop/ pause/ rejection of projects.
- Make recommendations on investment decisions.
- Initial project filter be developed prior to member oversight that ensures that only projects that are likely to be feasible are accepted
- Capital funding ringfenced for general pre-feasibility and feasibility activities and sits with the portfolio board to maintain central oversight and support alignment to strategic objectives. Board would make recommendations on new proposals.
- Update the TORs of the OPP committee to reflect these changes.

Outcomes/Benefits

- Moving more of the Governance into the Officer space enables elected Members focus on strategic decision-making and areas of high risk and/or value whilst giving assurance that lower risk/value projects are well managed.
- Streamlined reporting and recommendations underpinned by Governance and Assurance that is evidence-based, informed by understanding of risk and focused on quality of delivery
- Effective check and challenge through the coordinating Portfolio functions and Portfolio Board

Changes required:

- Work with Members to revise the Terms of Reference for the OPP Sub-Committee
- Work with stakeholders in Audit and Risk Management to develop Terms of Reference for the Portfolio Board
- Develop a clear, standardised methodology for assessment and prioritisation of activity, balancing investment, and risk across the Portfolio.

Assurance

From our findings there is evidence of good practice across some project areas, but Assurance is focussed on Capital projects – i.e., projects delivering tangible assets from £50k to £100m in value, which is only a subset of all project and programme activity. Revenue-based projects such as transformation and Digital are completely excluded and there seems to be a degree of variability in the way that existing processes are applied, tracked, and reported. Governance structures are in place but effectiveness in providing proportionate scrutiny or check and challenge and balancing this against requirements to deliver projects efficiently can vary.

The result of this is that Members spend a disproportionate amount of time in sub-committees scrutinising low-risk, low value projects because the assurance is not built into the process.

Many successful organisations in the public and private sector adopt a three/four 'lines of defence' assurance model. The HM Treasury, Audit and Risk Assurance Handbook, draws attention to the support required for Accounting Officers and Boards, who have multiple issues competing for their attention. Assurance draws attention to the aspects of risk management, governance and control that are functioning effectively and, just as importantly, the aspects which need to be given attention to improve them. A well-designed assurance framework helps.

Proposals:

Implement Corporation-wide, integrated assurance processes for all programmes and projects within the new Portfolio Ecosystem, based on Government Functional Standard for ppm delivery. The proposed also includes updating the Gateway Assurance framework based on checkpoints, standardised documentation and evidence, and Assurance Reviews carried out throughout the process on high priority projects by centralised oversight functions with knowledge and expertise in key areas such as Risk management, Planning and resources, Benefits management, and Finance.

Recommendations:

To create a Portfolio Office and EPMO to support the Portfolio Board, carry out 1st and 2nd line assurance activities and support Project and Programme Managers with guidance and tools to manage delivery more effectively.

It is recommended to adopt a 'three lines of defence' model of assurance which would work as follows:

1st line Assurance – The PMO carries out 1st line assurance, amongst other responsibilities, and ensures that ppm management and delivery is consistent. All staff are responsible for delivering in line with these standards. In itself assurance does not deliver a project or programme, but it can identify and help mitigate any risks to successful delivery.

2nd line Assurance - The Portfolio Office sets standardised project, programme and portfolio tools, processes, and guidance in place for all staff to support delivery. They are responsible for 2nd line assurance (including Gateway reviews) providing independent assessment and ensuring 1st line arrangements are in place and operating as intended.

3rd line Assurance – carried out by internal Audit.

It is also recommended to adopt systematic Assurance Reviews at Gateways/Checkpoints based on a methodology outlined in Government Functional Standard for ppm delivery, with an objective, evidence based scoring framework, enabling reporting with stop/go recommendations to decision-making bodies.

Benefits/Outcomes:

- Risk and assurance elements are integrated within the Portfolio Ecosystem and would give Members confidence that project and programmes represent best value and deliver the intended benefits.
- Project governance will be risk-based, moving more into the Officer space under the new Portfolio Board. This will allow Members to focus on strategic issues and areas of high risk and/or value whilst gaining assurance that lower risk/value projects are well managed.
- An effective assurance framework based on the 3 lines of defence model will identify any potential issues or risks and give scope for early intervention at checkpoints which are tailored to the needs of the Corporation.

Changes required:

- Work with Audit/ Risk to co-produce the new processes and ensure alignment with corporate standards for Assurance and Risk management, on the basis of the 3 lines of defense model (see Blueprint Appendix).
- Implement the new standards for Gateway reviews which integrate Assurance and Risk management processes. These would be overseen by the new Portfolio Bord and allow Members to focus on strategic decision-making.
- Portfolio office functions will also need to define the process / level of scrutiny that will be required depending on the categorisation/ Tier rating for the various levels of Programmes/ projects. This is key to developing proportionate Governance and Assurance pathways, enabling smaller fewer complex projects to progress without unnecessary delays and ensuring that Governance and Assurance of more complex high-risk projects and Programmes adds value for the Delivery team.
- Staff and key stakeholders across the corporation will require awareness training to familiarise them with the new projects process.
- Additional resources and or co-opting internal staff will need training on how to conduct checkpoint assurance reviews.
- Requirement to develop and define the Assurance and Checkpoint criteria based on best practice frameworks/methodology (Government Functional Standards) and develop associated guidance.
- Requirement on having a suitable IT system that can automate logging of assurance/ checkpoint reviews and RAID items.

Risk Management

Portfolio risk management is a structured assessment and analysis process. The goal is to mitigate activities, events, and circumstances that will have a negative impact on a Portfolio, and to capitalise on potential opportunities.

Additionally in portfolios, there are usually a large number of interdependencies and competing priorities. Portfolio risk management is crucial, because of the significant impact a component failure will have. In some instances, one component risk can potentially increase the risk of another, underlining its importance. **Balancing these risks would be a core function of the Portfolio Board.**

Risk Management is currently carried out a basic level for projects within the Gateway process; Guidance for Officers on how to progress between the Gateways together with the necessary documentation and processes to follow is provided in the Project Toolkit maintained by the Town Clerk's Programme Office and published on the Corporate intranet.

Project Managers are expected to record and report on their project status during the project's lifetime. The 'project status' is expressed in its simplest form as a RAG status (aka Red, Amber, Green).

There are areas of good practice, however our review work has identified challenges and gaps in the risk management approach within the project ecosystem. Examples identified to us include poorly managed project risk registers, no detail of mitigations or targets dates etc. indicating that the elementary requirements of risk management tracking and managing are not being adequately addressed. It should be noted that there are exceptions across the organisation. From our findings it is also concerning that projects have been approved without recognising these potential risks and their impact on project delivery.

'Costed risk' is used in project budget process, however this is often inaccurate and becomes a barrier to effective delivery.

The lack of capacity for the Corporate PMO to support risk management is a recognised issue and should be addressed by ensuring that appropriate resources and support are available to support risk management efforts.

Finally, the lack of consistent approach to managing risk across projects that fall outside of the current Gateway process is a major concern. It is unclear what the Risk Management arrangements are for all other projects and programmes across the Corporation.

Further issues have been identified through the Chamberlain's Transformation review which relate to project and programme risk management, for example:

- *The existing project brief and project proposal requirements are not sufficiently robust to adequately support decision making. Consequently, projects that would not otherwise be considered feasible are progressed further down the gateway process than project fundamentals would dictate.*

- *Feasibility Funding Amendment Stakeholders have indicated that limited access to prefeasibility or feasibility funding contributes significantly to the quality of project briefing and proposal documents they are able to produce*

- *Stakeholders have indicated that the current Corporate Projects Board (CPB) is ineffective in its role of initial project oversight due predominantly to its composition and the quality of proposals it receives.*

The project governance review of the Corporations Project Ecosystem was preceded by a process improvement project in the Chamberlain's service that included recommendations for the management of financial risk; these have been incorporated into the proposed portfolio management framework. See below.

Proposals

- We are proposing a more defined and standardised processes to strengthen current Governance arrangements, (Portfolio Board/ links to Committees) and Assurance and Risk management procedures.

Recommendations

- The proposed new Risk Management arrangements would be overseen by centralised support functions, i.e., the Portfolio Office and EPMO and supported by **standardised documentation and methodology – for example the establishment of risk tolerance and appetite at project and programme level, to replace the 'costed risk' approach.**
- Risk would form a key strand of the **centralised data and insight** reported in by projects and programmes, enabling the Portfolio Board to maintain a **live overview of the risk profile across the Portfolio.**
- **Through a central database of projects and programmes which will contain all related risk and assurance data and reporting, managed by Portfolio oversight functions (Portfolio Office and EPMO)**. This would link to the PPM data held by the other PMOs and allow each to support the other, make validation easier and provide the portfolio board with a holistic view.
- **The Portfolio Board will have oversight of the risk profile** across the portfolio and will mandate intervention where necessary, for example recommending that projects are stopped where risks are not being controlled.
- **Project tolerances clearly defined** at the outset of the project.
- **Risk and assurance will always be considered at 'gateways',** existing processes don't mandate formal review and considering it along with other PPM data should result in more effective gateways and controls.

The aim is to develop the skills needed at Service and Directorate level to allow them to be 'self-checking'. This is the same as the PPM model and the aim is that the central risk and assurance is there to check and validate what Services and Directorates have done and not to manage these risks or provide first line assurance – the centralised Portfolio functions will operate as second line assurance, with Audit operating as third line in the 3 lines of defence model.

Outcomes/Benefits:

- Strategic reporting which provides clear oversight of the type and where the greatest risk is held in the organisation.
- Transparent evidence-based recommendations for decision-making, approvals and funding which can be taken with a high degree of confidence.
- Integrated assurance though the Portfolio Ecosystem and good ppm governance standards
- Assurance and governance controls established at the start of the project or programme. Assurance reviews for closure would require a standardised Benefits plan, financial statement and tracker, as well as a transition plan to BAU.
- Assurance reviews will inform recommendations around finance and risk.
- Robust checkpoint process ensures that project and programme delivery is consistently high quality and cost effective across the Corporation.

Changes required:

- Standardised and consistent practice through the introduction of new Portfolio definition and delivery structures
- Introduction of Risk Tolerances into projects and programmes
- Risk and Assurance strategies defined in conjunction with corporate requirements.
- Templates, and tools facilitated and mandated through the new EPMO function.
- IT system that supports central logging and reporting on Risk, assurance
- A new Gateway review procedure that integrates the necessary checks and balance throughout the delivery lifecycle of projects and programmes
- Training to support staff in understanding their responsibilities (duties) to support the organisation manage and mitigate risks as well and learning to understand and apply the new processes.

3. Proposed - Definition and Categorisation

Deliverable for clear PPM Definition and Categorisation including an innovative approach to project thresholds and criteria considering value/risk based on best practice project management in similar public organisations as well as Tiering to facilitate future prioritisation of the Portfolio.

The review team worked with the CoL PMO team to map existing processes across Corporate and Major Projects and PMO and carried out a series of initial stakeholder interviews and workshops to check and validate the issues raised in the Project Brief. Next, we identified and engaged with stakeholders across the Corporation, including the Head of Audit and Assistance Director of Finance and worked in parallel with Chamberlain's Transformation programme lead to develop a tailored approach. Draft outputs were tested at weekly team meetings.

Our findings showed that currently there are no standard corporate definitions of what a project/programme is. The only determinant of what activity is drawn into the Gateway process is a financial threshold of £50k, which is very low and means that most if not all activity is drawn in. The challenges this leads to are:

- A fragmented Portfolio containing too many (350) projects with too much time spent on low risk items.
- Operational/BAU activity drawn into the Gateway process.
- Inefficient and bureaucratic process
- Nonalignment with industry standards
- Costed risk is difficult to assess accurately and limits the ability to respond in an agile, flexible way to project delivery challenges.

There is also a variation in the use of templates and documentation. The Gateway process has an existing set of standardised documentation, there is also an existing project management toolkit which is available on the Town Clerk's site. Although there are examples of good practice in developing business cases and initial project documentation, the feedback from project delivery staff is that it is not always clear which templates to use and they will often develop and use their own, which leads to inconsistent quality and standards.

Additionally, there are a number of interconnected issues with finance and project delivery, which are highlighted in the Chamberlain's Transformation Review:

- *Currently, all capital spends larger than £50K and smaller than £100m is defined as a capital project and subjected to the onerous gateway process.*

- *The existing project brief and project proposal requirements are not sufficiently robust to adequately support decision making. Consequently, projects that would not otherwise be considered feasible are progressed further down the gateway process than project fundamentals would dictate*

Proposals:

To mitigate these challenges and enable Portfolio management and effective focus on the right activity within the portfolio of work it is essential to consider:

- Adopting a set of clear definitions of what project/programme activity should be included in the Portfolio vs BAU activity which should be managed and monitored operationally by the business.
- Adopting a new scheme of financial delegation to better facilitate project budgeting and forecasting
- Adopting a standardised methodology for categorising and tiering projects and programmes to allow de facto prioritisation of the Portfolio and sub portfolios once established.
- Adopting a standardised documentation and templates for Opportunity Framing, Project Initiation and Business Cases

Recommendations:

In parallel with the recommendations from the Chamberlain's transformation review:

- *It is recommended that the project definition be amended to ensure that only complex transactions requiring project management skills and oversight are defined as projects. A project definition and categorisation tool has been suggested. It would need to be refined as part of implementation, along with a risk/complexity and value scoring matrix to help determine the Tiering of projects and programmes.*
- *It is recommended that an amended initial project filter be developed prior to member oversight that ensures that only projects that are likely to be feasible and best achieve stated outcomes are subjected to the full governance process. The Portfolio Office / EPO would undertake this.*
- *Feasibility Funding -. It is recommended that a portion of the capital funding available to the City be ringfenced for general pre-feasibility and feasibility activities and allocated to service departments on an objective basis. This would be delegated to the Portfolio Office function to provide that central oversight.*
- *Develop a new scheme of financial delegation. – (to also address the issue of Budget draw down with additional support via a senior accountant and mandatory finance training for project managers)*
- *Develop tools and methodology for categorisation and Tiering.*

Outcomes/Benefits

- Overall prioritisation of Portfolio activity
- Removal of BAU from the Portfolio Ecosystem
- More robust and accurate business cases
- Only feasible projects and programmes enter the Member arena.
- Improved analysis and grip on project and programme risk and complexity

Changes required:

- Standardised Opportunity Framing template (see Blueprint Annex for example)
- Assessment tools to be developed in implementation using objective criteria based on the priorities and needs of the Corporation (see Blueprint Annex for examples)
- Standardised Business Cases to be developed (see Blueprint Annex for examples)
- Develop a new scheme of financial delegation to support and underpin this process (see example in Blueprint Annexe). This will need to be developed in parallel with the Chamberlain's Transformation programme.

We have provided examples to illustrate the recommendations, however these products will need to be further defined and developed in implementation to best meet the needs of the Corporation in conjunction with key stakeholders such as Members and Chamberlains, for example.

4. Proposed - Skills and capability.

Understanding of organisational capability (PMO ecosystem) to deliver improvement plan inc. skills analysis.

The review team carried out a skills and capability survey to establish a baseline view of skills and capability within the organisation to inform what would be needed to support a portfolio approach to deliver the City of London improvement plan. The survey consisted of 35 questions, mostly multiple choice but with some free text boxes to provide both qualitative and quantitative data. This was sent to 70+ project and programme managers across the corporation and the institutions. 52 people responded which is statistically significant. The survey highlighted some good skills and capability but also a number of significant gaps. This was further evidenced through the stakeholder engagement activities.

Key quantitative data from the survey showed the following:

- Gaps in skills and capability for programme management, SRO, Change Management and Benefits Management.
- No evidence of skills or qualifications in portfolio management
- Good skills and capability in Project Management.
- Staff would welcome further training on programme and project management.
- Most projects are high risk or high value.

Key qualitative data showed:

- Change control management is elongated and unnecessarily complicated.
- Unhelpful level of gatekeeping
- Many projects and programmes are managed on top of the day job, which reduced capacity to do project management well and has led to stress and impact on health.
- Managing multiple stakeholders is a challenge.

Proposed
To support your PPM staff in their professional development and build internal capability, it is suggested that the corporation look to adopt a standard framework for key PPM roles which define core competencies and behaviours.

Recommended actions.
If you wish to move to a structured and comprehensive portfolio model, it is key to ensure the right skills and capability are in place. In the first instance this would involve conducting an organisation wide TNA.

To achieve this, it is recommended that you invest in your staff and adopt a structured and focused L and D model. You have in place the PM Academy which would provide an excellent building block for upskilling of PM's should you choose to continue with it. A suggested framework route would be to align with the Government Project Delivery Capability Framework. This is an excellent tool that describes job roles, capabilities, and learning, for project delivery professionals across government. It contains four elements:

- A career pathway/ common set of job roles
- A set of competencies
- A signpost for development opportunities specific to job roles
- The criteria and process to obtain accreditation as a Government Project Delivery Professional

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1124745/PDCFv3.pdf

Benefits /Outcomes

- ✓ Workforce skilled to do the work efficiently and effectively.
- ✓ Career pathway to support retention of talent pool of skilled people to delivery projects and programmes.
- ✓ Skills and capabilities to meet the corporation's strategic objectives.

Key change required.

- ✓ Move to working within a structured L & D framework and Consider PM Academy to support.

5. Proposed - Community of Practice (PLG)

Proposal for future of project leadership group (community of practice)

The team carried out a Review of the Project Leadership Group terms of reference and membership, had discussions with PLG members and carried out a desktop review to inform options for the future of the group.

We found that the Project Leadership Group is currently operating as a Best Practice Community of Practice for senior officers and has a noticeably clear set of accountabilities and objectives. They have only had a couple of meetings in the current format so there is no measure of success to date.
PLG have little power and influence over changing any processes or rules but can change tools and templates that sit within processes. The Corporate Projects Board role, also an officer board, has more influence and power and needs to be considered in the context of the future of a COP so there is not duplication of activity.

Discussions at various workshops across the organisation and with Institutions indicated that project managers would also value a community of practice as a forum for sharing everyday work issues and as an opportunity for peer learning. (Helping Community of Practice)

Recommendations

In suggesting the future role for a COP, it is recommended that:

You consider the immediate requirement to support the transformation programme as it moves towards implementation. The PLG could repurpose to focus on supporting this activity, and its role may need to continue to flex as implementation progresses. Specifically, it could:

- Act as a mechanism for raising awareness of any changes during implementation of the Portfolio Ecosystem and taking a role as change champions. Being the driving force for the changes required to aid the transition to the new ways of working. Play a role in cascading information to teams.
- Use the group meetings as space to collaborate, innovate, challenge, and reflect and plan how they will prepare the ppm community for the change.
- Provide vital support to defining the EPO service catalogue and associated tools and templates supporting the move towards a Portfolio ecosystem.
- The PLG role should be considered in the context of the role of the Corporate Projects Board (CPB) going forward so there is no duplication of effort or accountability.

It is also recommended that you look to establish smaller communities of practise so information from the PLG can be cascaded to them directly, as part of the change management in implementation. The project managers, in their stakeholder workshops, reflected that they would value a community for practice to share learning.

Benefits and outcomes

- Improved project performance: By sharing best practices, tools, and techniques, a PM CoP can help project managers to improve their skills and knowledge, resulting in better project performance, reduced costs, and improved outcomes.
- Knowledge sharing and retention: A PM CoP provides a platform for project managers to share their knowledge and experience, which helps to retain critical knowledge within the organization. This is especially important when project managers leave the organization or retire.
- Improved collaboration: A PM CoP encourages collaboration between project managers and other stakeholders, leading to better communication, coordination, and alignment across the organization.
- Increased innovation: A PM CoP can foster a culture of innovation by providing a forum for project managers to share new ideas, approaches, and technologies, and to experiment with new methods and tools.

- Reduced risk: A PM CoP can help organizations to identify and manage project risks by sharing lessons learned and best practices, resulting in fewer errors, delays, and cost overruns.
- Professional development: A PM CoP can provide opportunities for professional development, such as training, mentoring, and coaching, which can improve employee satisfaction, engagement, and retention.
- Improved organizational performance: By improving project performance, knowledge sharing, collaboration, innovation, risk management, and professional development, a PM CoP can ultimately contribute to improved organizational performance, competitiveness, and sustainability.

In summary, a PM CoP can provide a range of benefits to an organisation, including improved project performance, knowledge sharing and retention, improved collaboration, increased innovation, reduced risk, professional development, and improved organizational performance.

Key changes

- ✓ Invite further discussion with PPM colleagues to understand what they need from a community of practice to help shape its role as it goes forward.
- ✓ Refocus ToR so the group has a role and accountability in shaping and delivering the change.

6. Proposed - funding for PM Academy

Proposal for future of Corporation PM Academy

Current

The team carried out a review of the existing funding model, had discussions with the project team who set up PM Academy and explored options for future funding model.
In addition, during the various workshops held, further insight was gleaned from stakeholders about their views on the PM Academy.

We found the PM Academy to be a well-constructed model with a clear pathway, set up to deliver good, accredited training, customised to the organisation.

- It is valued by those in the organisation who have undertaken the training. (evidenced through stakeholder interviews and workshops)
- Its set up and initial delivery was via the PMO lead as a project (15 modules delivered x6)
- Believed to be funded as a project with no ongoing budget (Not able to confirm)

The course has not been run since 2020 due to:

- Lack of resource to administer - people and funding.
- TOM work was due to look at ownership /delivery of the training in the wider context - this work has not yet provided an outcome.

Current costs for PM Academy - £10K which includes:

- Fifty licences
- Administration / hosting
- Accreditation to APM
- There is an additional cost of £400 / module.
- The course consists of 15 modules and each module has a 30-45minute video and a live session with external trainer (classroom/virtual)
- Minimal input is required to start it running again as the bulk of the development work has been done.
- It may need some adjustments to reflect changes in practices over the last two years.
- If a portfolio approach is adopted, the content would need to reflect the changes in approval routes and other enhancements to support the new way of working.
- Costs would need to be factored into any changes.

Currently the following is not clear:

- Which service owns the training module?
- Where the budget would come from for ongoing delivery
- How it would be resourced to administer the training and to develop any changes

Options on Funding models

We considered all the information gathered including feedback from stakeholders and propose the following options:

Option one - Recharge each directorate (including institutions) for individuals that attend to support development, hosting, and maintenance. This would provide an ongoing funding stream for hosting and maintenance but would impacts on service budgets.

Option two - Cost each project and programme so that a specific portion or percentage is allocated to the PM Academy for development, hosting, and maintenance. This would create a funding stream to support the PM Academy and could be capitalised against the project so less impact on service budgets. This would need to be agreed with L&D.

Option three - Offer training outside the organisation – the following would need further consideration to support the development of a ‘go to market’ proposal:

- Is your current training model maturing enough to support offering training externally.
- What is your value proposition for this training / why should they come to you.
- How will this be funded, administered, and costed.
- How will you build awareness of the training and how will you track its success.

- Who is your customer – inside the organisation you have a defined customer base, how will you target your audience externally.

Recommendations on Funding
Options 1 and 2 of the funding models are considered and costed up in detail for best comparison. External training should be a longer-term aspiration for when the Portfolio Ecosystem and good ppm governance standards are more mature. At which point the organisation is demonstrating high standards of PPM delivery to showcase as part of this external offering.

Assess the level of demand for PM Academy training for project managers as the skills survey indicated a good level of project management skills and capability within the organisation. Programme management capability in this survey was low. This will help inform if it would have a return on investment. The skills survey showed 35 out of the 55 who responded had more than 5 years PM experience and most of these had a PM qualification.

Recommendations on Ownership
Should the PM Academy be reinstated, it is recommended that initial ownership could reside withing the Centre of Excellence function as part of the Portfolio Office. It should however be linked to HR and L& D with a view to it being part of the wider corporate training portfolio and aligned to any PPM job descriptions. This will ensure the PM Academy has clearly defined learning objectives and outcomes and effectiveness of the training program me is evaluated and feedback fed into future iterations.

Recommendations on Learning Modules
The training offer for PM Academy should be reviewed to establish if it needs to be pivoted to meet demand in other areas such SRO/change management / finance where there is currently a gap. Additional costs for development would then apply.

A budget should be set for the PM Academy, which should include:
- appropriate FTE to administer the PM academy and to measure and assess the impact of the learning intervention. (approx. 1 day / week)
- sufficient funding to allow for PM Academy development of new modules, hosting costs and updating as processes change. (Cost of changes and approx. 1 FTE / week to deliver)

This is an estimate based on all fifteen modules being run 3 x / year.

Benefits and outcomes
In-house project management (PM) training courses can be an effective way to support an organization's project portfolio management (PPM) community. Potential benefits:

- Consistency: In-house PM training courses can ensure that all members of the PPM community have a consistent understanding of project management principles, processes, and tools. This can improve communication and collaboration among team members, as well as the quality of project deliverables.
- Tailored content: In-house PM training courses can be tailored to the specific needs and challenges of the organization's PPM community. This can help to address gaps in knowledge and skills, as well as provide opportunities for professional development and career growth.
- Enhanced team building: In-house PM training courses can provide opportunities for team members to learn together and build relationships, which can improve collaboration and teamwork across the PPM community.

Overall, in-house PM training courses can be an effective way to support an organization's PPM community, improving consistency, knowledge retention, and team building, while also being cost-effective and tailored to the organization's specific needs.

Key change

✓ Set up L& D process for training – PM academy to be considered as part of this alongside options to expand remit of PM Academy

7. Proposed - PPM Systems and Reporting

Proposal for effective project systems and reporting

Current

A range of stakeholder workshops were conducted to understand the current position for PPM systems and reporting. These reflected that the current IT system used to manage projects does not effectively support project management activities is out of date and not used robustly, therefore hampering efforts to deliver a portfolio function. It also lacks some tools, templates, and integration with other systems, which can create challenges in managing projects in a consistent and efficient way. Additionally, there are resourcing implications for making improvements to the system despite an upgrade being available and paid for. Compounding this, there is only one individual who has the expertise to complete updates and provide system support which is a single point of failure.

Reporting practices and templates also appear to be inconsistent across projects, with information often missing and the level of detail provided is not always appropriate for the audience. For example, committees get too much detailed information. Good project management practice involves the use of a RAID log for tracking Risks, Issues, Assumptions and Decisions and at present there are gaps in this practice. Decisions are embedded in committee reports, which often results in the Town Clerks office having to track back through multiple reports to find these.

Stakeholder workshops highlighted that project managers use a range of different tools for project management including, excel spreadsheets, MS project, PowerPoint and contractors do not have access to necessary systems so MPMO officers have to do it for them.

Proposed
Implement an effective IT system to manage PPM and portfolio reporting in the Portfolio Ecosystem.

Recommended
It is recommended that you implement an effective IT system to manage projects as an important step in improving the Corporation's portfolio management approach. The system should be able to provide a centralised and standardised platform for managing all projects and programmes, including the ability to capture data on project performance, resources, risks, issues, decisions, and dependencies.

The system should also be able to generate standardised templates to support the Portfolio Ecosystem. Additionally, there should be a centrally located file store for saving key project documents such as project initiation documents, business cases, and project plans which the new EPO is able to access. This will ensure that all projects and programmes are following a consistent approach, making it easier to compare, assess and track progress. The IT system should also be designed to support the new Portfolio Management framework, with features such as dashboards for monitoring project performance, alerts for risks and issues, and the ability to track dependencies and benefits, as well as ensure integration with finance systems. It should also be user-friendly and accessible to all project teams, making it easier to collaborate and share information.

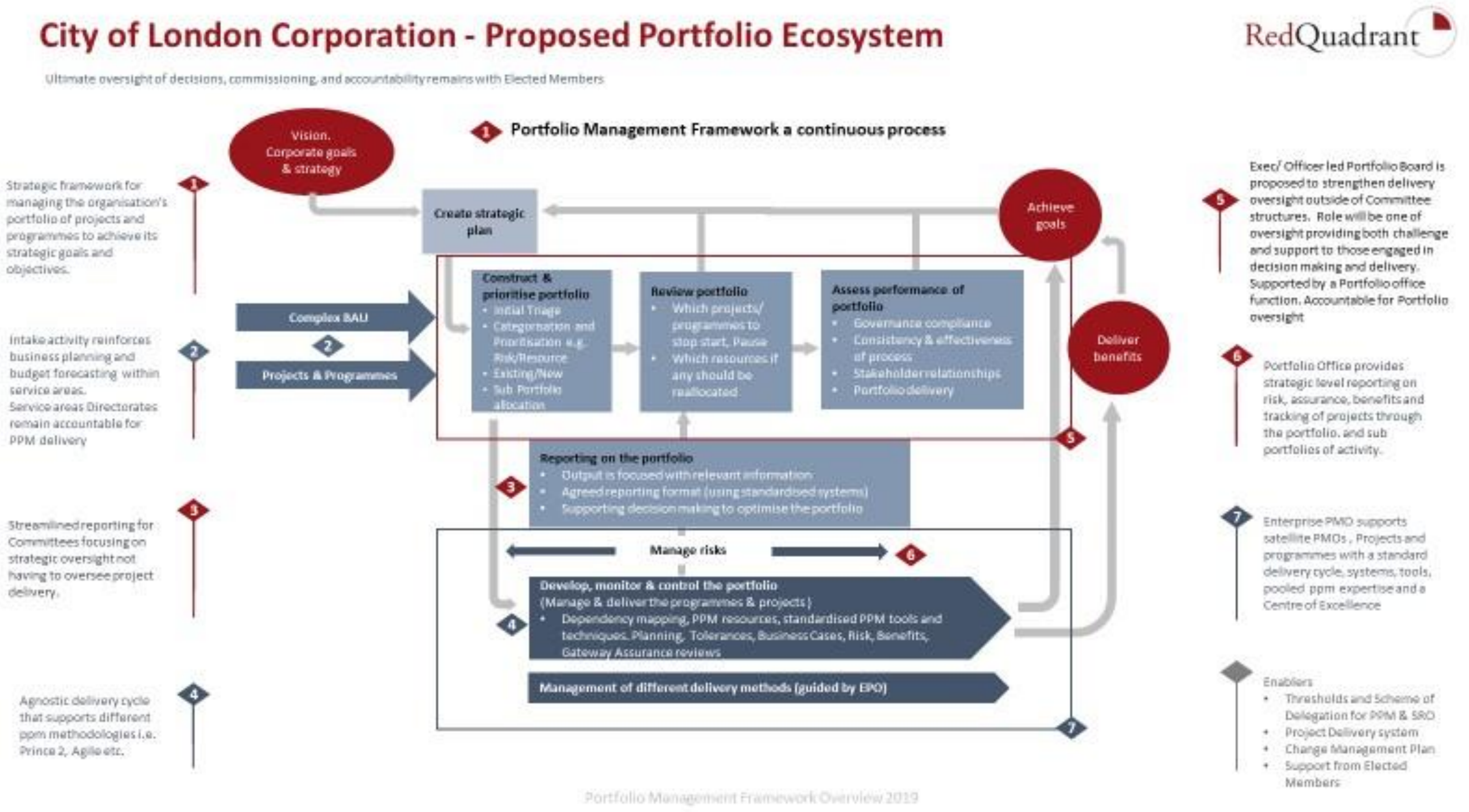
We worked with stakeholders to identify the potential options available for an effective IT system. This is a core foundational capability that would need to be in place so any decision would need to be taken in view of the Corporations urgency to move to a portfolio management approach. The most time and cost-effective options is to upgrade the current Project Vision system to the web version which is already paid for.
Proposed Benefits:

- ✓ System supports a portfolio management approach and brings the organisation closer to achieving that vision.
- ✓ It would provide a centralised location for capturing key project documents.
- ✓ It would provide greater opportunity for staff to collaborate.

Key changes required.

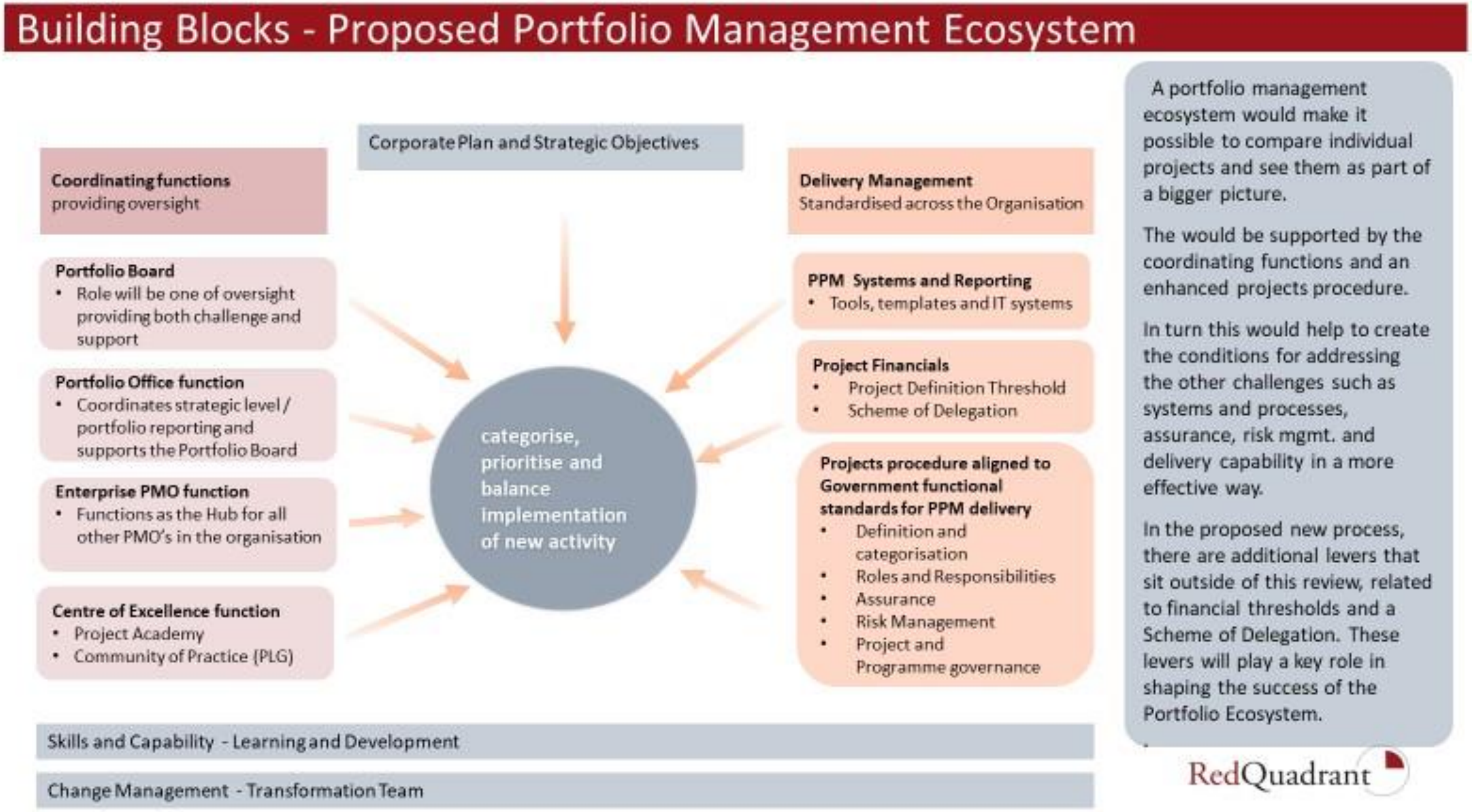
- ✓ Requirement to plan for an implementation with costed resource to deliver.
- ✓ Considerable work will be required to set the system up (design) to meet project and reporting requirements.

Figure 1 - Portfolio Operating Model



Note: *BAU/Cyclical activity could be tracked, monitored, and reported via the Portfolio Office as Sub portfolios of work. It would however not drop down into section 7 which incorporates new programme and project management practices – Portfolio Deliver.*

Figure 2 - Portfolio Building Blocks



City of London Corporation

Draft Outline Project Governance Framework - July 2023

CONTENTS

Introduction

This document sets out the proposed model for the new Corporation of London portfolio management framework. It has been developed based on the recommendations of the external review undertaken by RedQuadrant and, if approved, will form the basis for the detailed development of a new COL Project Procedure and Project and Programme Management (PPM) toolkit.

The proposals set out in this document and designed to strengthen our governance and assurance frameworks to better support Elected Members in the strategic oversight and risk management of the Corporation's project portfolio.

The proposals set out, represent a significant change to current ways of working and will require the engagement and cooperation of all parts of the Corporation in order to achieve success. Consequently, the further development and implementation of any proposals will be supported by proactive communications and a comprehensive change management plan.

What's covered by this approach?

Definitions

	What is it?	*How is it managed?*
Project	*A series of tasks which need to be completed to achieve a specific outcome, requiring a set of inputs and outputs to reach a particular goal.* *(A project isn't something that is part of normal business operations (BAU))*	*Project management uses processes, methods and training, together with knowledge and skills of the project manager and team to coordinate and deliver the required outputs*
Programme	*Programmes are a group of related and interdependent projects and change management activities that will deliver beneficial change*	*Programme management involves managing interdependencies across projects, prioritising and budgeting, and ensuring resource capacity and capability across the programme.*
Portfolio	*The aggregation of projects and programmes within an organisation aligned to strategic priorities*	*Portfolio management includes the selection, prioritisation and control of projects and programmes which are aligned with the organisation's strategy and objectives.*
Business As Usual (BAU)	*Activity that is part of normal day-to-day operations and all activity with a total value of less than £250k*	*Operational management is the management of those activities that create the core services or products provided by an organisation.*

What's included in this definition?

For avoidance of doubt, the COL definition of projects and programmes will include both capital and revenue funded activity. This means activities such as business and service transformation will, from now on, be managed as projects/programmes.

A core principle of this approach is the decoupling of portfolio management from financial controls. This requires effective operational management process to be developed to facilitate robust management of BAU.

Introducing 'Portfolio Management'

Portfolio management enables organisations to understand delivery as a whole, developing a deeper understanding not only of individual functions but also their interdependencies. Introducing portfolio management will enable COL to make far more informed and effective decisions. This will support Elected Members to ensure projects, programmes and initiatives are aligned with COL strategic objectives and goals by selecting, prioritising, and managing the projects and programmes that deliver the most value.

The portfolio management framework set out in this document has been designed to enable the most effective balance of organisational change and business as usual. As such, recognising COL level of maturity and the need to develop internal capabilities over time, three levels of portfolio views will be introduced in the first instance.

This will include:

- **Corporate Portfolio** - providing Members and the Executive Leadership Board with corporate visibility of the aggregate investment, risk and benefits of the entire COL portfolio of projects and programmes
- **Strategic portfolios** – bringing together activity that spans multiple projects and programmes, particularly where they are being delivered across multiple COL departments or institutions. Existing examples include the Climate Action Strategy and the Future Police Estate (see X for short case studies)

- **Chief Officer portfolios** – department/institution views delivering a comprehensive overview of resource allocation and risk management across all projects and programmes within a service area.

Determining whether activity is a project, programme or BAU

Assessing activity

The first step after identifying the need to deliver activity will be to determine whether or not the project procedure applies. To aid with this determination and to ensure consistency across COL, a simple tool has been developed. This tool can be accessed here [Prototype Portfolio Assessment Tool 23_06_15.xlsx]

BAU –activity that is low value (sub-£250k) or is assessed as BAU, will remain the responsibility of the relevant Chief Officer. It is recommended that, where appropriate, the corporate tools and templates are used to support the effective management of this activity, however, governance requirements will remain local and should be managed in line with the Financial Scheme of Delegation. All Chief Officers must ensure that appropriate local processes are in place to review progress and manage risks. The Enterprise Portfolio Management Office (EPMO) will provide advice and support to help establish these processes. The EPMO may also request evidence of robust processes in their corporate assurance role.

TOOL QUESTIONS - BAU

- Is this activity a one-off purchase, contract renewal or other transaction already covered by standard procurement processes?
- Is this activity cyclical?

Project – activity over £250k that is defined as a project must be managed in line with the requirements set out in the project procedure. Subsequent sections of this document provide further guidance regarding the tiering of projects and the requirements for the effective management, monitoring and reporting of projects dependent on value, risk and complexity.

TOOL QUESTIONS - PROJECTS

- Is this activity a change to existing business processes, operations or technology?
- Is this activity creating a new asset or service?
- Is this activity time-limited with a specific outcome to deliver within a set budget?

Programme – the identification of programmes is important to support the effective reporting of outcomes and intended benefits.

TOOL QUESTIONS - PROGRAMME

- Is this activity made up of separately managed projects which have dependencies on each other in order to achieve the overall objective?

Project tiering

The new Project Procedure will establish a three-tier model for the effective management of projects. The governance and assurance requirements for the three tiers are scaled in order to ensure proportionality according to the value, risk and complexity of the project and its intended outcomes.

A detailed assessment tool has been developed to ensure consistency in the tiering of projects. It should also be used to effectively manage the project throughout its lifecycle through regular review of risk factors. This means that a project's tiering may not be fixed and a project may be escalated or de-escalated over its lifetime dependent on the changing risk profile.

The assessment tool is available here Prototype Portfolio Assessment Tool 23_06_15.xlsx

Complex projects (tier 1)

These projects are generally high value (over £20m), are strategically important (fundamental to the successful delivery of a strategic objective), delivery is likely to be complex (involves novel activity requiring innovation, high degree of uncertainty or, is a significant change to established practices) and, have a significant direct impact on people (staff and/or community).

Strategic projects (tier 2)

These projects are generally over £2m (but less than £20m) in total value, contribute to strategic objectives, delivery approach is fairly certain with few areas of uncertainty and, impact to people is moderate or limited to a defined group of people (staff and/or community).

Routine projects (tier 3)

These projects are generally under £2m in total value, are aligned to strategic objectives but with no significant contribution to overall success, delivery is straightforward and, there is minimal impact on people (staff and/or community).

Summary:

Complex	✓ high value (£20m+) ✓ delivers strategic outcomes ✓ complex to deliver ✓ high levels of uncertainty ✓ Requires new or innovative practice ✓ significant impact on people
Strategic	✓ Mid value (£2m-£20m) ✓ Contributes to strategic outcomes ✓ Some uncertainty exists ✓ Requires some technical innovation ✓ Moderate impact on people
Routine	✓ Low value (£250k-£2m) ✓ Aligns to strategic outcomes ✓ Clearly defined delivery approach ✓ Requires little innovation ✓ Minimal impact on people

Additionally, it is recognised that major capital infrastructure projects (likely to be in excess of £100m total project value), may require focussed scrutiny and strategic oversight of project delivery as well as alternative methods of financing. Therefore, it is proposed to create sub-set of tier 1 projects, referred to here as tier 0. The PPM requirements and criteria for tiering remain the same as the rest of the tier 1 (complex) projects, however, governance arrangements may differ, particularly if special purpose vehicles are developed.

PPM toolkit

A new PPM toolkit will sit alongside the Project Procedure. It is important to understand the purpose of and distinction between the two documents. The Project Procedure will determine the appropriate project governance whilst the PPM toolkit will support effective project and programme management. Project governance should not be confused with project management. Project governance deals with the strategic management and governance of a portfolio of projects to deliver business value. Project management, on the other hand, manages projects on a day-to-day basis, making any decisions that have to be made based on the scope they have been given by the project board.

The tiering of projects will not only determine the necessary governance but also identify the mandatory requirements for effective project management. A comprehensive PPM toolkit will be developed which will include mandatory artefacts (templates) and roles for all COL projects. The table below sets out further detail regarding the requirements and their adoption this will be further developed in implementation.

Requirement	**Description**	**Mandatory**		
		Routine (tier 3)	**Strategic (tier 2)**	**Complex (tier 1)**
Documentation				
Project or Programme Brief	The programme brief is an outline definition of what a project/programme is expected to achieve in terms of benefits, outcomes, scope and objectives. It sets out the strategic intent and describes how it aligns to corporate priorities.	Yes	Yes	Yes
Project Initiation Document (PID)	The PID should clearly articulate the line of logic between objectives, deliverables, programme plan, key risks, stakeholders and project/programme governance (including gates)	No	Yes	Yes
Outline business case (OBC)*	The business case provides justification for undertaking a project or programme. It evaluates the benefit, cost and risk of alternative options and provides a rationale for the preferred solution. Business cases should contain costs and benefits and cashflow analysis. Outline business cases are typically produced at the early stage of feasibility and as such contain a level of uncertainty.	Yes	Yes	Yes
Full business case (FBC)*	The OBC should be further developed as feasibility progresses and further certainty emerges. At the conclusion of feasibility the Full Business Case should be developed and form the basis of the decision to continue the project or not.	No	Yes	Yes
Project or	High level and detailed insights to the programmes tasks, timelines, resources and critical	Yes	Yes	Yes

programme plan	path. For a programme this will would normally require a gantt chart. The programme plan should be approved at the programme's board from which it becomes baselined			
Governance ToR	A terms of reference for the Governance of the programme, this will include Objectives, Meeting Membership, Chair, Gatekeeper, Frequency, Inputs and Outputs. It should articulate expected behaviours. Everyone on the board needs to understand their role	Yes	Yes	Yes
Roles and responsibilities	A document that will outline the roles, responsibilities and the relationships of key people within a programme. Should clearly articulate accountable and responsible roles. The roles and responsibilities should articulate where BAU/Operational resource is required and the means of handling resource conflicts	Yes	Yes	Yes
Product descriptions	A clear description of each of the deliverables for the programme with dates of delivery	No	Yes	Yes
RAID	Capturing and managing issues, risks (i.e. threats and opportunities), dependencies and assumptions that the programme of project has made	Yes	Yes	Yes
Benefits management strategy	The documents defines the framework within which benefits realisation will be achieved as new capability is implemented. This should articulate where a programme is enabling and responsibility for achieving the saving resides within a department. A benefits map should be utilised where for example the programme delivers social value	No	Yes	Yes
Progress report	A dashboard that will show the progress of the report. Elements include top risks and issues, timelines, status of deliverables and actions	Yes	Yes	Yes
Transition plan	A document that provides a detailed operational plan for the transition of the service from its existing state to a transformed one. A "business readiness" checklist and plan will need to be produced	No	Yes**	Yes**
Change management strategy	A document clearly setting out the approach to managing change and engaging with key stakeholders. This should consider evaluation methods in order to test buy-in and organisational posture in regard to the project's aims and objectives.	No	Yes**	Yes**
Management systems				
Corporate PPM system	Portfolio management system used to manage individual projects and for portfolio reporting.	No	Yes	Yes
Agile tools	Depending upon the nature of the programme or project agile artifacts can be developed – MoSCoW prioritisation, backlogs, agilemoter, scrum roles, sprint backlogs, Burn charts, WIP boards etc	No	No	No
Roles				
Project	Officer accountable for successful project delivery and delivery of the objectives set out in	No	Yes	Yes

Sponsor/SRO	the business case. Responsible for ensuring adequate resources are available to deliver the project. For tier 1 projects, this is likely to be a Chief Officer			
Dedicated Project Director or Manager	Officer responsible for delivering the project and for providing operational day-to-day direction to project team members.	No	Yes	Yes
Change Manager	Officer responsible for supporting and facilitating the change process. Leading on engagement activity and communications with key stakeholder's. Contributes to the definition, monitoring and measurement of qualitative project benefits.	No	No	Yes**
Benefits Manager	Officer responsible for defining, monitoring, measuring and communicating the delivery of project benefits.	No	No	
Named finance lead	Finance representative	No	Yes	Yes
Named EPMO analyst	EPMO representative	No	Yes	Yes
Project/Programme Board	Supports the SRO for delivery of the project and acts as the decision making board taking decisions in line with levels of delegated authority or recommending decisions to the appropriate body.			

*NB – tier 0 large capital infrastructure projects are likely to follow the HM Treasury (Green Book) 5-stage business case model. This requirement will be set out in the project brief document.

**Mandatory elements for business change/transformation projects and programmes

Portfolio governance

The Corporation will introduce a single cohesive project governance framework to manage all its projects. This framework is intended to be proportionate and to flex to the breadth and variety of projects that the Corporation delivers.

Member governance

Members play an integral role in an effective portfolio governance framework. Members have the overall responsibility for setting strategic objectives and identifying political priorities. This underpins all decision making in the proposed model.

Members also represent the highest form of governance and scrutiny within the organisation and this model will ensure Members are enabled to focus on the projects of the most strategic importance, predominantly tier 1, complex projects. Tier 2 projects may be escalated to Members on the recommendation of the Portfolio Board.

However, through improved reporting and the development of the COL portfolio view, Members will, for the first time, have enhanced visibility across the organisation's project portfolio in its entirety and in a clear, easy to digest format (e.g. dashboards). This will allow Members to scrutinise and provide challenge of investment and resource allocation, strategic risk management and organisational performance.

The shape and form of Member governance, i.e. Committee structures, will be informed by the independent review currently underway. This document therefore focusses on general principles of Member governance rather than specific structures.

However, it is important to recognise Member governance relating to projects takes place through two separate but related roles. The proposed model will seek to support improved corporate understanding of these roles based on the principles set out below:

Service committees – focussed on answering the question "are we doing the right thing?". In other words, what is the need for this activity? How does this align with strategic objectives? And, will this approach deliver the outcomes required?

Project decision making committees – focussed on answering the question, "are we doing things right?". Will the proposed approach to project delivery and management deliver success? Does the proposed approach represent Value for Money?

Officer governance

Portfolio Board

The Portfolio Board will support Members and provide assurance and confidence that effective project management controls and systems are in place. It will support more effective prioritisation by taking a collective and cohesive view across all Corproation project-related activity. The Board will also act as a gateway to Member Governance providing challenge and ensuring the quality and integrity of information provided to enable Members and committees to focus on more significant, strategic decision making.

The Board will be responsible for:

Routine projects – tier 3
- Provide peer challenge to the proposed Chief officer portfolio on an annual basis - Receive Chief Officer portfolio summary on a quarterly basis - Provide effective challenge and scrutiny of underperforming tier 3 projects as part of a Chief Officer portfolio view (red rated projects or those rated amber with red risks relating to budget, time, outcomes)
Strategic projects – tier 2
- Review and approve the outline business case and project initiation document - Review and approve full business cases for projects valued £5m or less - Review and recommend for approval by Members, the full business cases for projects valued above £5m - Receive regular chief officer portfolio summary on a quarterly basis - Monitor project performance by exception (projects rated amber with red risks relating to budget, time, outcomes) - Provide initial challenge and scrutiny of red rated projects before escalation to Members - Identify potential solutions and/or required corporate intervention for red rated projects
Complex projects – tier 1
- Review and recommend for approval by Members, project charter, outline business case (over £5m), project initiation document and full business case - Receive and scrutinise monthly project dashboards - Provide project highlight reports to Members - Provide initial challenge and scrutiny of amber (with red risks) and red rated projects before escalation to Members - Identify potential solutions and/or required corporate intervention for underperforming projects

The successful operation of the Board will require a delegation to Town Clerk (as Chair of Portfolio Board) and/or appointed SROs to approve projects up to £5m.

The Board will be supported by a sub-group chaired by the Chamberlain. The Chamberlain's Programme Assurance Group will support the effective corporate overview of the Corporation's most complex/high value projects (predominantly tier 0). The Board will co-ordinate affordability considerations and financial risk considerations, assessing impact on the MTFP and advising on prioritisation in order to ensure the Corporation's financial sustainability.

Please refer to the supplementary information at end of this document for draft Portfolio Board terms of reference.

Formalising the role of the SRO

The Senior Responsible Officer (SRO) is an important role as they are the single officer accountable for the project/programme, ensuring it meets its objectives and realises the expected

benefits. All tier 1 and 2 projects must have a named SRO. For tier 1 projects this would usually be at Chief Officer level.
SROs of the City's complex projects are directly accountable to Members and must report delivery progress to Members.

The SRO is the owner of the business case and is accountable for all aspects of governance. The responsibilities of the role include:

- articulating and communicating the vision and business objectives of the programme
- ensuring a real business need is being addressed
- assuring ongoing viability, and if necessary taking the decision to recommend stopping the programme
- securing the support and input of key external and internal senior stakeholders, including the Programme Board
- appointing, chairing and setting priorities for the Programme Board
- providing the team with clear leadership, decisions and direction throughout the programme's life
- maintaining alignment of the programme with the organisation's strategic direction
- ensuring the delivered solution meets the needs of the business

Please refer to the supplementary information at end of this document for draft SRO agreement document.

Key roles summary –

Elected Members	- Strategic leadership and overall accountability for effectiveness of the COL portfolio - Ensure investment aligns with strategic priorities - Provide oversight of the most complex, high value and high risk projects - Responsible for taking decisions for tier 1 projects - Provide a point of escalation - Hold officers to account for operational project management and delivery
Portfolio Board	- Executive-level board Chaired by the Town Clerk responsible for assuring the effectiveness of the COL portfolio - Makes recommendations to Members regarding investment and strategic alignment - Provides oversight of tier 2 projects - Hold Project Directors/managers to account
Chief Officers/	- Accountable for the Chief Officer portfolio and prioritisation within their service area - Ensure compliance with project governance framework within their area of responsibility

Sponsors/SROs	- Appointed by Members for Complex projects (likely to be a Chief Officer) - Accountable for ensuring effective project management processes and controls are in place - Accountable for ensuring interdependencies are effectively managed and a programme established - Accountable for project budget
Project/Programme Board	- Support the SRO to provide overall direction and management of the project/programme - Enable effective and auditable decision making and change control
Project Directors/Managers	- Responsible for effective management of projects - Responsible for managing project budget, identifying risks and
EPMO	- Central organisation responsible for enabling effective portfolio, programme and project management.

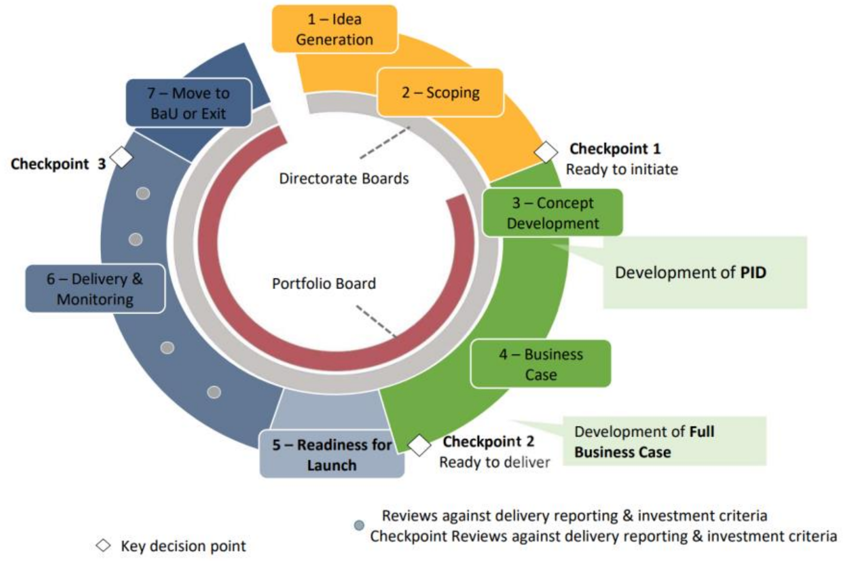
Portfolio gateways

The new Project Procedure will include a refreshed approach to the gateway process. This approach will apply to all projects regardless of value. However, the governance of the gateway approach will be dependent on the tier of the project, with Members primarily focussed on tier 1 – complex projects – governance.

The new approach will also reduce the volume of information required, moving away from the narrative heavy committee style reporting and making more effective use of dashboard reporting. For low value projects with no significant issues, it is anticipated that approval will be sought as part of a portfolio summary.

The table below summarises the new gateways and the key focus at each stage.

Project lifecycle stage	Gateway	Key decision/products
Define	Idea generation	• Project Brief
	Scoping	• Outline business case
Discover	Concept development	• PID
	Business case	• Full business case
Design	Readiness for launch	• Delivery plan
Deliver	Monitoring delivery	• Progress reports
Realise	Exit	• Lessons learnt • Closure report



Project leadership

EPMO

Building on the establishment of the Project Governance Division as part of the TOM, the new model will establish an Enterprise Portfolio Management Office (EPMO). The key functions of the EPMO will include:

- Developing a Centre of Excellence – a central hub setting the professional standards, capability, guidance, tools and templates for the Corporation
- Portfolio management – reporting, risk management, assurance checks
- PMO – project delivery support, project governance
- Benefits realisation – social value, benefits management

The EPMO will work closely with the Transformation and Improvement team (within the same Division), to ensure effective change and delivery support is provided. This will include a flexible resource pool that can be deployed to support project launch and to provide targeted corporate intervention to any projects with significant issues and/or risks to delivery.

The proposed structure for the new service is the subject of a separate report which also proposes the integration of the Project Governance Division with the Commercial service.

Head of Profession

The new service Director will be the head of profession for:

- Portfolio, Programme and Project Management
- Transformation
- Continuous improvement

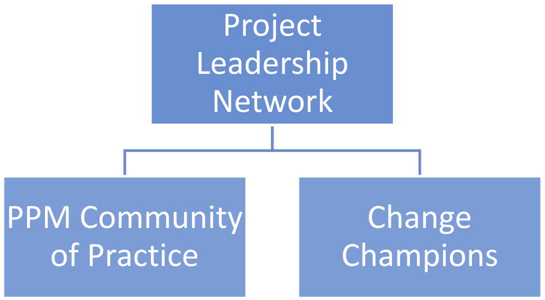
The head of profession responsibilities may be delegated to Assistant Directors and/or Heads of Service within the Division.

Hub and spoke model

The EPMO will be the Corporation's primary project management office and the Director, as head of profession, will provide professional leadership through a dual reporting line to all other Corporation project delivery and/or PMO functions.

Leadership of the wider project community

A Project Leadership Network, chaired by the Director, will be set up. The aim of this network will be to bring together project leaders from across the Corporation focussed on driving continual improvement and development of internal capabilities. They will be supported by a PPM Community of Practice and the Change Champions.



PPM Community of Practice

Project and Programme Management Community of Practice – a virtual network of all officers across the Corporation involved in the delivery of projects and programmes. The network will provide a forum to share best practice, to seek peer support, to disseminate information and share learning opportunities.

Change champions

A network of change agents from across the Corporation sharing best practice, knowledge and learning.

Professional standards - Skills and capability

The EPMO will establish clear professional standards relating to PPM for the Corporation. This will identify the roles and competencies required to achieve excellence in portfolio, programme and project management. This will be supported by a refreshed Project Management Academy with additional learner types.

The Project Management Academy

The PMA will be refreshed and additional content developed to better support the range of roles involved in effective portfolio management.

Learner type	Existing PMA capability	Target learner
Leader	*new	• Decision makers including tier 1 SROs and Elected Members
Specialist	Advanced	• Qualified/professional PMs • Tier 1 PMs • Officers working in Corporation PMOs
Manager	Practitioner	• Tier 2 PMs
Analyst	*new	• Additional module(s) focussing on analytics and reporting
Support	Foundation	• Tier 3 PMs • Officers providing project support roles

A mandatory portfolio management induction will also be introduced for all officers who will be working on Corporation projects. This will include consultants and/or interims.

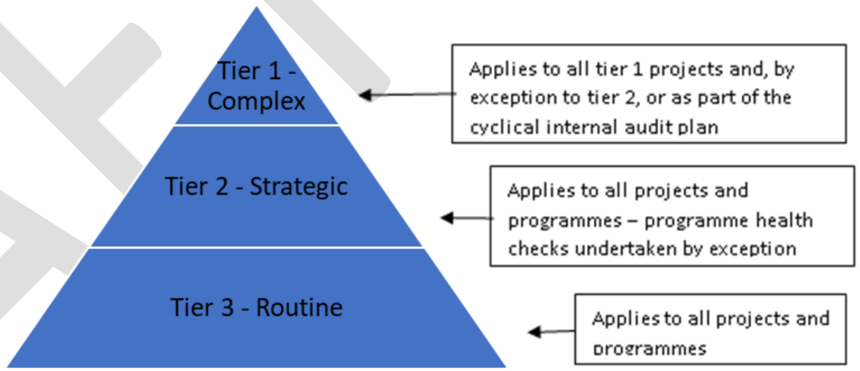
Portfolio assurance and reporting

Three lines of assurance

A three lines of assurance model will be implemented to provide assurance regarding management and delivery of COL projects. A description of each of these lines is provided below:

1st line assurance	The PMO will carry out first line assurance, amongst other responsibilities, to ensure operational management and delivery is consistent. All staff are responsible for delivering in line with corporate standards.
2nd line assurance	The Centre of Excellence set standardised project, programme and portfolio tools, processes and guidance in place for all staff to support delivery. They are responsible for second line assurance providing independent assessment and ensuring first line arrangements are in place and operating as intended.
3rd line assurance	Carried out by the internal audit function.

The diagram below illustrates how these three lines will apply to projects/programmes at each of the three tiers.



Check point reviews

As part of the Gateway process, the EPMO will work with project managers and SROs to complete check point reviews. This will ensure all projects/programmes are ready to be presented for decision and that key risks and implications of any decisions have been identified and appropriately articulated before proceeding to the next stage.

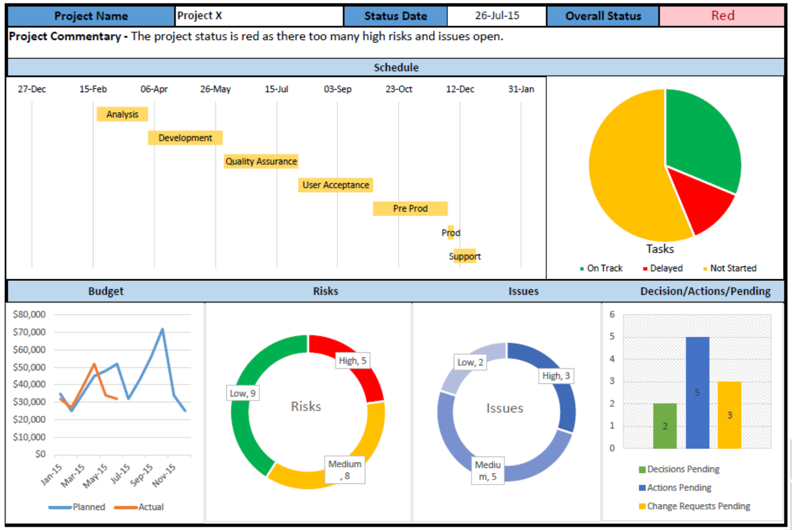
In addition to the check point reviews, health checks will be undertaken on all Tier 1 projects on an annual basis to provide assurance that effective project management arrangements and controls are in place. This will ensure greater consistency in terms of breadth, depth and level of assurance across the portfolio. In addition to planned health checks, consequential

Programme health checks

health checks may also be undertaken in response to a particular event or concern. This could mean assurance activity in the form of a 'deep dive' to establish what actions/corporate interventions cold be undertaken to find improvements. Consequential health checks could be undertaken for both Tier 1 and Tier 2 projects where significant risks and/or issues that have been identified.

Reporting format

Reporting will be developed to provide concise, focussed and easy to digest information to Members. This will be based on dashboard style reporting making more effective use of data, visualisation, benefits tracking and other performance data. The process for reporting will be automated wherever possible with the ambition of enabling access to accurate real-time data whenever required. An example of a possible dashboard report has been included below for illustrative purposes only.



Portfolio management system

In order to achieve the ambitions set out in regard to reporting, it is imperative that the Corporation invests in a portfolio management system. The system will represent the one source of the truth for project data and provide a comprehensive view of portfolio performance, benefits, risks and investment. Integration with the finance system would also provide the opportunity to streamline process for project forecasting, managing and approving payments, project charging and overall portfolio cashflow reporting.

Risk management

Risk management is central to effective portfolio, programme and project management. For the first time, we will outline a consistent mandatory approach to risk management that aligns with the Corporate Risk Management Strategy. Risk and assurance will be a central consideration at each Gateway and influence the decision to proceed or to stop projects as appropriate. The EPMO will work with project managers and service based PMOs to establish a holistic corporate-wide view of risk and assurance data held on the portfolio management system. The EPMO will be responsible for maintaining a Corporation Portfolio RAID (risks, assumptions, issues and dependencies log). The output of the RAID, along with intelligence from other assurance activity (such as the programme health checks) will enable the EMPO to provide Members with an assurance assessment for Tier 1 (and by exception Tier 2) projects. This will enable Elected Members visibility of the risk profile across all of the Corporation's activities.

Benefits management and social value

The definition, monitoring and measurement of benefits is crucial to the development of an effective portfolio management framework that is focussed on enabling the delivery of intended outcomes. Central to this is the development of robust and credible business cases.

A business case provides justification for undertaking a project, programme or portfolio. It evaluates the benefit, cost and risk of alternative options and provides a rationale for the preferred solution. Therefore the business case should be treated as a live document and must be reviewed at each gateway.

Social value

Social value is about providing meaningful societal, economic and environmental benefits. The Corporation's project portfolio should deliver added value for the square mile and beyond. These benefits should be identified as part of the business case and measured through the benefits management framework.

Measuring the benefits:

Working with colleagues in the Chamberlain's department, a portfolio benefits management framework will be developed to drive greater consistency. This framework will include:

- Benefits eligibility guidance including a consistent approach to how benefits should be categorised, quantified, valued and validated
- A Portfolio-level benefits realisation plan
- Review of the benefits case at Portfolio-level reviews
- Effective arrangements to manage benefits post project/programme closure
- Clear arrangements for benefits tracking and reporting at Portfolio level, i.e., via a Portfolio dashboard;
- Regular and robust post-implementation reviews and feeding lessons learned back into forecasting and the benefits management processes.

Impact assessment and EDI

The Public Sector Equality Duty (PSED) is set out in the Equality Act 2010 (s.149). This requires public authorities, in the exercise of their functions, to have 'due regard' to the need to:

- eliminate discrimination, harassment and victimisation
- advance equality of opportunity between people who share a protected characteristic and those who do not
- foster good relations between people who share a protected characteristic and those who do not.

Further the Corporation, as a responsible employer, developer and funder, should consider what potential impact its projects could have on local communities including residents, businesses and visitors.

Supplementary information

Supplementary information – Portfolio Board draft terms of reference

Purpose:

The Portfolio Board, chaired by the Town Clerk, provides officer-level strategic direction, governance, and oversight to ensure successful project delivery across the Corporation. The Board is accountable to the Operational Property and Projects sub-Committee and supports Members in carrying out their strategic oversight role.

Objectives:

a. To support effective corporate overview of the Corporation's project portfolio ensuring alignment of projects with the Corporation's strategic goals and objectives
b. To monitor and review project progress, including milestones, timelines, budgets, and resource allocation
c. To identify and manage interdependencies and risks across projects
d. To provide guidance and support to project teams, including issue resolution and decision-making
e. To approve the deployment of the Project Manager resource pool
f. To act as a gateway to Committee reporting project status, risks, and recommendations to relevant Committees
g. To co-ordinate affordability and financial risk considerations
h. To recommend issues/projects for escalation to Committee

Responsibilities by project tier:

For COMPLEX projects (tier 1)

i. To provide constructive challenge to SROs and project lead officers and consider whether aims and ambitions are going to be achieved.
j. To review and recommend for approval by Members, project charter, outline business case, project initiation document and full business case
k. To receive and scrutinise monthly project dashboards
l. To provide project highlight reports to Members
m. To provide initial challenge and scrutiny of amber (with red risks) and red rated projects before escalation to Members
n. To identify potential solutions and/or required corporate intervention for underperforming projects

For STRATEGIC projects (tier 2)

o. To scrutinise the outline business case and project initiation document
p. To review and approve full business cases for projects valued £5m or less
q. To review and recommend for approval by Members, the full business cases for projects valued above £5m
r. To receive chief officer portfolio summaries on a quarterly basis

s. To monitor project performance by exception (projects rated amber with red risks relating to budget, time, outcomes)
t. To provide initial challenge and scrutiny of red rated projects before escalation to Members

For ROUTINE projects (tier 3)

u. To provide peer challenge to the proposed Chief officer portfolio on an annual basis
v. To receive Chief Officer portfolio summary on a quarterly basis
w. To provide effective challenge and scrutiny of underperforming tier 3 projects as part of a Chief Officer portfolio view (red rated projects or those rated amber with red risks relating to budget, time, outcomes)

<u>Composition and Membership:</u>

The Portfolio Board has collective responsibility for ensuring effective governance of the Corporation's project portfolio and providing assurance to Members regarding the proactive management of risks and organisational capacity and capability to deliver. The table below provides further information regarding specific areas of expertise for each member of the Board.

Role	Officer	Key responsibilities
Chair	Town Clerk	• Chairing meetings including the agenda and ensuring effective communication • Taking project decisions of up to £5m
Finance Lead (Deputy Chair)	Chamberlain	• Providing advice and challenge in regard to finance and affordability considerations • Chairing the Finance Assurance sub-Group
Strategy and Performance Lead	Chief Strategy Officer	• Providing advice and challenge around strategic alignment, risk management and progress reporting
Construction Delivery Lead	City Surveyor	• Providing advice and challenge in regard to construction project delivery and market • Ensuring effective oversight of capital delivery and programme resourcing
Corporate Effectiveness Lead	Chief Operating Officer	• Providing advice and challenge around people,

		change and equalities issues
Governance Lead	Assistant Town Clerk and Director of Member Services	• Providing advice and challenge in regard to corporate governance requirements
Portfolio Management Lead	Project Governance Director	• Providing advice and challenge in regards to project governance and operational project management standards
Secretariat	Enterprise Portfolio Management Office (EPMO)	• Producing portfolio dashboard reports • Undertaking gateway reviews and making recommendations to the Board • Carrying out project health checks and reporting findings to the Board • Providing advice and challenge to SROS and project managers • Servicing the meeting
Invited members dependent on agenda*:		
Project SROs (tier 1 and 2)Boar		• Providing strategic direction and vision for their respective projects. Ensuring project alignment with organisational objectives. • Monitoring and reviewing project progress, including milestones, budgets, and risks. • Raising project-related issues and risks to the Portfolio Board for resolution. • Providing regular updates on project status and key decisions
Project Managers		• Providing regular updates on project status and key decisions • Raising project-related issues and risks to the Portfolio Board for resolution

*Attendance will be agreed by the EPMO in advance of the meeting.

Meeting arrangements:

- The Portfolio Board shall meet on a monthly basis
- A minimum of four Board members must be present for a meeting to be deemed quorate
- The Board will be serviced by the EPMO and papers will be circulated at least three working days in advance of the meeting

The Finance Assurance Board

The Portfolio Board will establish a Finance Assurance sub-Group chaired by the Chamberlain. This Group will be responsible for:

- Supporting effective corporate overview of the Corporation's most complex/high value projects and interdependencies between them, ensuring they accord with agreed policy priorities, corporate decision making and wider objectives
- Providing constructive challenge and to consider whether project delivery plans represent best value
- Co-ordinating affordability considerations and financial risk considerations, assessing impact on the MTFP and advising on prioritisation in order to ensure financial sustainability
- Recommending issues for deep-dive review by the Corporate Portfolio Board

Sub-Group membership:

This Group is designed to be a small focussed group of key officers as set out below.

Role	Officer	Key responsibilities
Chair	Chamberlain	• Chairing meetings including the agenda and ensuring effective communication
Deputy Chair	Financial Services Director	• Providing updates on cashflow forecasting
Strategy and Performance Lead	Chief Strategy Officer	• Providing advice and challenge around strategic alignment, risk management and progress reporting
Portfolio Management Lead	Project Governance Director	• Providing advice and challenge in regards to project governance and operational project management standards
Project Leads	SROs of tier 1 (complex) projects	• Providing regular updates on project status and key decisions • Raising project-related issues

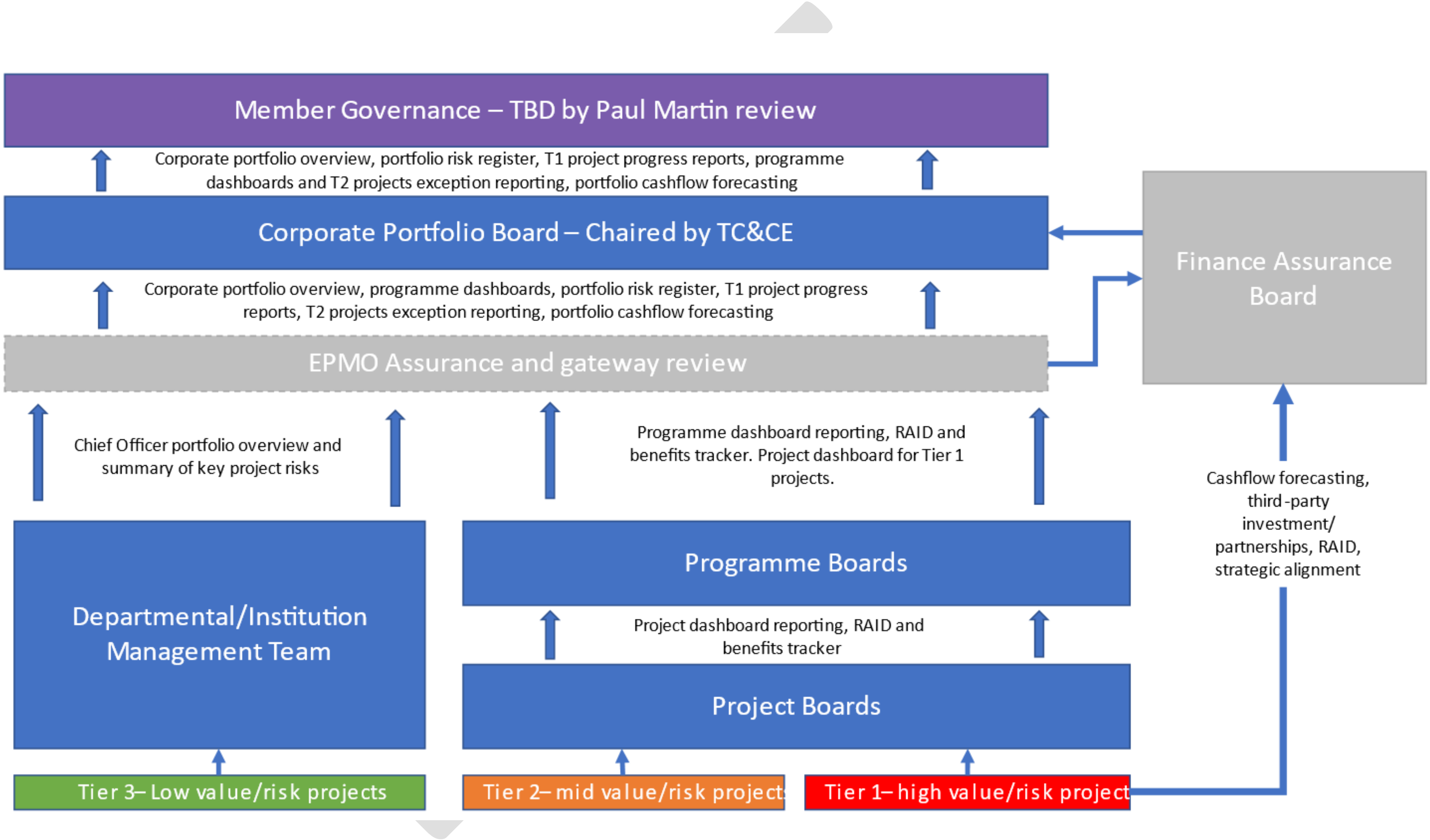
		and risks to the Portfolio Board for resolution
Secretariat	EPMO	• Producing portfolio dashboard reports • Servicing the meeting

Meeting arrangements:

- The Assurance Board will meet on a monthly basis in advance of the Portfolio Board meeting
- The meeting will be serviced by the EPMO
- The EPMO will provide portfolio dashboards in advance of the meeting
- The Financial Services Director will provide a monthly update on cash-flow forecasting

Other papers may be requested

Supplementary information – Portfolio Governance map



Supplementary information – SRO agreement document

The Role of Senior Responsible Owner in the City of London Corporation's strategic and complex projects

1. Introduction

Strong leadership and clear accountability are key elements of successful project and programme delivery. Confusion about leadership roles has the potential to create risk in terms of strategic project governance, undermine accountability, and so jeopardise the success of the project/project.

This document

- defines the role and responsibilities of a Senior Responsible Owner (SRO) for the City of London Corporation's strategic and complex projects.
- clarifies the SRO's relationship with other roles, including what each role is accountable for and how they relate to each other.
- sets out the requirements and points to consider when selecting an SRO.

The material is based on the government guidance *The role of the Senior Responsible Owner*, published on 18th July 2019.

2. What is accountability?

A key principle for project delivery is that all accountabilities and responsibilities are defined, mutually consistent and traceable across all levels of management:

- the **accountable person** is the individual who is ultimately answerable for an activity or decision. This includes 'yes' or 'no' authority and veto power. Only one accountable person can be held to account. An accountable person has to be accountable to someone for something. Accountability cannot be delegated or shared.
- the **responsible person** is the individual who actually undertakes the task: in other words, they manage the action / implementation. Responsibility can be shared. The degree of responsibility is determined by the individual with the accountability.

3. The role of the Senior Responsible Owner

The Senior Responsible Owner (SRO) is the single officer accountable for the project, ensuring it meets its objectives and realises the expected benefits. SROs of strategic and complex projects are directly accountable to the Sponsoring Committee and will report delivery progress directly to that Committee.

The SRO is the owner of the business case and is accountable for all aspects of governance. The responsibilities of the role include:

- articulating and communicating the vision and business objectives of the project
- ensuring a real business need is being addressed
- assuring ongoing viability, and if necessary taking the decision to recommend stopping the project
- securing the support and input of key external and internal senior stakeholders, including the Project Board
- appointing, chairing and setting priorities for the Project Board
- providing the team with clear leadership, decisions and direction throughout the project's life
- maintaining alignment of the project with the organisation's strategic direction
- ensuring the delivered solution meets the needs of the business
- reporting progress and risks to the sponsoring Committee to ensure effective Member oversight is maintained

3.1 The business case
The Senior Responsible Owner is the owner of the project's business case, is the primary risk owner, and is accountable for ensuring that the project meets its objectives, delivers the required outcomes and realises the required benefits. This not only means monitoring progress on the project, but also the context within which the project will deliver. Sometimes a valid project can become redundant because the reason for its initiation no longer exists or has changed substantially. In this case, the Senior Responsible Owner should consider whether to take the decision to recommend stopping the project.

3.2 Governance and assurance
The Senior Responsible Owner is accountable for ensuring that the project has in place a governance and assurance regime that is effective, proportionate and appropriate. This will enable the project to deliver successfully and allow them to discharge their duties in terms of accountability.

The SRO also chairs the Project Board and is responsible for ensuring the right expertise throughout the life cycle of the project. Whilst the Project Director or project office might recommend how governance is designed for a particular project and put such governance in place, it is the responsibility of the Senior Responsible Owner to ensure that it is effective, proportionate and appropriate.

The SRO ensures the project reports to the sponsoring Committee in a timely fashion.

3.3 Delivery of objectives, outcomes and benefits
The Senior Responsible Owner needs to ensure that the Project Director has defined a project's management and working practices so that they lead to the planned outcomes. In addition, the SRO will need to ensure that project risk is managed throughout the lifecycle by invoking appropriate stage gates, assurance reviews and decision points.

Finally, the Senior Responsible Owner is responsible for ensuring successful transition to live service or operations. This includes delivery of the agreed outcomes and benefits, or ensuring that accountability is transferred to appropriate business ownership, for example through the relevant Chief Officer, to ensure that benefits are realised after the project has closed.

3.4 The SRO's relationship with the Project Director
The Senior Responsible Owner's relationship with the project delivery team is through the Project Director, who is normally appointed by the Senior Responsible Owner. The Project Director is accountable to the Senior Responsible Owner for driving the delivery of the project outcomes within agreed time, cost and quality constraints. The Project Director is responsible for all day-to-day decisions.

The duties of the Project Director include ensuring that:

- the project is appropriately resourced and organised
- the budget requirements are defined and managed within agreed limits
- risks and issues are identified and managed
- there is effective communication with key stakeholders
- effective project controls are in place
- the project team's activities are lawful and ethical
- accurate and timely reporting is carried out.

A Project Director is likely to have several Project Leads or Managers reporting to them, with each being accountable to the Project Director for the day to day management of the project or project assigned to them. The Project Director remains accountable for:

- ensuring all the responsibilities in the project are adequately assigned and undertaken
- maintaining the reporting and relationship with the Senior Responsible Owner
- project risks and issues; deconflicting dependencies between projects

The key to a successful relationship between a Senior Responsible Owner and a Project Director is understanding each other's role and agreeing how they want to work together: The Senior Responsible Owner steers and champions the project, while the Project Director directs it.

It is important that the Senior Responsible Owner allows the Project Director the freedom to manage the project within agreed tolerances while also providing appropriate challenge and support.

The comparison of the roles of the Senior Responsible Owner and Project Director (see Table I) sets out the accountabilities of the Senior Responsible Owner role alongside those typical of the Project Director. This covers the core requirements common across all projects and should be considered a minimum.

4. Appointing the SRO

Accountabilities should be assigned on all new projects from an early stage and shall be formalised before the initial investment approval is sought. This process starts with the appointment of the SRO.

Ideally, the Senior Responsible Owner is someone who holds a leadership position with has control or influence over that business area or operating environment into which the project's benefits and outcomes will be delivered. Sometimes it will be necessary to create a new leadership role for an incoming SRO. In this case, it is important to consider the relationship of the role with the wider business area or operating environment.

The decision to appoint an SRO to a new project, or to an existing project following the departure of a previous SRO, should be given careful consideration. Decisions on appointments will be made following CoLC Recruitment procedures.

4.1 Selecting an SRO: things to consider

Having the right leadership is a critical factor in the successful delivery of a project, and the choice of SRO therefore needs careful consideration. When deciding who should be the SRO for a project, particular consideration should be given to the following factors:

- **Position:** The SRO will normally hold a leadership position within the permanent organisation and will have control or influence over the business area or resources into which the project outcomes will be delivered.
- **Capacity**: The SRO must have the necessary time to carry out their responsibilities, taking account of any other responsibilities and commitments they may have.
- **Tenure**: The SRO needs to be able to commit to leading the project through to completion or to an appropriate milestone.
- **Knowledge, skills and experience**: The SRO may need particular subject matter knowledge (for example in a particular sector or policy domain), or professional skills, depending on the nature of the project. SROs are also expected to have prior experience of project/project delivery and to have completed, or to complete, appropriate development.
- **Personal attributes**: The SRO's key attributes, as defined in Managing Successful Programmes, are to:

  - have appropriate the experience for the responsibilities and accountabilities the role involves
  - be proactive and visible as the driving force behind the project
  - demonstrate strong leadership and decision-making skills
  - foster collaboration across the City of London Corporation to further project outcomes
  - combine realism with openness and the clarity of expression to communicate the project's vision effectively
  - be able to give purpose and direction to the project and take strategic decisions

- focus on delivery of the benefits and achievement of the end goal
- build productive relationships across the project team
- have access to and credibility with key stakeholders

When choosing an SRO, diversity and inclusion, and fair and open competition, should be given full consideration, both in terms of the design of the role and the process through which it is filled.

Table I: Comparison of the roles of the Senior Responsible Owner and Project Director

	Senior Responsible Owner (SRO)	**Project Director**
What is the purpose of this role?	The Senior Responsible Owner is accountable for a project meeting its objectives, delivering the required outcomes and realising the required benefits. The Senior Responsible Owner of a CoLC complex project is accountable to Committee Members. The Senior Responsible Owner steers and champions the project.	The Project Director is accountable to the Senior Responsible Owner for establishing the governance framework and for the day-to-day management of a project to deliver the desired outcomes and outputs and realise the required benefits. They are responsible for driving the delivery of the project and overseeing it to ensure that the objectives are clearly defined and achieved within the agreed time, cost and quality constraints. The Project Director directs the project.
Typical profile	Should ideally hold a leadership position within the organisation and have control or influence over the business area or resources into which the project outcomes will be delivered.	Should be a project/project delivery professional with relevant knowledge and experience of the type and complexity of project to be delivered. Will have proven project leadership capabilities.
Accountabilities of the role		
Leadership	Provides overall leadership, decisions and direction.	Leads and manages the project and the project team on a day to day basis.
Design	Owns the overall design of the project and the temporary organisation needed to deliver it.	Establishes the temporary organisation in line with the agreed design.
Delivery	Delivers the project objectives and projected outcomes, and realisation of the benefits set out in the business case.	Creates and leads the project to deliver the agreed outcomes within time, cost and quality constraints.
Project Management	Provides strategic guidance to the Project Director and sets key strategic delivery parameters.	Provides effective leadership and management controls. Sets project controls and 'stop / go' decision points. Designs the project structure and organisation appropriate to the stage of the project. Sets appropriate delivery methodologies. Manages effective transition between project phases.

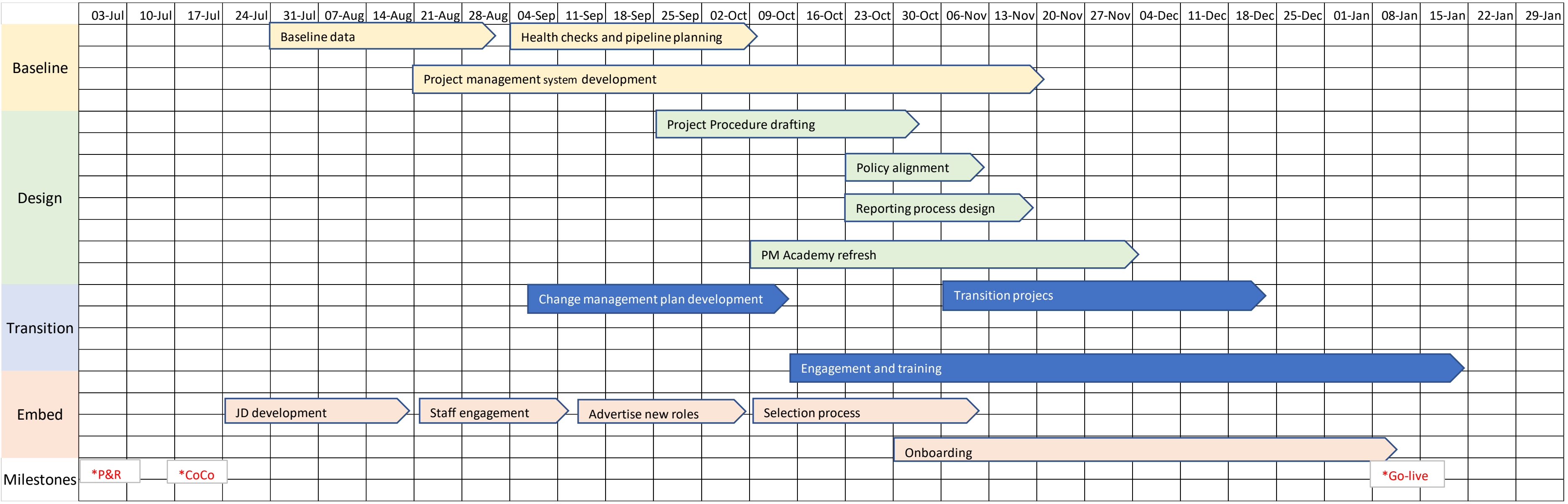
Business Case	Owns the business case, ensures and assures ongoing viability. Must refer any significant concerns about feasibility, value for money, regularity or propriety to the relevant Committee. Must obtain approval from the Court of Common Council.	Develops the business case and supports the SRO in delivering the business case objectives.
Budget	Secures budget against the business case throughout the life of the project.	Develops the budget and delivery within budget.
Resources	Appoints the Project Director, agrees the responsibilities and authority of the role and secures other resources necessary to deliver the project.	Identifies skill requirements for all stages of the project. Recruits resources within budget constraints and effectively deploys them. Builds the project team; delegates roles and responsibilities, develops capability and fosters innovation.
Stakeholder Management	Influences and manages the environment into which the project outcomes will be delivered, including relationships with key stakeholders, business owners and impacted parties.	Ensures stakeholder interests are identified and addressed. Manages stakeholder communications and ensures buy-in. Forms collaborative relationships with key stakeholders both internally and externally. Works collaboratively with the Senior Responsible Owner to jointly manage senior stakeholders.
Risks & Issues	Manages strategic risks in the operating environment.	Manages risks and issues and escalates to the Senior Responsible Owner where appropriate.
Governance	Ensures appropriate project governance is in place and chairs the Project Board.	Provides all reporting as required by the Senior Responsible Owner. Establishes and manages quality assurance and change control.
Assurance	Ensures appropriate assurance and agrees the level and frequency of assurance reviews.	Engages on assurance activities and reviews, and acts on recommendations.
Change Management	Ensures the strategic direction of the project remains aligned with any changes in political or business priorities.	Ensures effective change control is in place to agree and document changes to project scope and deliverables as agreed with the Senior Responsible Owner and other stakeholders.
Guidance & Support	Available to the Project Director to coach, advise, provide strategic direction, assist with conflict resolution and make timely decisions.	Provides support, guidance and coaching for the project team. Promotes effective individual and team performance.

Project Planning & Control	Agrees and owns the project vision and success criteria with the Project Director.	Develops and agrees the vision and measurable success criteria with the Senior Responsible Owner. Develops and maintains the project plan and integrates with other inter-dependent projects/projects. Monitors and controls progress and performance, and reports regularly to the Senior Responsible Owner. Ensures appropriate standards, good practice and lessons learned are sought and applied. Ensures the outcomes / transition deliverables are well defined and agreed with stakeholders. Manages project closure and sign-off.

Appendix 2 – Proposed project governance framework

APPENDIX 3 - Portfolio management – draft implementation plan

The development of a portfolio management approach is a medium-long term ambition. The aim has been set of reaching the top level of maturity against the government project standard over three years. The implementation plan set out below focusses on activity required in the next 12 months with the first phase of changes due to be implemented by January 2024.



Phase	Phase objectives	Key activity	Timeframe	Resource plan		Investment required
				Lead	Additional support required	*Total resource costs included under separate section below
Phase 1 - baselining	• Establish an accurate view and	Complete assessment and tiering of all existing corporate projects	3 weeks	Corporate PMO Manager	1x PMO Analyst	
		Undertake data cleansing exercise and reconciliation of data held on	3 weeks	Corporate PMO Manager	1x PMO Analyst	

	record of project activity • Build a robust and credible dataset • Develop the IT infrastructure to enable effective portfolio management • Refine the proposed resource model	project system with finance system				
		Upgrade project management system and develop portfolio reporting structure	16 weeks	Corporate PMO Manager	Cora systems implementation support	£30,000 upgrade £15,000 - support
		Carry out high-level programme health check of existing major programmes	6 weeks	Head of Major Programmes	1x Project Manager	
		Work with ELB to identify business change project pipeline	6 weeks	Head of Transformation & Improvement	None	
		Finalise design of new division and commence recruitment process	8 weeks	Acting Project Governance Director	None	
Phase 2 – detailed design	• Develop efficient and effective procedures and business processes • Develop the first tranche of documents as part of the PPM toolkit • Develop core learning and development offer	Update Project Procedure including process maps and workflows	6 weeks	Acting Project Governance Director	1x Project Manager 1x PMO Analyst	
		Work with stakeholders to align Financial Scheme of Delegation, Procurement Code, Risk Strategy and any other governance document	4 weeks	Acting Project Governance Director	1x Project Manager	
		Establish Portfolio Board governance	3 weeks	Head of Major Programmes	None	
		Develop reporting business processes	3 weeks	Head of Major Programmes	1x PMO Analyst	
		Undertake portfolio risk reviews	6 weeks	Acting Project Governance Director	1x Project Manager	
		Review and update Project Management Academy	8 weeks	Corporate PMO Manager	Learning provider and	£20,000 *See below for ongoing costs

					ongoing license costs	
		Design mandatory induction module	3 weeks	Head of Major Programmes	1x Project Manager	
		Develop project artefacts and updated project procedure	6 weeks	Corporate PMO Manager/Head of Major Programmes	1x Project Manager 1x PMO Analyst	
		Define Head of Profession role		Acting Project Governance Director	None	
		Launch PPM network		Acting Project Governance Director	None	
		Develop change management plan		People & Change Lead	None	
Phase 3 - transition		Transition projects to new structure		Head of Portfolio (new role)	None (within new structure)	
		Rollout training in new approach		Head of Portfolio	None (within new structure)	
Phase 4 - embedding		Project health checks for all tier 1 projects		Head of Portfolio	None	
		PMA training for tier 1 PMs		Head of Portfolio	1x Project Manager	
		SRO mandatory training		Head of Portfolio	None	
		Implementation review		Director, Project and Change Delivery	Internal Audit support required	
					Sub-total	**£65,000**

Total resource requirements						
n/a	n/a	Interim PMO analyst	24 weeks	n/a	n/a	£60,000
n/a	n/a	Interim Project Manager	24 weeks	n/a	n/a	£90,000
n/a	n/a	Finance transformation consultant (1 day per week)	12 weeks	n/a	n/a	£10,000
					Sub-total	**£160,000**
					GRAND TOTAL	**£225,000**

Annual operating budget required:

- Project system: licenses - £50,000
- PM Academy delivery - £30,000 (for first two years after which we can assess the potential to move to an in-house delivery model)
- APM accreditation - £15,000
- Staff training budget - £5,000

Draft for Discussion

RedQuadrant

Project Governance review

CITY OF LONDON

Skills and Capabilities

23 January 2023

The challenge

- The scope
  - A review of organisational capability by undertaking a corporation training needs analysis (building on previous work)

- Deliverable outputs
  - Analysis of current skills identified to create 'as is' picture via skills and capability survey
  - Capability framework descriptions for key PPM roles to support future portfolio TOM

- Deliverable outcome
  - Understanding of organisational capability (PMO ecosystem) to deliver improvement plan including skills analysis.

RedQuadrant

What we did

- A skills and capability survey was run to establish a baseline view of skills and capability within the organisation to inform what would be needed to support a portfolio approach to deliver the City of London improvement plan.

- The survey consisted of 35 questions mostly multiple choice but with some free text boxes to provide both qualitative and quantitative data.

- This was sent to 70+ project and programme managers across the corporation and the institutions.

- 52 people responded which is statistically significant.

RedQuadrant

Summary

Quantitative data showed:

- Gaps in skills and capability for programme management, SRO, Change Mangement and Benefits Management.
- Good skills and capability in Project Management.
- ⑩ Staff would welcome further training on programme and project management
- Low maturity of the organisation in terms of a Portfolio delivery approach.

Qualitative data showed:

- Change control management is elongated and unnecessarily complicated.
- Many projects and programmes are managed on top of the day job, this has the follow impacts:
  - Reduced capacity to do project management well – stress and impact on health.
  - Managing multiple stakeholders is a challenge

RedQuadrant

Proposal

If you wish to move to a more structured portfolio delivery model it is proposed that the gaps in skills and capability are addressed.

To support effective portfolio management, it is important that each role has defined, key responsibilities, technical and behavioural competencies and qualifications.

Consideration would need to be given to how the organisation meets these gaps in the short term as training would need to be front loaded to ensure the right skills and capability are in place to support a successful implementation.

To measure the impact of improving the skills and capability of the portfolio is it proposed that the survey is run again during implementation.

RedQuadrant

Recommendation

If you wish to move to a structured and comprehensive portfolio model, the following recommendation is key to ensuring the right skills and capability are in place.

- It is recommended that a structured and focused L and D model should be adopted, such as the Project Delivery Capability Framework. This is an excellent tool which describes job roles, capabilities and learning for project delivery professionals across government. It contains four elements:
  - A career pathway/ common set of job roles
  - A set of competencies
  - A signpost for development opportunities specific to job roles
  - The criteria and process to obtain accreditation as a Government Project Delivery Professional.
  - https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1124745/PDCFv3.pdf

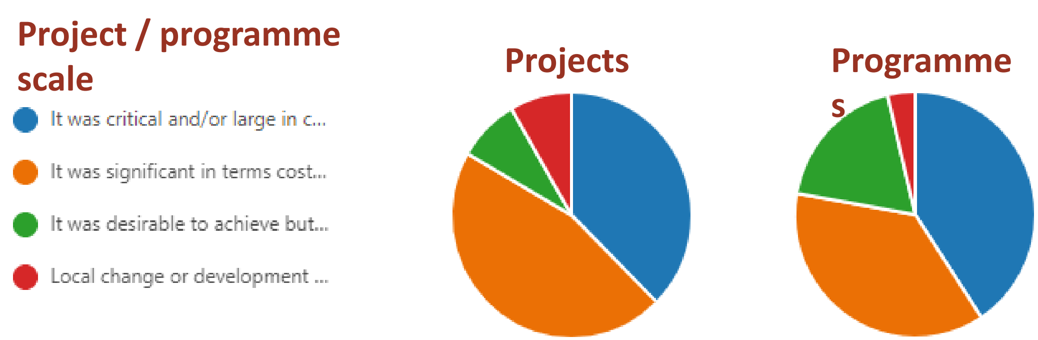
RedQuadrant

OUTPUTS FROM THE SURVEY

General

Themes

- Most project/programme roles are in Environment and City Surveyors services less in institutions and DCSS.
- Grades of PM's and Programme Managers are mainly E – H
- Most projects and programmes are large and of significant risk to the organisation.

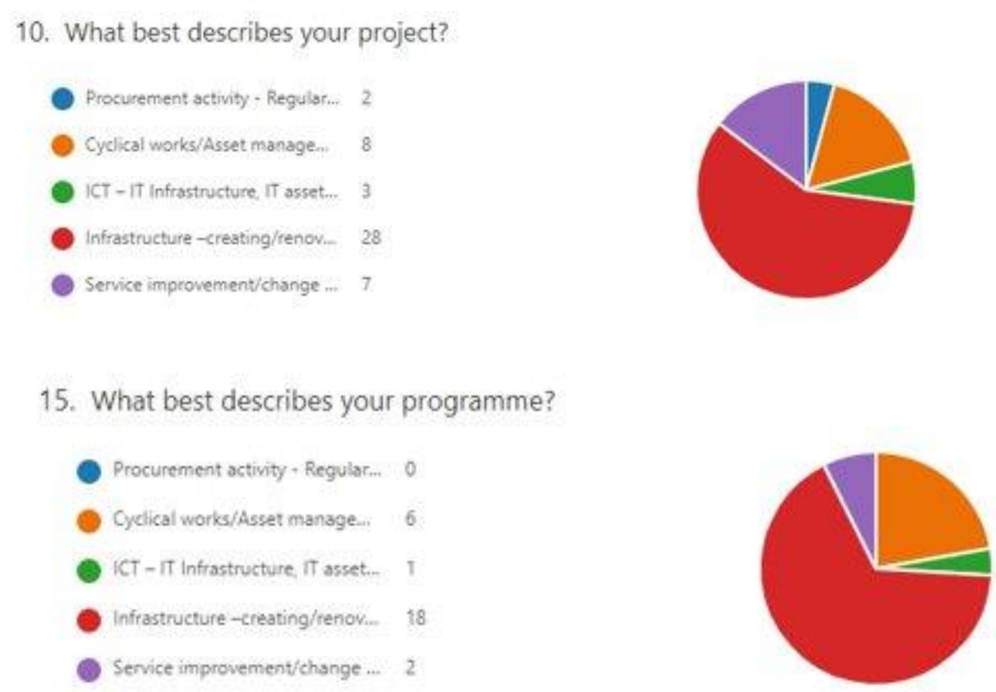


Key point – High value/high risk projects and programmes need the right framework in place for delivery and oversight

General cont...

Themes

- Most projects and programmes are infrastructure with some cyclical works and procurement activity.
- Service improvement and change accounts for a small proportion.



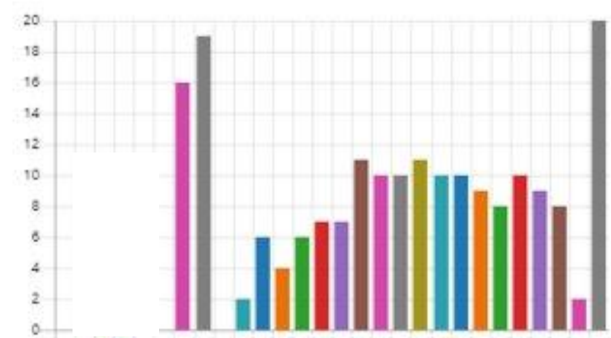
Key point – there is some activity that is not true programme or project and should not be considered as part of the portfolio eg procurement

Project Management

Themes

- Most projects sit within the £1mil - £50mil value.
- Most PM's had over 5 years experience.
- Most had a PM qualification

Project management range of training including Prince2 and PM Academy



Key point – most Project Managers are experienced and well trained

RedQuadrant

Programme Managment

Themes

- Over half the respondents indicated they supported a programme and were Programme Managers.
- Most had 2 -5 years + experience. Only 5 people are qualified MSP practitioners and 4 to foundation level.
- Programme values sit mostly at the - £1mil - £50 mil value or £100mil or above.

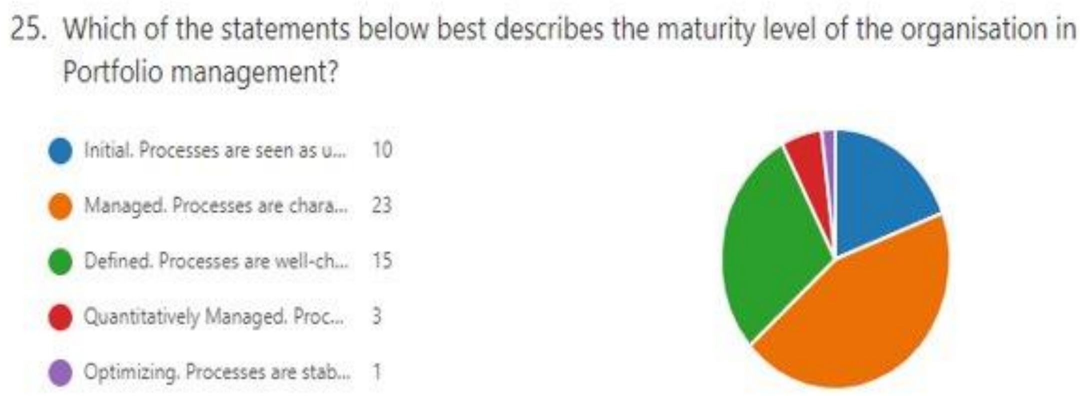
Key point – Programme management qualification is a gap and therefore a risk as programme value is high.

Portfolio Management

Themes

- The organisation had a low maturity in portfolio management. Most responses fell in the initial, managed, defined, level of maturity.

- No evidence of portfolio management qualifications or skills.



Key point - Portfolio management skills and training is a gap and would be required to support a portfolio delivery approach.

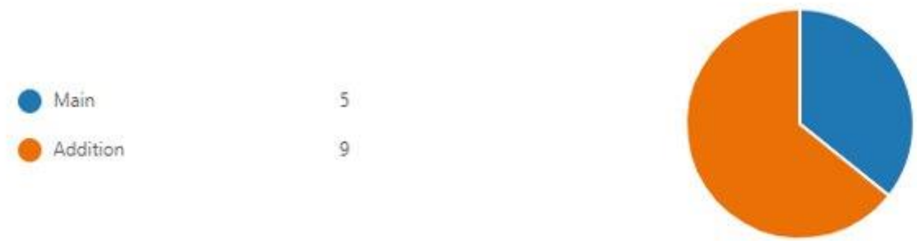
RedQuadrant

SRO

Themes

- Most have never been an SRO
- The SRO is split between being their main role and an additional role
- Most use up to 2 days a week to fulfil the SRO role.
- Nearly all had some programme or project management experience.
- SRO's are particularly difficult to assign for the City Surveyors (*evidence systems workshop*)
- There is a lack of understanding of what is required as an SRO such as: decision making / time impact /need to understand the project or programme. (*evidence systems workshop.)*
- Some training is provided for SRO's but this does not cover the whole remit of an SRO

30. Is this work your main job role or in addition to your main role?



32. Which if the following descriptions best describes the project or programme you are SRO for:

Key point – SRO skills training is a gap – this is a risk as most project are high risk and high value

Change Mangement

Themes

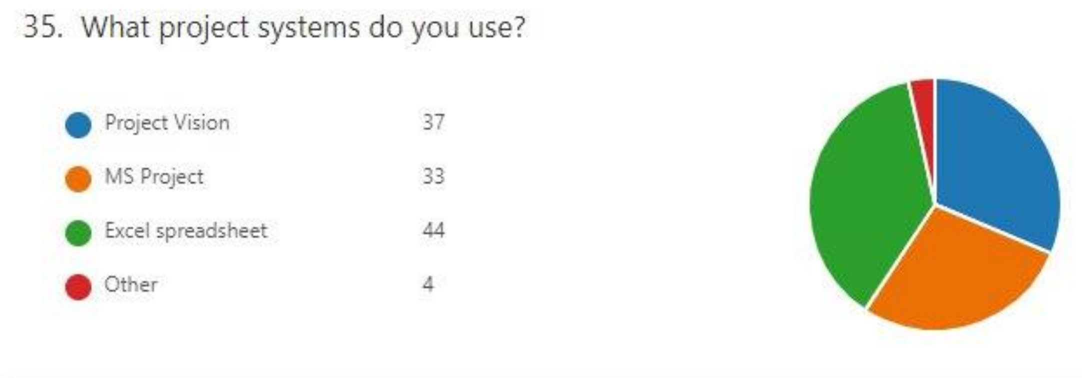
- Over half the respondents had not had a role supporting business change.
- Most had limited experience of business change.
- There is an expectation that business change is carried out as part of a project or programme but a lack of understanding as to what this entails. (*Evidenced by stakeholder engagement meetings- stage A*)

Key point – Change Mangement skills and training are a gap

Systems

Themes

- Project Vision is used by nearly all respondents, but in general only for reporting.
- Other tools and systems used are mainly: MS project and excel spreadsheets.



Key point – information from the survey to be fed into systems deliverable

Qualitative data

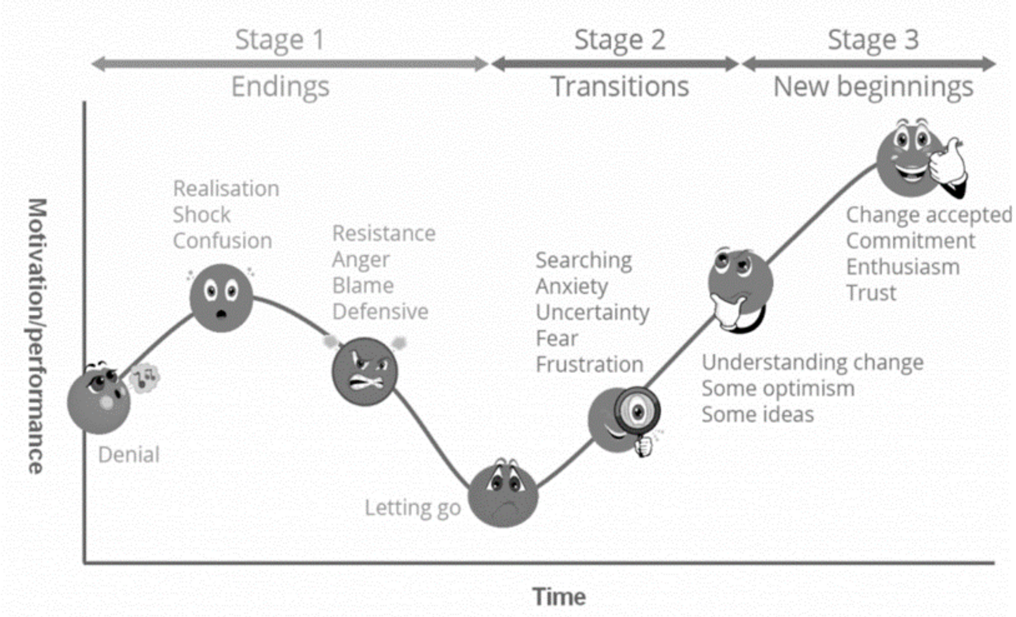
Comments from the survey:

- Change control management is a point of contention.
- Unhelpful level of gatekeeping
- Lack of knowledge that makes the most rudimentary activity unnecessarily complicated.
- Staff resources have not been sufficiently allocated so I'm not managing my day job or the project well.
- I'm fulfilling management roles beyond my current role in relation to multiple stakeholders – capacity issue
- I would be interested in MSP qualification
- I'm keen to do Prince2 when my current project allows time
- I'm always keen to improve my learning

RedQuadrant

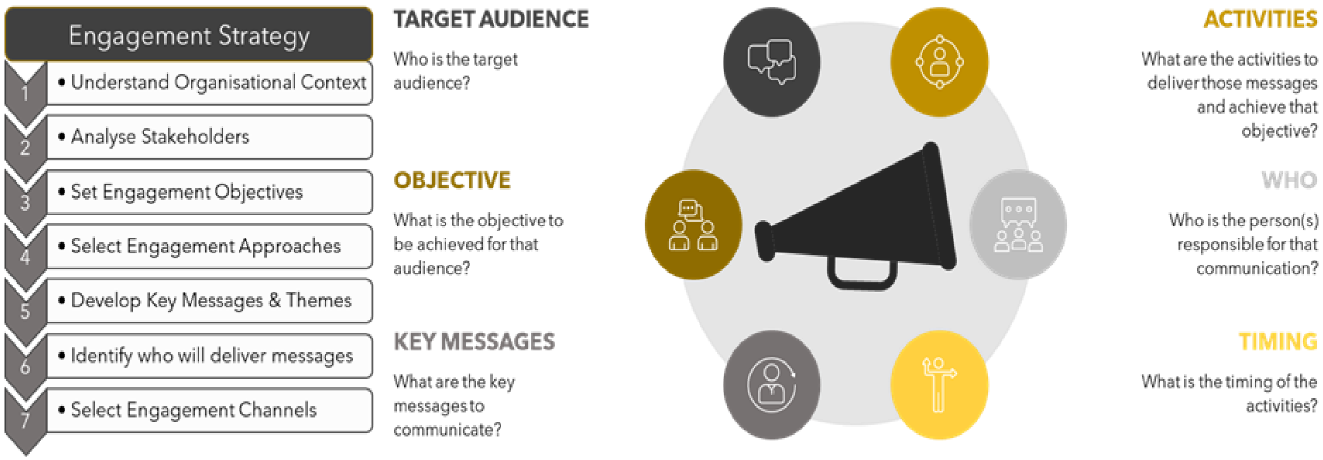
We will employ established Change management methodologies to ensure potential risks are assessed and mitigated before deployment of any changes. These approaches will support the implementation of this programme by engaging directly with those affected by creating an open dialogue and ensuring the purpose and benefits of the change are understood throughout the Corporation.

The impact these changes will have on each stakeholder will be assessed through the change curve (as below). This will be the primary model used to understand and measure how change is being received, and ensure pro-active interventions take place to support each group through the change curve, by listening to their concerns and demonstrating the benefits of the change.



Engagement Strategy

The following engagement strategy will be utilised to identify key stakeholders; target audience; key messages; communication channels; and those who will deliver the messages.



Where possible, a two-way communication approach (such as open discussions and workshops) will be used to interact with those affected, as it is important that they are able to express any concerns they may have and are afforded the opportunity to ask questions. An ‘organisational conversational model’ will support deployment and provide a framework for the Programme Team to communicate directly with those affected by the change. Research demonstrates that those prepared for change are more likely to be engaged with the process when this approach is followed.

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Other significant issues that have been identified by officers involved in project delivery include:

- Ambiguity regarding governance in early stages for potential major projects with limited established governance for feasibility and business case development.

The Markets Co-location Programme (MCP)
The MCP's initiation phase ran for five years until it was approved as a Major Programme in October 2022. During that period c. £164m was spent on the programme, of which c. £133m was for the acquisition of the Dagenham Dock site and associated expenses. *In 2017, a team was established to produce a Strategic Outline Case and subsequently the Outline Business Case. This team consisted of the Programme Director and three contractors leading on the existing sites, the future market and communications, respectively. The small team needed to work very quickly and flexibly and decisions had to be made fast. There was no clear established governance framework for dealing with this type of large conceptual endeavour. Reports were however submitted to P&R on a regular basis. The success of the early stages of the programme also relied on direct communication with the Chairs of relevant Committees. The programme needed to design its own governance structures for smaller decisions by setting up the MCP Officers' Programme Board, Member-led informal working groups as well as regular updates to respective Chairs.* *Since there was no PMO function available, programme management support was initially contracted through external consultants, which did not offer good value for money. From 2019, the programme recruited a dedicated internal programme management resource and was supported by the newly-established Major Programmes Office. Since the MCP business case was approved in October 2022, recruitment has been underway to develop an in-house resource model and the programme has now moved under the remit of the Capital Buildings Board.*

- Focus on capital delivery with limited view of wider project outcomes and interdependencies

Future Police Estate Portfolio (FPEP)
The FPEP is comprised of six construction projects that will constitute the future police estate. This includes the new Police HQ at the Salisbury Square Development as well as several CoLP enabling workstreams and projects, with numerous interdependencies between them. The interdependencies cover budget, resource, risks, timelines and scheduling as well as scope and change request management. *Formerly the portfolio has been managed without taking a strategic portfolio-wide approach ad it has been recognised that this has at times resulted in the programmes/projects/workstreams being managed independently of each other,*

without full appreciation of the dependencies the constituent parts of the portfolio have on each other. However, the Commissioner and City Surveyor have been working over the past year to establish a portfolio approach at officer level. However, it is important that corporate governance also develops to take a more strategic portfolio management approach.

- Concerns regarding resourcing of projects, insufficient capacity included as part of project initiation process.

A recurring issue that has arisen during conversations with both officers and Members, is the insufficient assessment of required capacity as part of the project initiation process including, not only, dedicated project delivery resources but capacity required from key corporate services such as finance, procurement and legal services. A strengthened focus on business case development will help to address this issue.

Agenda Item 8

THE CITY OF LONDON CORPORATION
Audited Statement of Annual Accounts for the City Fund Year Ended 31 March 2022

Contents

Preface

AN INTRODUCTION TO THE CITY OF LONDON CORPORATION

The City of London Corporation (City Corporation) is the governing body of the Square Mile dedicated to a vibrant and thriving City, supporting a diverse and sustainable London within a globally-successful UK. The Square Mile is the historic centre of London and is home to the 'City' – the financial and commercial heart of the UK. Our reach extends far beyond the Square Mile's boundaries and across private, public and charitable and community sector responsibilities. This, along with our independent and non-party political voice, convening power and ability to work with others, enable us to promote the interests of people and organisations across London and the UK and play a valued role on the world stage.

The City Corporation manages two funds, City Fund and City's Cash, and is the sole trustee of Bridge House Estates, a long-standing charity which maintains Tower, London, Southwark, Millennium and Blackfriars Bridges. The funding arm of Bridge House Estates, City Bridge Trust, distributes funds surplus to bridge requirements and is London's largest independent charitable funder. 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 about the City Fund is given in the following pages.

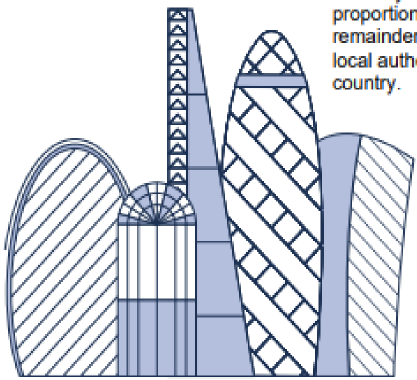
As the governing body of the Square Mile, we deliver the functions of a local authority and a police authority for our residents, workers, learners and visitors, as well as being the port health and animal health authorities for London. There are approximately 8,000 residents living in the Square Mile. However, in normal times we have a high daytime population in the Square Mile made up of approximately 550,000 workers daily.

The City contributes to the rest of the economy, generating

£1.2bn

in business rates. This represents **5% of England's total business rates collection.**

The City retains a small proportion locally, the remainder is distributed to local authorities across the country.



With more large firms than Manchester, Birmingham or Leeds, the City **generates more in business rates than all three combined.**

CORPORATE STRATEGY

In 2018-19 the City Corporation launched its Corporate Plan for 2018-23. It sets out our three aims which in turn are broken down into 12 outcomes (shown below). Our Plan commits us to strengthening the character, capacity and connections to the City, London and the UK for the benefit of residents, workers, learners and visitors. This Plan will guide our thinking and decision-making, providing us with the focus to achieve sustainable systemic change during what is likely to be another period of significant change on a global, national and regional level, bringing both threats and opportunities. These include preventing terrorism and cyber-crime as well as mitigating the impacts of climate change, which will all remain high priorities for the organisation. So too will retaining the UK's competitiveness, in the context of Brexit; increases in the cost of living; reductions in public sector spending and recovering from the impacts of COVID-19. We are also ensuring that we can support our residents, workers, visitors, partners and our own organisation to respond effectively to these disruptive changes

Contribute to a flourishing society

1. People are safe and feel safe.
2. People enjoy good health and wellbeing.
3. People have equal opportunities to enrich their lives and reach their full potential.
4. Communities are cohesive and have the facilities they need.

Support a thriving economy

5. Businesses are trusted and socially and environmentally responsible.
6. We have the world's best legal and regulatory framework and access to global markets.
7. We are a global hub for innovation in finance and professional services, commerce and culture.
8. We have access to the skills and talent we need.

Shape outstanding environments

9. We are digitally and physically well-connected and responsive.
10. We inspire enterprise, excellence, creativity and collaboration.
11. We have clean air, land and water and a thriving and sustainable natural environment.
12. Our spaces are secure, resilient and well-maintained.

The Plan is designed to be used as a strategic framework for the organisation. It has therefore been aligned to corporate strategies, service level business plans, team plans and staff appraisal forms. This 'golden thread' allows us to monitor the impact of everything we do has on the aims and outcomes we have identified.

As an organisation we are committed to being relevant, responsible, reliable and radical – acting strategically and at pace in order to ensure everyone can share in the benefits we aim to create. This means that we must be open: to unlocking the full potential of our many assets – our people, heritage, green and urban spaces, funds, data and technology; to trying new things and learning as we go; and to working with our stakeholders and partners who share our aims. To deliver this we have developed a number of key strategies:

- **Responsible Business Strategy, 2018-25**: committing us to creating a positive impact and reducing negative impact across all our activities and decisions – encouraging those we work with externally to do the same.
- **Social Mobility Strategy, 2018-28:** committing us to bridge and reduce the social and economic divides that may be experienced by people during their lifetime, by maximising and promoting social mobility within businesses, organisations, central and local government and educational and cultural institutions.
- **Digital Skills Strategy, 2018-23:** committing us to equipping people and businesses across the City, London and beyond to take full advantage of digital technologies and innovations to help themselves and their economies thrive.
- **Apprenticeships Strategy, 2018-23:** committing us to a workforce and organisation that thrives through high-quality and wide-ranging apprenticeships that welcomes diverse talent and develops relevant skills.
- **Education, Skills and Cultural and Creative Learning Strategies, 2018-23:** Committing us to preparing people to flourish in a rapidly changing world through exceptional education, cultural and creative learning and skills which link to the world of work.
- **Transport Strategy 2019-2044:** provides a 25 year framework for future investment in and management of the City's streets, as well as measures to reduce the social, economic and environmental impact of motor traffic and congestion.
- **Climate Action Strategy 2020-2027 –** Commits the City Corporation to net zero emissions in its operations by 2027 and net zero by 2040 on its full value chain and across the square mile.

OUR FUNDING STRUCTURE

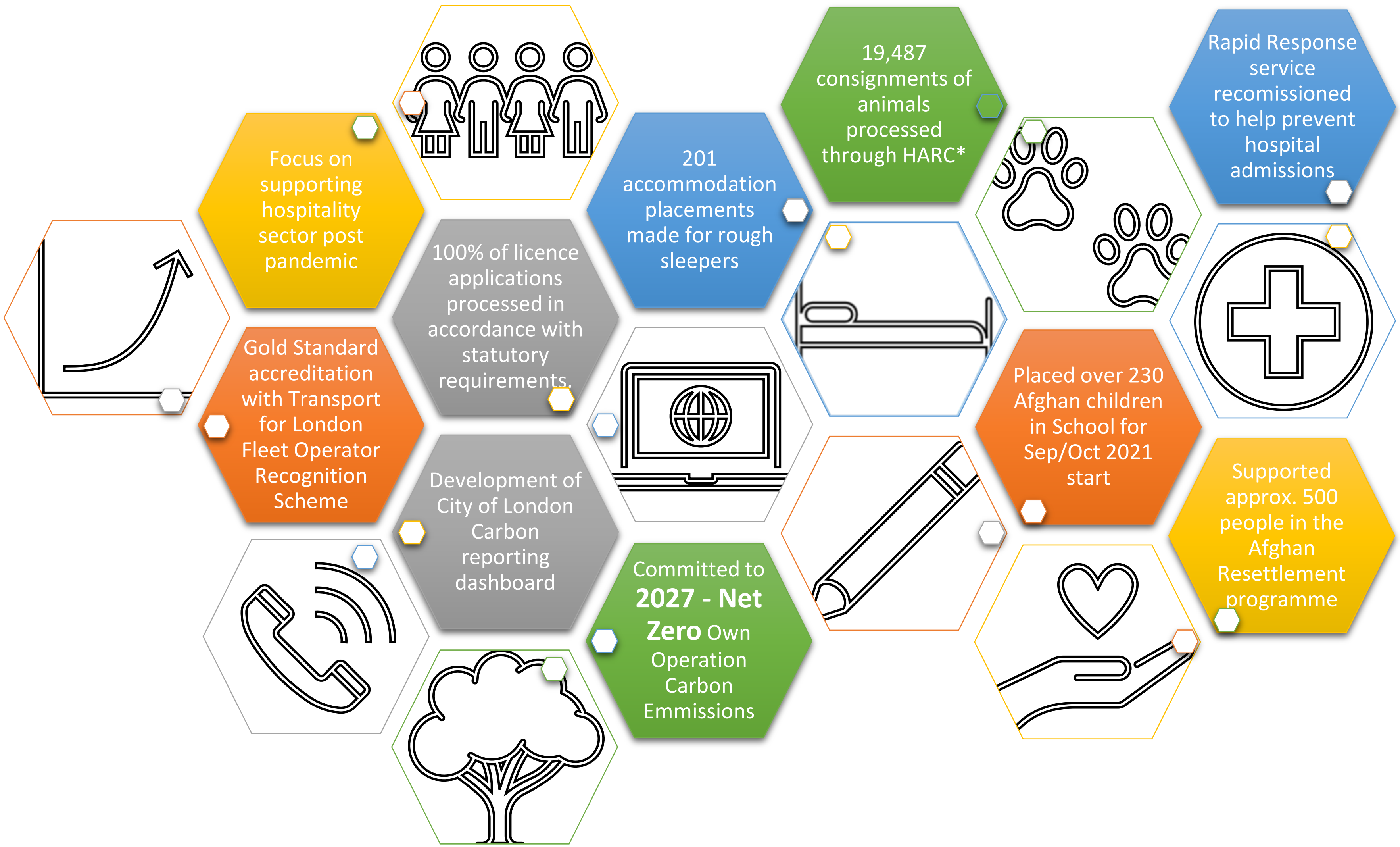
In common with other local authorities, City Fund receives funding via grants from central government, a share of business rates income and the proceeds of the local council tax. City Fund also generates rental and interest income to help finance its activities. A breakdown of these amounts for 2021-22 is shown below in the financial summary for the year.

Whilst collecting more than £1bn in business rate income, the City Fund retains only a small proportion of the amounts collected from its area, in accordance with the national arrangements. The remainder is paid over to central government and is redistributed to local authorities throughout the country. Due to its special circumstances – notably its very low resident population and high daytime population – the City of London is allowed uniquely to set its own business rate via the business rate premium. For 2021/22 this was set at 0.8p in the £. These funds are used to support security objectives within the City with the majority being passed to the City of London Police. More information on the role and ongoing work of the City Corporation, can be found on the City's website at www.cityoflondon.gov.uk[1]

[1] 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.

PERFORMANCE

Over the past year, our activities have been shaped by the impact of COVID-19 but we have also sort to further the aim and objectives we have set out in our corporate plan. The below highlight some of our achievement during this year.



*Heathrow Animal Reception Centre

Risk Management and Priorities for the Coming Year

Our risk management processes help us identify and manage the most significant risks to the organisation, by significant we mean those that could stop us achieving our strategic objectives or have a significant detrimental impact on the City of London Corporation. The Audit and Risk Management Committee (A&RMC) maintains oversight for risk management and is ultimately responsible for ensuring that satisfactory arrangements are in place for this. An external Risk Management Health Check was undertaken in 2021/22 which found that the City Corporations risk management approach aligns with best practice.

The key risks to the organisation relate to maintaining a safe and healthy environment and ensuring the financial sustainability of our operations as well as working to ensure the continued relevance of the services we provide to London and the UK following the Covid-19 pandemic.

OTHER DISCLOSURES

The Trade Union Regulations 2017 requires public authorities to disclose trade union activity as part of their annual accounts. The below tables set out the information required under this regulation. It outlines the volume of union activity as well as the annual cost to the City where union activity is carried out during working hours.

Trade Union representatives and full-time equivalents	
Number of trade union representatives (people)	26
FTE trade union representative	26

Total pay bill and facility time costs 2021-22	**£m**
Total City of London pay bill	224.0
Total cost of facility time	0.1
Percentage of pay spend on facility time	0.04%

Percentage of working hours spend on facility time by union representative	**No. of People**
0% of working hours	22
1% to 50% of working hours	1
51% to 99% of working hours	3
100% of working hours	0
Total	**26**

FINANCIAL OUTLOOK

The City Corporation has an ambitious programme of investment across its funds aimed at fulfilling its strategic aims and continuing to make the City the place people want to live, work, study and enjoy. City Fund is supporting the Combined Courts project, which will relocate the Magistrates court to a new world class facility and build a new headquarters for the City of London Police. It is also jointly supporting the relocation of the Museum of London with the GLA in our capacity as joint funders of the organisation. These programmes require significant financial investment at a time where the City Fund is facing a number of threats to its funding and pressures on its services. These include:

- **Economic Outlook** – there is significant uncertainty in the economic outlook linked to the current high levels of inflation, the impact of the war in Ukraine and the ongoing recovery from the pandemic. These factors pose a risk to key revenue streams funding activity, and the demand and costs of providing public services.

- **Spending Review** – With the Government providing significant financial support to the UK economy during the pandemic, it is likely that a level of public spending restrictions will be in place to manage the fiscal deficit, limiting any additional funding for Local Authorities.

- The **Fair Funding Review** of local government funding could shift resources away from London. Its implementation had been delayed due to COVID-19 and we are awaiting confirmation from Government on their implementation plans.

- **Business Rates** – the expected changes to the Business Rate Retention System have been delayed due to COVID-19, but still present a significant risk to the City Corporation as this is a major source of funding for City Fund activity.

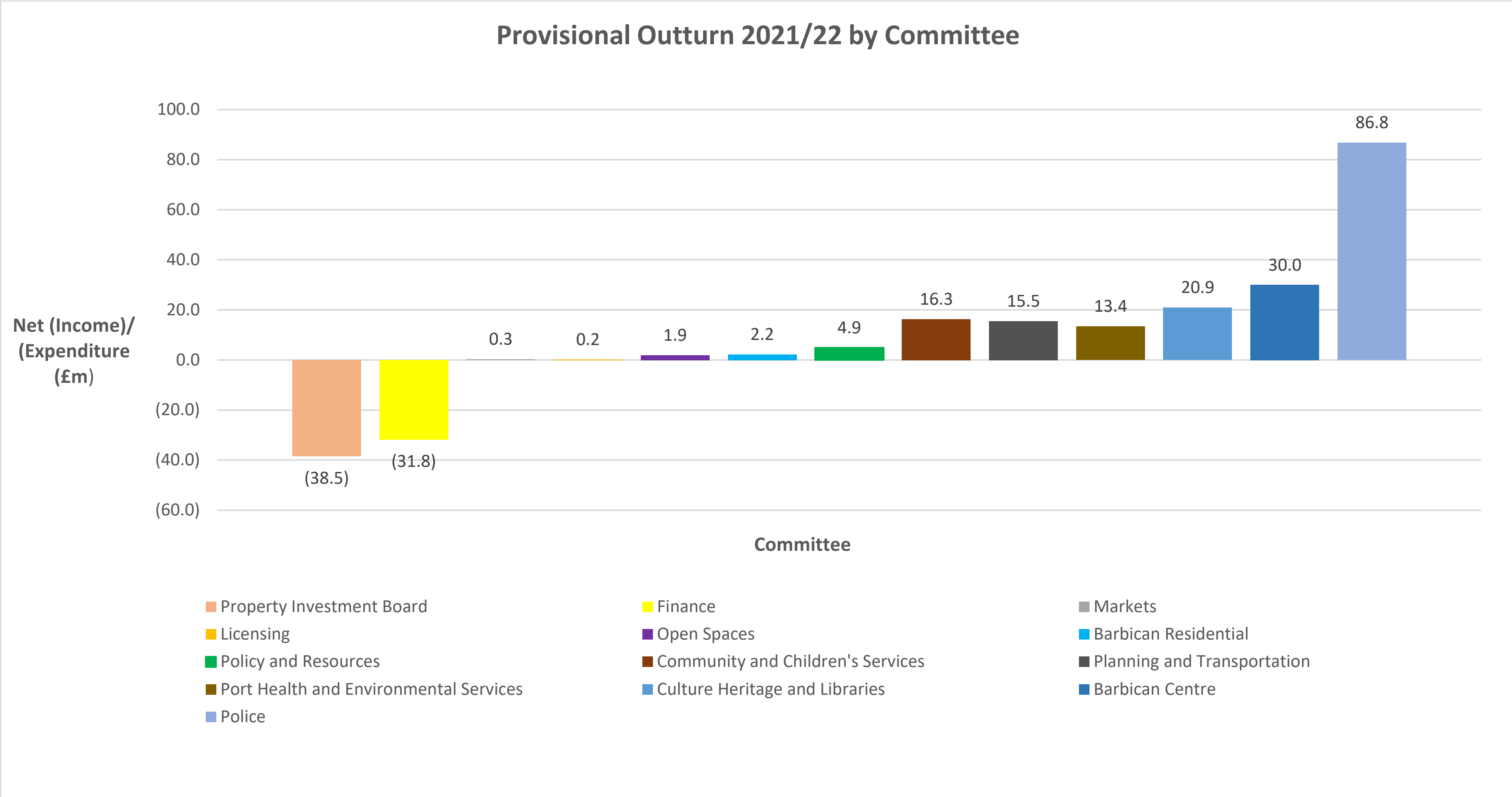
The below table sets out the current financial projections for City Fund across the medium-term planning horizon. City Fund is already committed to making savings due to cost pressures and its commitments to financing its major projects. Delivery of these savings will be essential to ensure City Fund remains in a financially sustainable position to deliver its corporate plan. City Fund maintains adequate levels of both general and earmarked reserves (£300.1m) to support its functions across the short to medium term. The projected deficit will require addressing as part of the financial planning process carried out in the autumn.

City Fund Medium Term Forecast	22/23	23/24	24/25	25/26	26/27
	£'000	£'000	£'000	£'000	£'000
City Fund Surplus/(Deficit) before savings	**15.7**	**14.8**	**0.4**	**(26.4)**	**(27.3)**
Forecast Savings	11.9	11.9	14.8	14.8	14.8
City Fund Surplus/(Deficit) after saving and contributions	**27.6**	**26.8**	**15.1**	**(11.6)**	**(12.5)**
Saving/Income opportunities to be identified	0.0	0.0	0.0	(11.6)	(12.5)

2021-22 FINANCIAL SUMMARY

Revenue Budget

Our budget for 2021-22 was agreed by the Court of Common Council (the City Corporation's primary decision-making body) in March 2021 for both capital and revenue expenditure. The below chart sets out the revenue outturn by Committee, which reflects the operational areas of City Fund activity. The City Fund's largest area of spend is the City of London Police which is largely funded via grants from government along with a contribution from the business rate premium, which for 2021-22 was set at 0.8p in the £. City Fund also benefits from a large property investment portfolio, overseen by the Property Investment Board, which generates additional income to fund our services. Within the year the City Corporation instigated a new Target Operating Model (TOM) to achieve savings required in ensure financial sustainability and better align its resources to organisational priorities. This has brought the overall cost of services down by £7m before accounting for any in-year variances. The below provide an overview of the 21-22 revenue outturn.


Provisional Outturn 2021/22 by Committee
100.0
80.0
60.0
40.0
20.0
0.0
(20.0)
(40.0)
(60.0)
Net (Income)/ (Expenditure (£m)
(38.5)
(31.8)
0.3
0.2
1.9
2.2
4.9
16.3
15.5
13.4
20.9
30.0
86.8
Committee
Property Investment Board
Finance
Markets
Licensing
Open Spaces
Barbican Residential
Policy and Resources
Community and Children's Services
Planning and Transportation
Port Health and Environmental Services
Culture Heritage and Libraries
Barbican Centre
Police

The adjacent table compares each committee outturn to its final budget for 2021-22 Taking into account service expenditure and funding from taxation and grants, the City Fund recorded a £48.1m underspend for the year. The most material variances and the reason for these are:

2020/21	2021/22 Budget v Outturn - City Fund Summary by Committee			
		Budget	Provisional	Variation (Better)/Worse
Outturn	*Net Expenditure (Income)*	Net	Outturn	Total
£m		£m	£m	£m
35.2	Barbican Centre	35.8	30.0	(5.8)
2.9	Barbican Residential	2.4	2.2	(0.2)
17.0	Community and Children's Services	15.3	16.3	1.0
21.2	Culture Heritage and Libraries	21.5	20.9	(0.6)
(21.6)	Finance	(9.2)	(18.7)	(9.5)
0.4	Licensing	0.1	0.2	0.1
(0.5)	Markets	(0.1)	0.3	0.4
1.9	Open Spaces	1.8	1.9	0.1
16.2	Planning and Transportation	16.4	15.5	(0.9)
93.8	Police	88.8	86.8	(2.0)
6.1	Policy and Resources	6.3	4.9	(1.4)
16.3	Port Health and Environmental Services	16.7	13.4	(3.3)
(39.7)	Property Investment Board	(38.3)	(38.5)	(0.2)
0.0	Deferred Rental Income	0.0	(13.1)	(13.1)
149.2	**City Fund requirement to be met from government grants, local taxation and transfers to/(from) reserves.**	**157.5**	**122.1**	**(35.4)**
(1.0)	Transfer from City of London Police Reserve		2.0	
(184.4)	Funding from Taxation and Grants		(172.2)	
(36.2)	**Transfer to City Fund Balance/Major Projects Reserve**		**(48.1)**	

- Barbican Centre – Additional funding of £7m provided to support the Barbican in its recovery from the pandemic was not fully required resulting in a £5.8m underspend.

- Finance – A reduction in the financing requirements for capital projects, repairs and maintenance, and the release of contingency funds which were not required resulted in a £9.5m underspend.

- Port Health and Environmental Services – vacancies held pending the restructure of the department and unbudgeted funding for the Fishmonger Hall inquest resulted in a £3.3m underspend for the department.

- Deferred Rental Income – The City Corporation sold its residual interest in an investment property during the year, for which it had previously received a long lease premium. Due to the accounting requirements this lease premium was being spread over the life of the lease. As the City Corporation no longer holds an interest in the property, this income has been fully released from the rent income in advance line of the balance sheet resulting in a one off gain of £13.1m.

A breakdown of the City Fund taxation and grants income can be seen below.

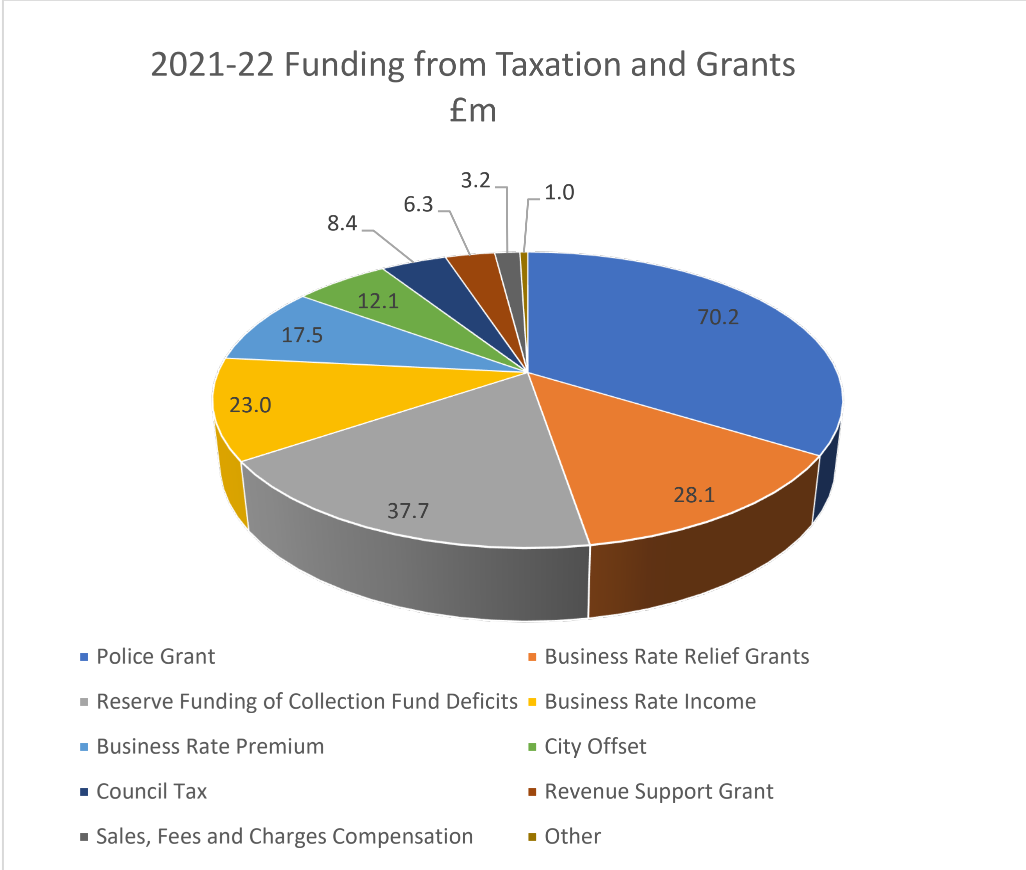
Where this funding relates to a specific service or activity, this is shown under the relevant committee heading. Where funding is non-specific, it is shown under the funding from taxation and grants heading. The key items to note for the year are:

- As part of its support to assist businesses recovering from the pandemic, the Govt continued its business rate relief scheme for the retail, leisure, and hospitality sector, which began in 2020-21. The scheme was amended from the previous year with eligible businesses receiving 100% relief for the first 3 months of the year and then 66% relief thereafter. This decision represents a loss of business rates income for which Govt provides compensation for in the form of a grant which totalled £28.1m. It should be noted that due to the structure of the business rates system, shortfalls in income collection create collection fund deficits which are recovered over the following 2 financial years. Therefore, £24.6m of this grant will be used to make good deficits to be accounted for between 2022-2024 and has been transferred into the Business Rate Equalisation reserve for this purpose. More details about Collection Fund losses can be found on pages 99-102.

- Business rate income is comparatively low for the year at £23m but this includes accounting for prior year collection fund deficits of £37.7m, which are more significant due to the reliefs described above enacted in 2020-21. This deficit is offset by funding held in the business rate equalisation reserve and is included in the adjacent chart to provide a truer picture of resources available in the year.

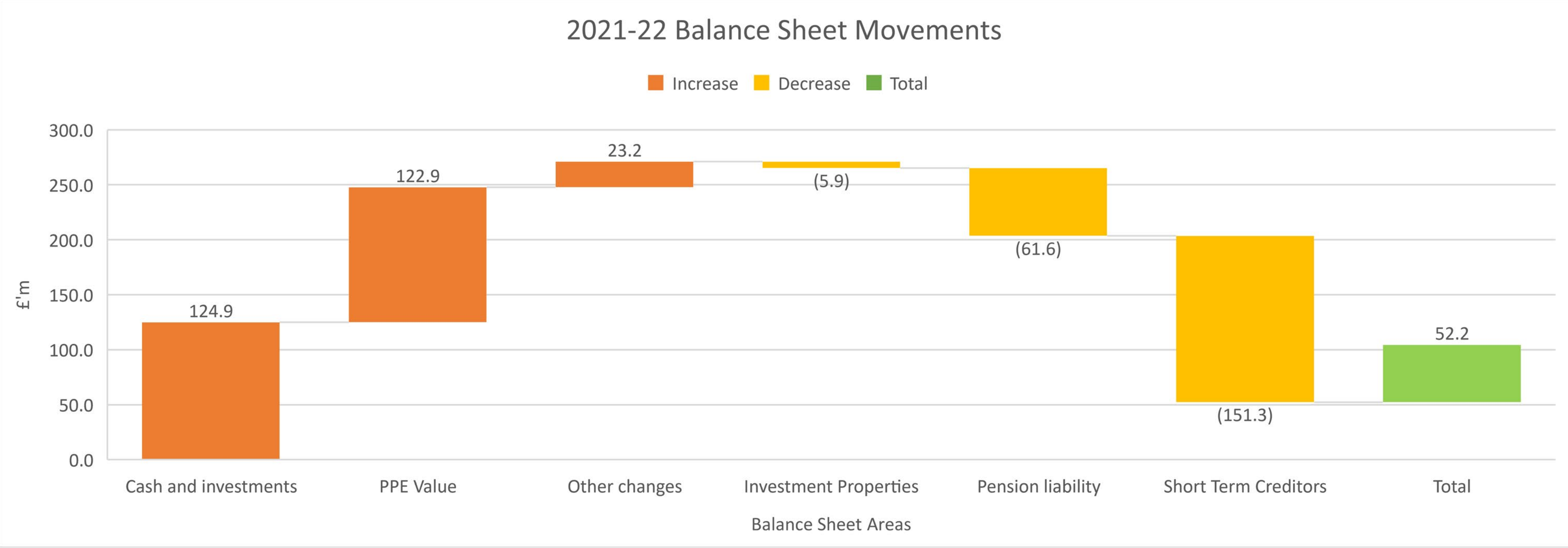
- In 2020-21 the Govt introduced a Sales, Fees and Charges compensation scheme, which compensated local authorities for income losses incurred due to COVID-19. Compensation was 75p in the £ after a deduction of 5% of the annual budget for that income stream. This scheme was extended to cover losses incurred in quarter 1 of 2021-22, which resulted in £3.2m being received. This scheme is now closed.

Please note the figures shown here do not take account of statutory accounting adjustments and reserve movements aside from those mentioned. These may differ to those presented in the main accounts.



Balance Sheet

The City Corporation maintains a strong balance sheet position with net assets totalling £1,230.8m at year end. The key movements which have contributed to an overall balance sheet increase of £52.2m compared to the previous year are shown below. For more detail on these movements please refer to the following notes to the accounts: Cash and Investments – Notes 32-34, Property, Plant and Equipment (PPE) – Note 13, Investment Properties – Note 17, Pension Liabilities – Notes 23-26 and Short Term Creditors – note 21.



2021-22 STATEMENT OF ACCOUNTS

This Statement of Accounts is prepared for the City of London Corporation ("the City Corporation") only to the extent that it exercises functions in relation to the collection fund of the Common Council, the City Fund administered by the Common Council (collectively referred to as "the City Fund"), as required by the Local Audit and Accountability Act 2014. Accordingly, the reporting entity, for the purpose of these accounts, is the City Fund which is a portion of the City Corporation but is not in itself a legal entity. This means the legal party to transactions and balances allocated to the City Fund is the City Corporation.

Assets, liabilities and transactions of the City Corporation are allocated to the City Fund where they relate to the economic activity of the City Corporation's local authority function, for example where they relate to education, housing, social care; policing; and port health authority functions. Similarly, transactions and balances that relate to the City Corporation's other economic activities are excluded from these accounts. Note 1 (page 26-28) to the accounts provides further details on the critical judgments in preparing and apply accounting policies for these statements.

The City Fund Statement of Accounts have been prepared in compliance with the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice on Local Authority Accounting in the United Kingdom 2021-22. The accounts have been structured to support the reader in understanding the local authority accounting framework, however, this remains a complex document, combining International Finance Reporting Standards (IFRS) alongside the statutory framework set by Government, which overrides these accounting standards.

At the time of publishing the 2021-22 draft statements, the audit of the 2020-21 statements had yet to be completed owing to a national technical issue in the accounting for infrastructure assets. In January 2023, CIPFA issued its guidance on how this issue would be temporarily remedied through updates to the Code of Practice and the passing of Regulation 30M of the Local Authorities (Capital Finance and Accounting) (England/Wales) (Amendment) Regulations 2022. These changes have been incorporated into these statements. Completion of the 2020-21 audit is pending review of these amendments in those accounts.

There have been no significant changes to accounting standards or framework this year barring those related to infrastructure assets, which are set out on page 51 of these statements. However, the impact of the COVID-19 pandemic has continued throughout the year effecting how the organisation operates, impacting costs and revenues, and the future financial outlook. Some key areas of note within the 2021-22 statement of accounts are described below:

- **Grants to businesses** – as part of the Government's response to the pandemic it has made available grants to businesses which have been affected by the restrictions in place. These were first introduced during 2020-21 but have continued into 2021-22. Local Authorities have acted as the distribution mechanism for these grants, and where we have not played a part in determining the distribution of these grants, these have been treated as agency transactions and do not feature in the City Fund CI&ES.

- **Pension Liabilities** – Each year City Fund is required to update its assessment of the assets and liabilities is has accumulated through its staff and officer's membership of the Local Government Pension Scheme (LGPS), Police Pension Scheme and Judges' Pension Scheme. This assessment is carried out by our independent actuary, Barnett Waddingham LLP, based on the principles set out in International Accounting Standard 19 – Employee

Benefits. This year, this assessment has resulted in an increase in the net liability of £61.6m, which is a relatively small movement compared to the overall liability of £1,672.6m. Note 23-26 (page 64-74) provides more detail on this change, but it should be noted that this change does not pose an immediate issue to City Fund as this assessment does not determine the contributions the City Corporation makes into these pension schemes. These are determined by the periodic valuations of the pension schemes which are due to be carried out in 2022 for the LGPS to set contribution rates from 2023-2026, and is currently being carried out for the Police Pension Scheme which will set contribution rates for 2023-2027.

- **Collection Fund Deficit** – In line with all other billing authorities, City Fund maintains a Collection Fund which accounts for the difference between estimated and actual collection of business rates and council tax. These differences are then spread over the following 2 financial years in order to smooth the impact of any material change in resources derived from these sources. The Collection Fund has ordinarily been in surplus, but, for 2021-22, a deficit of £141.2m remains for business rates (note this is the total deficit and City Fund's share is 30%)., This deficit has stemmed largely from the expansion of business rate relief for the retail, leisure, and hospitality sector, where 100% relief was awarded during 2020-21 and 75% relief being awarded in 2021-22. In each case, the decision to award reliefs was taken after the estimate of business rate income was submitted to Govt (January each year) which provides a fixed point for accounting purposes upon which variances with actual collection is measured. These reliefs are funded by Govt, and these funds, current held in the business rate equalisation reserve, will be released in line with the release of the City Fund's share of collection fund deficits (30%). In 2020-21 the Government had allowed local authorities to spread any deficits outside of those caused by the relief issue mentioned above, over 3 years rather than the normal 2, acknowledging the impact COVID-19 has had on the collection of business rates and council tax. Pages 99-102 provide more details on the collection fund position.

- **Valuation of property assets** – City Fund maintains a substantial portfolio of investment property and operational assets which are subject to valuation on an annual basis. In the previous 2 financial years some of these valuations had been subject to "material valuation uncertainty" linked to the impact of COVID-19 on the property market and the basis used for forming a valuation. These issues are no longer impacting the valuation process and therefore none of the 21/22 valuations were subject to this clause.

- **Recovery on outstanding debt** – Due to improved assumptions on the recovery of outstanding debt, the bad debt provision held has reduced by £1.4m, especially for outstanding rental income and parking enforcement fines.

The City of London Corporation's Responsibilities

The City of London Corporation is required to:

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

The Chamberlain's Responsibilities

The Chamberlain is responsible for the preparation of the 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 2021-22 ("the Code").

In preparing this Statement of Accounts, the Chamberlain has:

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

The Chamberlain has also:

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

Chamberlain’s Certificate

The audit of the 2020/21 statement of accounts has yet to be completed owing to a national issue regarding the accounting of infrastructure assets. This remains the only outstanding issue from the audit. I can therefore certify that the Statement of Accounts give a true and fair view of the financial position of the City Fund and the Pension Funds of the City of London Corporation at the reporting date and of its expenditure and income for the year ended 31 March 2022 except for those amounts recorded under infrastructure assets, which are subject to final review for 2020/21.

Caroline Al-Beyerty - Chamberlain and Chief Financial Officer

Date: 28/02/2023

Page held pending formal approval by Finance Committee.

Page held for Independent Auditor's Report to the Members of the City of London Corporation

Core Financial Statements

Comprehensive Income and Expenditure Statement

2020-2021					2021-22		
Gross Expenditure	Gross Income	Net Expenditure/ (Income)		Notes	Gross Expenditure	Gross Income	Net Expenditure/ (Income)
£m	£m	£m			£m	£m	£m
			Services				
158.1	(66.0)	92.1	Police		167.8	(76.9)	90.9
46.5	(7.0)	39.5	Barbican Centre		51.8	(17.8)	34.0
36.2	(16.9)	19.3	Community & Children's Services		38.6	(20.1)	18.5
29.9	(14.4)	15.5	Housing Revenue Account (HRA)		17.4	(14.1)	3.3
41.7	(28.9)	12.8	Planning & Transportation		39.7	(28.7)	11.0
32.6	(17.4)	15.2	Port Health & Environmental Services		34.2	(21.9)	12.3
24.8	(2.0)	22.8	Culture, Heritage and Libraries		24.6	(2.1)	22.5
31.3	(16.8)	14.5	Finance		67.6	(35.7)	31.9
15.2	(15.3)	(0.1)	Barbican Residential		16.1	(16.8)	(0.7)
21.5	(13.2)	8.3	Policy & Resources		27.1	(16.3)	10.8
2.9	(0.5)	2.4	Open Spaces and City Gardens		3.1	(0.6)	2.5
1.4	(0.5)	0.9	Property Investment Board		2.2	(1.2)	1.0
1.1	(0.6)	0.5	Licensing		1.1	(0.8)	0.3
26.1	0.0	26.1	London NNDR Pool Strategic Investment Pot		0.2	0.0	0.2
5.4	0.0	5.4	Pension Past Service Cost		4.8	0.0	4.8
9.0	0.0	9.0	Major Project Cost		16.6	0.0	16.6
433.7	**(199.5)**	**284.2**	**Cost of Services**		**512.9**	**(253.0)**	**259.9**
		(0.1)	Other Operating Income	7			5.8
		(0.3)	Financing & Investment Income & Expenditure	7			(75.7)
		(182.8)	Taxation & Non-Specific Grant Income	7			(215.4)
		101.0	**(Surplus)/Deficit on the Provision of Services**				**(25.4)**
		8.5	Surplus on the Revaluation of Property, Plant & Equipment	13			(27.8)
		299.6	Remeasurements of the Pensions Liability	26			1.0
		308.1	**Other Comprehensive (Income) & Expenditure**				**(26.8)**
		409.1	**TOTAL COMPREHENSIVE (INCOME) & EXPENDITURE**				**(52.2)**

Major project costs in relation to the Museum of London relocation have been separately identified in the CI&ES to reflect the material items of spend that have occurred. Pension past service costs have also been separately identified due to amendments in the IAS19 standard which now requires net defined benefit liability to be remeasured using current assumptions and the fair value of plan assets at the time of the event.

Movement in Reserves Statement

	Notes	City Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Capital Grants Unapplied	Major Repairs Reserve	Total Usable Reserves	Unusable Reserves	Total Reserves
		£m	£m	£m	£m	£m	£m	£m	£m
Balance at 31 March 2021 carried forward*		**(254.3)**	**(0.2)**	**(56.4)**	**(39.5)**	**(2.0)**	**(352.4)**	**(826.2)**	**(1,178.6)**
Movement in reserves during 2020-21									
Total Comprehensive Income & Expenditure		**(28.1)**	**2.7**	**0.0**	**0.0**	**0.0**	**(25.4)**	**(26.8)**	**(52.2)**
Adjustments between accounting basis & funding basis under regulations	11	(17.7)	(2.7)	25.9	(6.7)	0.6	(0.6)	0.6	0.0
(Increase) or decrease in 2020-21		**(45.8)**	**0.0**	**25.9**	**(6.7)**	**0.6**	**(26.0)**	**(26.2)**	**(52.2)**
Balance at 31 March 2022 carried forward*		**(300.1)**	**(0.2)**	**(30.5)**	**(46.2)**	**(1.4)**	**(378.4)**	**(852.4)**	**(1,230.8)**

*The City Fund balance of £300.1m comprises unallocated revenue funds of £68.1m and earmarked revenue reserves of £232.0m (see note 12, page 47).

	Notes	City Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Capital Grants Unapplied	Major Repairs Reserve	Total Usable Reserves	Unusable Reserves	Total Reserves
		£m	£m	£m	£m	£m	£m	£m	£m
Balance at 31 March 2020 carried forward*		**(177.0)**	**(0.1)**	**(73.7)**	**(39.0)**	**(3.4)**	**(293.2)**	**(1,294.5)**	**(1,587.7)**
Movement in reserves during 2020-21									
Total Comprehensive Income & Expenditure		**86.5**	**14.5**	**0.0**	**0.0**	**0.0**	**101.0**	**308.1**	**409.1**
Adjustments between accounting basis & funding basis under regulations	11	(163.8)	(14.6)	17.3	(0.5)	1.4	(160.2)	160.2	0.0
(Increase) or decrease in 2020-21		**(77.3)**	**(0.1)**	**17.3**	**(0.5)**	**1.4**	**(59.2)**	**468.3**	**409.1**
Balance at 31 March 2021 carried forward*		**(254.3)**	**(0.2)**	**(56.4)**	**(39.5)**	**(2.0)**	**(352.4)**	**(826.2)**	**(1,178.6)**

** The City Fund balance of £254.3m comprises unallocated revenue funds of £56.3m and earmarked revenue reserves of £198.0m (see note 12, page 47).

Balance Sheet

The Statement of Accounts was authorised for issue by the Chamberlain on 28 February 2023. Events after the balance sheet date and up to 28 February 2023 have been considered in respect of material impact on the financial statements. No adjustments have been made.

31 March 2021		Notes	31 March 2022
£m			£m
925.6	Property, Plant and Equipment	13	1,048.5
9.0	Heritage Assets	14	9.0
1601.0	Investment Property	17	1,595.1
0.4	Intangible Assets		0.4
15.8	Long-Term Debtors	16	12.3
2,551.8	**Long-Term Assets**		**2,665.3**
873.6	Short-Term Investments		992.1
1.6	Assets Held for Sale		2.7
0.6	Inventories		0.5
0.0	Intangible Current Assets		0.0
139.5	Short-Term Debtors	20	156.9
26.9	Cash and Cash Equivalents		33.3
1,042.2	**Current Assets**		**1,185.5**
(378.1)	Short-Term Creditors	21	(529.4)
(45.8)	Provisions	22	(40.2)
(423.9)	**Current Liabilities**		**(569.6)**
(1,611.0)	Pensions Liability	26	(1672.6)
(115.5)	Capital Grants and Contributions Received in Advance	27	(94.8)
(197.6)	Rents Received in Advance	28	(225.9)
(67.4)	Other Long-Term Liabilities	29	(57.1)
(1,991.5)	**Long-Term Liabilities**		**(2,050.4)**
1,178.6	**NET ASSETS**		**1,230.8**
(352.4)	Usable Reserves		(378.4)
(826.2)	Unusable Reserves	31	(852.4)
(1,178.6)	**TOTAL RESERVES**		**(1,230.8)**

Cash Flow Statement

The cash flow statement shows the changes in cash and cash equivalents of City Fund during the reporting period. The statement shows how the authority generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. Details of these movements are set out in note 32-34 (page 83-84) of the accounts. The cash and cash equivalent balance is held in bank current accounts held by the City Corporation.

2020-21		Notes	2021-22
£m			£m
101.0	Net (surplus)/deficit on the provision of services		(25.4)
(262.2)	Adjustments for non-cash movements	32	(81.2)
24.9	Adjustments for items that are investing and financing activities	32	70.9
(136.3)	**Net cash (inflows)/outflows from operating activities**		**(35.7)**
65.8	Investing activities	33	180.5
117.7	Financing activities	34	(151.2)
47.2	**Net (increase)/decrease in cash and cash equivalents**		**(6.4)**
(74.1)	Cash and cash equivalents at the beginning of the reporting period		(26.9)
(26.9)	**Cash and cash equivalents at the end of the reporting period**		**(33.3)**

Notes to the Core Financial Statements

1. Critical Judgements in the Basis of Preparation and Applying Accounting Policies

a) The Basis of Preparation

This Statement of Accounts is prepared for the City of London Corporation ("the City Corporation") only to the extent that it exercises functions in relation to the collection fund of the Common Council, the City Fund administered by the Common Council (collectively referred to as "the City Fund"), as required by the Local Audit and Accountability Act 2014. Accordingly, the reporting entity, for the purpose of these accounts, is the City Fund which is a portion of the City Corporation but is not in itself a legal entity. This means the legal party to transactions and balances allocated to the City Fund is the City Corporation.

Assets, liabilities and transactions of the City Corporation are allocated to the City Fund where they relate to the economic activity of the City Corporation's local authority function, for example where they relate to education, housing, social care; policing; and port health authority functions. Similarly, transactions and balances that relate to the City Corporation's other economic activities are excluded from these accounts.

The basis of allocation has been made on a consistent basis for a number of years and are reported in more detail in the section below - Applying Accounting Policies.

The Statement of Accounts is prepared for the City Fund in respect of the 2021-22 financial year and its position at the year end of 31 March 2022. The accounts are prepared in accordance with proper accounting practices as required by the Accounts and Audit Regulations 2015. This comprises the Code of Practice on Local Authority Accounting in the United Kingdom 2021-22 (the Code) 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 and financial instruments.

At the time of publishing the 2021-22 draft statements, the audit of the 2020-21 statements had yet to be completed owing to a national technical issue in the accounting for infrastructure assets. In January 2023, CIPFA issued its guidance on how this issue would be temporarily remedied through updates to the Code of Practice and the passing of Regulation 30M of the Local Authorities (Capital Finance and Accounting) (England/Wales) (Amendment) Regulations 2022. These changes have been incorporated into these statements. Completion of the 2020-21 audit is pending review of these amendments in those accounts.

This Statement of Accounts has been prepared on a going-concern basis.

b) Applying Accounting Policies

In applying accounting policies, the City Corporation has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements that management considers will have a material effect on the amounts recognised in the accounts include the basis of allocating income and expenditure incurred by the City Corporation as a whole and the appropriate allocation of City Corporation's assets and liabilities to the City Fund.

General

The City Fund financial statements include only those activities of the City Corporation relating to its services as a local authority, police authority and port health authority services and other functions enacted through legislation such as Spitalfields Markets.

Income and expenditure transactions

The majority of the City Fund income and expenditure relates specifically to City Fund defined activities and is not subject to material judgement or estimation. Although the City Corporation also incurs central running costs for staff and overheads for all funds and an appropriate allocation of these costs is charged to each fund.

The principal basis of allocating these costs include an estimation of time spent by staff on the activities of each fund. Other apportionment bases, such as floor space and full time equivalents (FTE) employed for faund specific activities, are used allocated other overheads supporting the activities of each Fund.

Assets and liabilities

The City Corporation is generally able to separately identify the majority of the assets and liabilities used to support and provide the activities of the City Fund. Some City Corporation central service assets are allocated to the City Fund on the basis of its relevant share of the assets involved in providing services. These allocations are periodically reviewed to confirm that this basis of allocating shared expenditure and assets remains appropriate.

The method of allocation applied to major classes of assets and liabilities is explained below:

City of London Pension Scheme

The Local Government Pension Scheme (LGPS) is the responsibility of the City Corporation as a whole rather than the specific responsibility of any of its three Funds. Therefore, the City Fund does not have an exclusive relationship with the Pension Fund and the portion of the Pension Fund net deficit relating to City Corporation employees engaged on City Fund activities requires judgement. An allocation is made based on a three year average of employer's salary costs allocated to each of the City Corporation Funds. Management consider that allocation on this basis is non-arbitrary and ensures the statement of accounts provides a complete set of transactions and balances relating to the economic activities of the City Fund. As at 31 March 2022, the City Fund recognised a 51% share of the net pension liability relating to the City Corporation (31 March 2021 – 51%).

The Police Pension Scheme

The Police Pension Scheme is the responsibility of the City Corporation as a whole. As the functions of the Police Authority are exclusively the responsibility of the City Fund the liabilities are allocated entirely to the City Fund. The Police Pension liability represents the pension benefits Officers have accrued as at 31 March 2022 as assessed via actuarial calculation. These benefits, however, will not be payable until Officers have retired. As an unfunded scheme, the liabilities will be met through employee and employer contributions with any deficit being met by the Home Office.

Freehold properties and investment properties

Investment property assets and the majority of land and building assets recorded in the City Fund financial statements have been allocated to the City Fund on the basis that they were acquired using funds that had been allocated to the City Fund and are used exclusively in the provision of City Fund activities. For properties that are shared across the activities of the Corporation, the City Fund's share of the asset is recorded in the financial statements on the basis of the initial contribution (from funds that have been allocated to the City Fund and other funds) towards the acquisition costs and transactions relating to those assets are allocated on the same basis.

Short term investments and cash

Whilst each fund maintains a cash book for its own cash transactions and balances, the cash balances are pooled across the City Corporation for treasury management purposes. Cash balances either held in the City Corporation's bank accounts or invested are allocated to the City Fund in proportion to its cash book share of cash balances and short term investments. Investment income on cash balances and investments are allocated to the City Fund based on the share of the City Fund cash book of the total cash balances and investments.

Other assets and liabilities

Where the City Corporation incurs central running costs for staff and overheads for all Funds and an appropriate allocation of these costs is charged to each fund, a corresponding asset or liability is recognised on the same basis by the City Fund.

Impairment

The Local Government funding regime is currently uncertain due to the delays in enacting reforms and the significant impact on the public sector financial outlook resulting from the COVID-19 pandemic. The sector is awaiting clarity from Govt on the future funding arrangements which, whilst currently unclear, are unlikely to see any significant increase in funding. In addition, the impact of the pandemic on City Fund funding streams and costs are still ongoing. Whilst these uncertainties are in place, the City Corporation has not deemed it necessary to impair its assets linked to potential service changes at this point in time.

Related Parties

The City Corporation makes an assessment of the relationships it has with other entities, establishing where control and influence lay and adopting the appropriate accounting practice to reflect the relationship. In making these assessments, the City Corporation maintains that is does not exert control over the Museum of London (MoL) in its capacity as co-funder of MoL with the Greater London Authority (GLA). We therefore disclose this relationship as a related party in the relevant disclosure (note 35, page 86).

Going concern

We would continue to regard ourselves as a going concern given the level of reserves held, a history of prudent financial management and that the majority of our activities are Government funded.

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

The Statement of Accounts contains estimated figures that are based on assumptions made by Management 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:

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 2022. The estimate has been calculated using the Valuation Office Agency (VOA) ratings list of submitted appeals alongside an analysis of appeals trends which may lead to an appeal but has not yet been submitted. In making this judgement a number of assumptions have been made which include:

- The data used for the calculations is based on the VOA listings of submitted appeals available as close to 31 March of each year.
- Estimated appeal losses are based on previous losses incurred on similar properties, the codes of appeal have been submitted and trends seen on the rating list.

The total value of the appeals provision is £128.5m, of which the City Corporation holds £38.6m, reflecting our 30% share of business rate income (see note 22, page 63, for more information). This is however an estimate and is subject to the actions of business rate payers submitting appeals and the judgement of the VOA is assessing the validity and impact of claims. A 5% variance in our assessment would result in a +/- £6.4m change in our provision.

Outstanding business rate debt has remained high compared to historic levels at £65.4m at 31 March 2022, but has fallen from the level reach in the previous year (£85m at 31 March 2021). An assessment on the collection of outstanding debt has been carried out based on historic trends with some judgement applied linked to the uncertainty of post-pandemic recovery. The total provision has been set at £30.0m (2020-21: £40.3m) with the City Corporations 30% share equating to £9m .

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 and mortality rates. The actuarial firm Barnett Waddingham LLP have been appointed as the City Corporation's actuary to provide the City Fund 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 across all 3 pension schemes (LGPS, Police and Judges') would result in an increase in the pension liabilities of City Fund of some £61.6m. 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 23 to 26 (page 64-74).

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. In the previous 2 financial years material valuation uncertainty clauses has been applied to some valuations due to the impact of COVID-19 on the property market. Whilst these have all been removed in the current year, the inherent uncertainties remain.

A reduction in estimated valuations would result in reductions to the Revaluation Reserve and/or a loss recorded as appropriate in the CI&ES. For example, a 1% reduction in the value of investment properties would result in a £16.0m debit to "Financing and Investment Income and Expenditure" in the CI&ES. Conversely, an increase in operational property values would result in increases to the Revaluation Reserve and/or reversals of previous negative revaluations to the CI&ES and/or gains being recorded as appropriate in the CI&ES.

Market movements are being monitored to ensure valuations are within reasonable tolerances. Additional information on investment property asset valuations is provided in note 17 (page 55-56).

d) Arrears

At 31 March 2022, the City Fund had a balance for rents, trade and sundry debtors of £61.6m (2020-21: £66.7m). A review of the length of time past due, progress on recovery action and forward look on economic factors which could influence recovery of the debt, including the impact of COVID-19, suggests that an impairment allowance for expected credit losses and doubtful debts of £10.5m (2020-21: £11.9m) is appropriate. If collection rates and/or economic factors were to deteriorate an increase in the amount of the impairment allowance would be required. Further details on the provision rates applied can be found in note 19 (page 59-61).

Notes to the Comprehensive Income and Expenditure Statement

3. Expenditure and Funding Analysis

2020-21				2021-22		
Net Expenditure Chargeable to City Fund and HRA Balances	**Adjustments between the Funding and Accounting Basis**	**Net Expenditure in the CI&ES**		**Net Expenditure Chargeable to City Fund and HRA Balances**	**Adjustments between the Funding and Accounting Basis**	**Net Expenditure in the CI&ES**
£'m	**£'m**	**£'m**		**£'m**	**£'m**	**£'m**
			Committees			
90.4	1.7	92.1	Police	81.8	9.1	90.9
35.2	4.3	39.5	Barbican Centre	29.7	4.3	34.0
17.7	1.6	19.3	Community and Children's Services	16.9	1.6	18.5
(0.1)	15.6	15.5	HRA	0.0	3.3	3.3
10.3	2.5	12.8	Planning and Transport	7.3	3.7	11.0
14.7	0.5	15.2	Port Health and Environmental Services	11.5	0.8	12.3
20.7	2.1	22.8	Culture, Heritage and Libraries	37.4	(14.9)	22.5
(21.0)	35.5	14.5	Finance	(27.6)	59.5	31.9
2.9	(3.0)	(0.1)	Barbican Residential	2.2	(2.9)	(0.7)
6.4	1.9	8.3	Policy and Resources	7.3	3.5	10.8
1.9	0.5	2.4	Open Spaces and City Gardens	2.0	0.5	2.5
(39.7)	40.6	0.9	Property Investment	(37.4)	38.4	1.0
0.4	0.1	0.5	Licensing	0.2	0.1	0.3
(0.5)	0.5	0.0	Markets	0.0	0.0	0.0
25.4	0.7	26.1	London NNDR Pool Strategic Investment Pot	(0.5)	0.7	0.2
0.0	5.4	5.4	Pension Past Service Cost	0.0	4.8	4.8
0.0	9.0	9.0	Major Project Cost	0.0	16.6	16.6
164.7	**119.5**	**284.2**	**Net Cost of Services**	**130.8**	**129.1**	**259.9**
(242.0)	58.9	(183.2)	Other Income and Expenditure	(176.6)	(108.7)	(285.3)
(77.3)	**178.4**	**101.0**	**(Surplus) or Deficit on the Provision of Services**	**(45.8)**	**20.4**	**(25.4)**
(177.0)			**Opening City Fund and HRA Balances**	**(254.3)**		
(77.3)			Add (Surplus) or Deficit on City Fund and HRA Balance in Year	(45.8)		
(254.3)			**Closing City Fund and HRA Balances at 31 March***	**(300.1)**		

* For a split of this balance between the City Fund and the HRA – see the Movement in Reserves Statement; page 22

Further information on the City Corporation's Committees can be found on the website at : http://democracy.cityoflondon.gov.uk/mgListCommittees.aspx?bcr=1

4. Note to the Expenditure and Funding Analysis

This note provides a reconciliation of the main adjustments to Net Expenditure Chargeable to the City Fund and HRA Balances to arrive at the amounts in the Comprehensive Income and Expenditure Statement.

2020-21						2021-22				
Adjustments for Capital Purposes	**Net Changes for Pension Adjustments**	**Collection Fund Adjustment Account**	**Other Adjustments**	**Total Adjustments**	**Committees**	**Adjustments for Capital Purposes**	**Net Changes for Pension Adjustments**	**Collection Fund Adjustment Account**	**Other Adjustments**	**Total Adjustments**
£'m	**£'m**	**£'m**	**£'m**	**£'m**		**£'m**	**£'m**	**£'m**	**£'m**	**£'m**
6.2	(5.3)	0.0	0.8	1.7	Police	5.6	4.4	0.0	(0.9)	9.1
0.0	4.0	0.0	0.3	4.3	Barbican Centre	0.0	4.1	0.0	0.2	4.3
0.0	1.5	0.0	0.1	1.6	Community and Children's Services	0.0	1.5	0.0	0.1	1.6
14.5	1.1	0.0	0.0	15.6	HRA	0.7	1.1	0.0	1.5	3.3
0.1	2.6	0.0	(0.2)	2.5	Planning and Transport	0.4	2.6	0.0	0.7	3.7
0.0	2.6	0.0	(2.1)	0.5	Port Health and Environmental Services	0.0	2.6	0.0	(2.1)	0.8
9.0	1.8	0.0	(8.7)	2.1	Culture, Heritage and Libraries	0.0	1.7	0.0	(16.6)	(14.9)
21.7	2.8	0.0	11.0	35.5	Finance	51.3	1.3	0.0	6.9	59.5
0.0	0.9	0.0	(3.9)	(3.0)	Barbican Residential	0.0	1.0	0.0	(3.9)	(2.9)
0.3	1.6	0.0	0.0	1.9	Policy and Resources	1.8	1.7	0.0	0.0	3.5
0.2	0.3	0.0	0.0	0.5	Open Spaces and City Gardens	0.2	0.4	0.0	(0.1)	0.5
0.1	0.1	0.0	40.5	40.6	Property Investment	0.0	0.1	0.0	38.3	38.4
0.0	0.1	0.0	0.0	0.1	Licensing	0.0	0.1	0.0	0.0	0.1
0.0	0.3	0.0	0.2	0.5	Markets	0.0	0.3	0.0	(0.3)	0.0
0.0	0.0	0.0	0.7	0.7	London NNDR Pool Strategic Investment Pot	0.0	0.0	0.0	0.7	0.7
0.0	5.4	0.0	0.0	5.4	Pension Past Service Cost	0.0	4.8	0.0	0.0	4.8
0.0	0.0	0.0	9.0	9.0	Major Project Cost	0.0	0.0	0.0	16.6	16.6
52.0	**19.8**	**0.0**	**47.7**	**119.5**	**Net Cost of Services**	**60.0**	**28.0**	**0.0**	**41.1**	**129.1**
0.5	29.8	82.1	(53.5)	58.9	Other Income and Expenditure	(93.8)	32.5	(12.2)	(35.2)	(108.7)
52.5	**49.6**	**82.1**	**(5.8)**	**178.4**	**Difference between the City Fund and HRA surplus or deficit and the Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services**	**(33.8)**	**60.5**	**(12.2)**	**(5.9)**	**20.4**

Adjustments for Capital Purposes

This column adjusts for capital items which need to be included in the CI&ES such as:

- the net gain on the disposal of fixed assets
- revaluation gains or losses on investment properties
- income from capital grants.

Net Changes for Pensions Adjustments

This column removes the employer pension contributions charges to services during the year and replaces them with pension related expenditure and income calculated in accordance with International Accounting Standard (IAS) 19 *Employee Benefits*.

Collection Fund Adjustment Account

This is a timing difference between what is chargeable under statutory regulations for business rates and council tax, which is largely based on estimates at the start of the year, and the income recognised under generally accepted accounting practices.

Other Adjustments

This column includes:

- the re-mapping of items reported to service committees to financing and investment income and expenditure in the CI&ES. Such items include income and expenditure relating to investment properties reported to the Property Investment Board, trading activities reported to the Markets Committee and interest on cash balances reported to Finance Committee
- the elimination of recharges between committees which would otherwise result in gross expenditure and income being overstated in the CI&ES.

The above adjustments are reallocation of figure and therefore have no overall impact on the total amount.

The net difference remaining relates to annual leave entitlement and financial instrument adjustments.

5. Expenditure and Income Analysed by Nature

City Fund income and expenditure included in the net cost of services is analysed below.

2020-21		2021-22
£'m		**£'m**
	Expenditure	
218.3	Employee expenses	231.8
184.7	Other service expenses	187.7
38.3	Support service recharges	36.4
58.2	Depreciation, amortisation and impairments	87.8
29.5	Interest payments	32.0
0.5	Precepts and levies	0.5
305.4	Business rates tariff and levy payments to Government	304.7
0.6	Payments to Government's housing capital receipts pool	0.4
(1.6)	Gain on the disposal of assets	4.4
833.9	**Total expenditure**	**885.7**
	Income	
(153.8)	Fees, charges and other service income	(185.8)
(7.6)	Interest and investment income	(5.7)
(474.8)	Business rates and council tax income	(365.5)
(121.1)	Government grants and other grants, contributions and reimbursements	(282.0)
24.4	Unrealised (gains)/loss on revaluation of investment properties	(72.0)
(732.9)	**Total Income**	**(911.1)**
101.0	**(Surplus) or Deficit on the Provision of Services**	**(25.4)**

6. Grant Income

2020-21	Credited to Services	2021-22
£m	Revenue Grants (Government)	£m
	Home Office	
(16.8)	Police Pensions	(18.9)
(7.2)	Counter Terrorism	(7.1)
(0.9)	Covid-19 Surge Funding grant	0.0
(4.8)	National Cyber Security Programme	(8.4)
(4.4)	National Fraud Intelligence Bureau	(4.3)
(2.3)	National Lead Force for Fraud	(2.3)
(3.0)	Other	(4.4)
(6.6)	Action Fraud Managed Services	(6.8)
(2.5)	Economic Crime Capability	(2.5)
	Department for Work and Pensions	
(3.8)	Housing and Council Tax Benefit	(3.9)
(2.6)	Other	(8.5)
(6.2)	HM Courts and Tribunals Service	(6.5)
	Department for Education	
(3.2)	Dedicated Schools Grant	(3.4)
(0.7)	Other	(1.8)
	Ministry of Housing, Communities and Local Government	
(0.4)	Covid-19 Strategic Co-ordination Group grant	0.0
(1.0)	Covid-19 Contingency Fund Grant	0.0
(0.9)	Covid-19 Mortuary costs grant	0.0
(0.2)	Covid-19 Resilience Forum grant	0.0
(1.0)	Covid-19 Transition Management Board	0.0
(5.1)	Other	(5.2)

2020-21	Credited to Services	2021-22
£m	Revenue Grants (Government) Continued	£m
	Department for Health	
(1.6)	Public Health	(1.7)
(0.7)	Other	0.0
(3.7)	Transport for London	(2.6)
(0.7)	Greater London Authority	(0.9)
	Department for Business, Energy and Industrial Strategy	
(2.7)	Discretionary grants to Businesses	(5.7)
(0.3)	Other	(0.3)
(0.7)	Department for Environment, Food & Rural Affairs	(1.7)
(2.0)	Her Majesty's Revenue and Customs	(0.4)
(0.4)	Arts Council England	(0.4)
(2.6)	Other revenue grants (Government)	(2.8)
	Non-Government revenue grants and contributions	
(2.1)	S106/S278 and other developer contributions	(1.8)
(2.6)	UK Payments Administration Ltd	(3.6)
(3.8)	Association of British Insurers	0.0
(8.9)	Other	(16.8)
	Capital Grants and contributions (funding revenue expenditure under statute)	
(1.1)	Other	(4.6)
(107.5)	**Total**	**(127.3)**

7. Income and Expenditure below Cost of Services

2020-21 Net Expenditure/ (Income) £m		2021-22 Net Expenditure/ (Income) £m
(1.6)	Net Gain on Disposal of Fixed Assets	4.4
0.4	Inner and Middle Temple Precepts	0.4
0.1	Local levies	0.1
0.6	Payment to Government Housing Capital Receipts Pool	0.4
0.4	Pension Fund Administration Expenses	0.5
(0.1)	**Total Other Operating Income and Expenditure**	**5.8**
	Investment Properties	
(40.1)	Operational	(36.8)
24.4	(Gain)/loss on revaluation	(72.0)
(7.6)	Interest receivable and similar income	(5.7)
29.5	Pension Interest Cost	32.0
(0.2)	Contribution from Trading Services	0.0
0.6	Movement on bad debt provisions	(0.7)
(6.9)	Financial instrument (gain)/loss	7.5
(0.3)	**Total Financing and Investment Income and Expenditure**	**(75.7)**

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

Operational Investment Properties is comprised of income of £55.2m and operating expenses of £18.4m

Contribution from Trading Services comprises a turnover of £8.2m and expenditure of £8.2m.

2020-21 Income £m		2021-22 Income £m
1.7	Retained National Business Rates	(23.0)
(15.9)	City Fund Non-Domestic Rates Premium	(17.5)
(12.1)	City Fund Offset	(12.1)
(7.9)	Council Tax Income	(8.4)
	Non Ringfenced Government Revenue Grants	
(6.3)	Revenue Support Grant	(6.3)
(65.9)	Police Core Grant	(70.2)
(11.9)	Sales, Fees and Charges Compensation	(3.2)
(42.3)	Non-Domestic Rating Income S.31 Grant	(28.1)
(8.7)	Other	(1.0)
(0.2)	London NNDR Pool Strategic Investment Pot	0.0
	Capital Grants & Contributions	
(0.2)	Home Office	(4.0)
(0.1)	Greater London Authority	(1.1)
(1.5)	Transport for London	(1.9)
(1.4)	Ministry of Justice	(1.4)
(10.0)	Section 106/278 Contributions	(22.4)
(2.6)	Community Infrastructure Levy	(10.6)
2.5	Other Capital Grants and Contributions	(4.2)
(182.8)	**Total Taxation and Non-Specific Grant Income**	**(215.4)**
(183.2)	**Total Income and Expenditure below Cost of Services**	**(285.3)**

8. Dedicated Schools Grants

In 2021-22, the City Fund received a specific grant from the Department for Education, the Dedicated Schools Grant (DSG), of £3.6m (2020-21: £3.3m). 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 2019. 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 2021-22 are as follows:

2020-21	**Schools Budget Funded by DSG**		
	Central Expenditure	**Individual School Budget**	**Total**
	£m	**£m**	**£m**
Final DSG for 2020-21 before Academy recoupment	1.3	2.0	3.3
Academy Figure recouped for 2020-21	0.0	0.0	0.0
Total DSG after Academy recoupment for 2020-21	**1.3**	**2.0**	**3.3**
Plus: Brought forward from 2019-20	0.9	0.0	0.9
Less: Carry forward to 2021/22 agreed in advance	0.0	0.0	0.0
Agreed initial budgeted distribution in 2020-21	**2.2**	**2.0**	**4.2**
In year adjustments	0.0	0.0	0.0
Final budgeted distribution for 2020-21	2.2	2.0	4.2
Less: Actual central expenditure	(1.2)	0.0	(1.2)
Less: Actual ISB deployed to schools	0.0	(2.0)	(2.0)
Plus: Local authority contribution for 2019-20	0.0	0.0	0.0
Carry forward to 2021-22	**1.0**	**0.0**	**1.0**

2021-22	**Schools Budget Funded by DSG**		
	Central Expenditure	**Individual School Budget**	**Total**
	£m	**£m**	**£m**
Final DSG for 2021-22 before Academy recoupment	1.5	2.1	3.6
Academy Figure recouped for 2021-22	0.0	0.0	0.0
Total DSG after Academy recoupment for 2021-22	**1.5**	**2.1**	**3.6**
Plus: Brought forward from 2020-21	1.0	0.0	1.0
Less: Carry forward to 2021/22 agreed in advance	0.0	0.0	0.0
Agreed initial budgeted distribution in 2021-22	**2.5**	**2.1**	**4.6**
In year adjustments	0.0	0.0	0.0
Final budgeted distribution for 2021-22	0.0	0.0	4.6
Less: Actual central expenditure	(1.2)	0.0	(1.2)
Less: Actual ISB deployed to schools	0.0	(2.1)	(2.1)
Plus: Local authority contribution for 2020-21			
Carry forward to 2022-23	**1.3**	**0.0**	**1.3**

9. Remuneration and Exit Packages of Employees

Tables 1 to 3 set out the information required in accordance with the Accounts and Audit Regulations 2015 for 2021-22 and 2020-21 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 (only bands which include officers are shown in the table). 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 information in Table 1 relates to those officers' full salary and not just the part charged to the City Fund. This excludes senior officer salaries which are included in table 2.

Table 3 relates to the Exit packages of employees.

Table 1 – Remuneration in Bands

Proportion to City Fund				Proportion to City Fund		
Wholly charged		Partially Charged		Wholly charged		Partially Charged
2020-2021			Salary Range	2021-2022		
Police Officers	Other		£	Police Officers	Other	
183	72	119	50 - 54,999	203	52	95
105	59	88	55 - 59,999	126	38	94
51	25	54	60 - 64,999	71	16	41
57	23	68	65 - 69,999	58	13	72
22	13	23	70 - 74,999	29	6	28
8	12	32	75 - 79,999	5	8	19
6	6	9	80 - 84,999	3	4	13
4	5	15	85 - 89,999	5	3	10
7	2	5	90 - 94,999	9	0	7
1	3	3	95 - 99,999	5	2	8
0	2	6	100 - 104,999	1	3	3
1	1	1	105 - 109,999	0	0	4
0	0	0	110 - 114,999	1	0	4
2	0	7	115 - 119,999	1	0	1
0	1	2	120 - 124,999	1	1	2
0	1	4	125 - 129,999	1	0	3
0	0	3	130 - 134,999	0	2	1
0	0	0	135 - 139,999	0	0	0
0	0	0	140 - 144,999	0	0	1
0	1	1	145 - 149,999	0	0	0
0	0	0	150 - 154,999	0	0	0
1	0	1	155 - 159,999	0	0	0
0	0	0	160 - 164,999	0	0	0
0	0	0	165 - 169,999	0	0	0
0	0	0	175 - 179,999	0	0	0
0	0	0	180 - 184,999	0	0	0
0	0	0	185 - 189,999	0	0	0
0	0	0	190 - 194,999	1	0	0
0	0	0	200 - 204,999	0	0	0
0	0	0	205 - 209,999	0	0	0
0	0	1	230 - 234,999	0	0	1
0	0	0	375 - 379,999	0	0	0
0	0	0	385 - 389,999	0	0	0
448	**226**	**442**	**Total**	**520**	**148**	**407**

Table 2 - Senior Officer Remuneration

2021-22	Proportion charged to Local or Police Authority Activities	Total Salary	Salary (including fees & allowances)	Bonus	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
Salary is £150,000 or more a year									
Town Clerk & Chief Executive - J. Barradell	55%	266.0	146.0	0.0	0.0	0.0	146.0	31.0	177.0
Chamberlain – C. Al-Beyerty (started May 2021)	60%	173.0	104.0	0.0	0.0	0.0	104.0	22.0	126.0
Police Commissioner - I. Dyson (left December 2021)	100%	155.0	155.0	61.0	0.0	5.0	221.0	0.0	221.0
Comptroller & City Solicitor - M.Cogher	65%	180.0	117.0	0.0	0.0	0.0	117.0	25.0	142.0
City Surveyor - P Wilkinson	40%	159.0	64.0	8.0	0.0	0.0	72.0	15.0	87.0
Salary is between £50,000 and £150,000									
Managing Director Barbican Centre (left September 2021)	100%	103.0	103.0	0.0	0.0	0.0	103.0	22.0	125.0
Managing Director Barbican Centre (acting up from September 2021)	100%	102.0	102.0	0.0	0.0	0.0	102.0	21.0	123.0
Managing Director Barbican Centre (acting up from September 2021)	100%	99.0	99.0	0.0	0.0	0.0	99.0	21.0	120.0
Police Commissioner (started January 2022)	100%	47.0	47.0	3.0	0.0	5.0	55.0	14.0	69.0
Executive Director of Environment (started August 2021)	100%	112.0	112.0	0.0	0.0	0.0	112.0	18.0	130.0
Director of Innovation & Growth	67%	146.0	98.0	0.0	0.0	0.0	98.0	20.0	118.0
Chief Operating Officer (started July 2021)	65%	133.0	87.0	0.0	0.0	0.0	87.0	18.0	105.0
Director of Community & Children's Services	100%	146.0	146.0	0.0	0.0	0.0	146.0	31.0	177.0
Chamberlain (left April 2021)	60%	37.0	22.0	0.0	36.0	0.0	58.0	1.0	59.0
Director of Markets & Consumer Protection (left December 2021)	55%	72.0	40.0	4.0	0.0	0.0	44.0	8.0	52.0
Director of Markets & Consumer Protection (started August 2021)	55%	74.0	41.0	0.0	0.0	0.0	41.0	8.0	49.0

2020-21	Proportion charged to Local or Police Authority Activities	Total Salary	Salary (including fees & allowances)	Bonus	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
Salary is £150,000 or more a year									
Town Clerk & Chief Executive - J. Barradell	55%	264.0	145.0	4.0	0.0	0.0	149.0	31.0	180.0
Chamberlain - P. Kane	60%	198.0	119.0	3.0	0.0	0.0	122.0	26.0	148.0
Police Commissioner – I.Dyson	100%	191.0	191.0	1.0	0.0	7.0	199.0	0.0	199.0
Managing Director Barbican Centre – N.Kenyon	100%	204.0	204.0	6.0	0.0	0.0	210.0	44.0	254.0
Comptroller & City Solicitor - M.Cogher	65%	174.0	113.0	0.0	0.0	0.0	113.0	24.0	137.0
City Surveyor - P Wilkinson	40%	158.0	63.0	10.0	0.0	0.0	73.0	15.0	88.0
Executive Director of Mansion House & Old Bailey - V Annells	30%	152.0	45.0	2.0	46.0	0.0	93.0	10.0	103.0
Salary is between £50,000 and £150,000									
Director of Built Environment	100%	131.0	131.0	4.0	137.0	0.0	272.0	29.0	301.0
Director of Community & Children's Services	100%	135.0	135.0	0.0	0.0	0.0	135.0	28.0	163.0
Director of Markets & Consumer Protection	55%	114.0	63.0	0.0	0.0	0.0	63.0	13.0	76.0
Director of Open Spaces	30%	116.0	35.0	0.0	0.0	0.0	35.0	7.0	42.0

Table 3 - Exit Packages charged to City Fund

2020-21					2021-22			
Number of Compulsory Redundancies (FTE No.)	**Number of Other Departures Agreed (FTE No.)**	**Total Number of Exit Packages by Cost Band (FTE No.)**	**Total Cost of exit Packages in Each Band (£'000)**		**Number of Compulsory Redundancies (FTE No.)**	**Number of Other Departures Agreed (FTE No.)**	**Total Number of Exit Packages by Cost Band (FTE No.)**	**Total Cost of exit Packages in Each Band (£'000)**
5.0	8.0	13.0	67.4	£0 - £20,000	18.0	1.0	19.0	57.4
1.0	1.0	2.0	49.9	£20,001 - £40,000	2.0	2.0	4.0	123.6
0.0	0.0	0.0	0.0	£40,001 - £60,000	0.0	0.0	0.0	0.0
0.0	1.0	1.0	65.0	£60,001 - £80,000	0.0	0.0	0.0	0.0
0.0	1.0	1.0	94.0	£80,001 - £100,000	0.0	0.0	0.0	0.0
0.0	0.0	0.0	0.0	£100,001 - £150,000	0.0	0.0	0.0	0.0
0.0	0.0	0.0	0.0	£150,001 - £200,000	0.0	0.0	0.0	0.0
0.0	0.0	0.0	0.0	£200,001 - £250,000	0.0	0.0	0.0	0.0
0.0	0.0	0.0	0.0	£250,001 - £300,000	0.0	0.0	0.0	0.0
6.0	**11.0**	**17.0**	**276.3**	**Total**	**20.0**	**3.0**	**23.0**	**181.0**

10. Audit Fees

Estimated costs in relation to the audit of the Statement of Accounts, certification of grant claims and statutory inspections provided by the City Fund's external auditor, are set out in the adjacent table. The 2021-22 audit will be carried out by our newly appointed auditor, Grant Thornton. Audit Fees of £25,000 (2020-21: £22,000) in respect of the City of London Pension Fund are met by the Pension Fund and are not included in the table.

2020-21		2021-22
£'000		**£'000**
111.0	External audit services carried out by the appointed auditor under the National Audit Office Code of Audit Practice in accordance with the Local Audit and Accountability Act 2014.	340.0
20.0	Certification of grant claims and returns by the appointed auditor	25.0
5.0	Non-audit fees - other grant and certification fees	0.0
136.0		**365.0**

Notes to the Movement in Reserves Statement

11. 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 Balance

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 Fund'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 Balance is not available to fund Housing Revenue Account (HRA) services. With this exception, the City Fund Balance therefore summarises the resources that the City Fund is statutorily empowered to spend on its services or on capital investment (or the deficit of resources that the City Fund 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 Fund'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 Fund 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.

2021-22	Usable Reserves					Movement in Unusable Reserves
	City Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Capital Grants Unapplied	Major Repairs Reserve	
	£m	£m	£m	£m	£m	£m
Adjustments to the Revenue Resources						
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements						
Pensions costs (transfers to or from the Pensions Reserve)	(59.5)	(1.1)				60.6
Council Tax and Non-Domestic Rates (transfers to or from the Collection Fund Adjustment Account)	12.2					(12.2)
Holiday pay (transfers to or from the Accumulated Absences Reserve)	1.5					(1.5)
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)	2.2	(5.4)				3.2
Transfer of capital grants & contributions from revenue to the Capital Grants Unapplied Account	13.1			(13.1)		0.0
Transfer of deferred non-current assets sale proceeds from revenue to the Deferred Capital Receipts Reserve	(2.7)					2.7
Transfer to the Pooled Investment Reserve	(7.6)					7.6
Total Adjustments to Revenue Resources	**(40.8)**	**(6.5)**	**0.0**	**(13.1)**	**0.0**	**60.4**
Adjustments between Revenue and Capital Resources						
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	20.1	0.9	(21.0)			0.0
Payments to the government housing receipts pool (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)	6.8					(6.8)
Posting of HRA resources from revenue to the Major Repairs Reserve		3.0			(3.0)	0.0
Contribution from Community Infrastructure Levy to fund revenue expenditure	(3.4)			3.4		0.0
Total Adjustments between Revenue and Capital Resources	**23.1**	**3.9**	**(20.6)**	**3.4**	**(3.0)**	**(6.8)**
Adjustments to Capital Resources						
Use of the Capital Receipts Reserve to finance capital expenditure			46.8			(46.8)
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)				3.0		(3.0)
Cash payments in relation to deferred capital receipts			(0.3)			0.3
Total Adjustments to Capital Resources	**0.0**	**0.0**	**46.5**	**3.0**	**3.5**	**(53.0)**
Total Adjustments	**(17.9)**	**(2.6)**	**25.9**	**(6.7)**	**0.6**	**0.6**

2020-21	Usable Reserves					Movement in Unusable Reserves
	City Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Capital Grants Unapplied	Major Repairs Reserve	
	£m	£m	£m	£m	£m	£m
Adjustments to the Revenue Resources						
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements						
Pensions costs (transfers to or from the Pensions Reserve)	(48.5)	(1.1)				49.6
Council Tax and Non-Domestic Rates (transfers to or from the Collection Fund Adjustment Account)	(82.1)					82.1
Holiday pay (transfers to or from the Accumulated Absences Reserve)	(1.1)					1.1
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)	(57.4)	(18.1)				75.5
Transfer of capital grants & contributions from revenue to the Capital Grants Unapplied Account	3.9			(3.9)		0.0
Transfer to the Pooled Investment Reserve	6.9					(6.9)
Total Adjustments to Revenue Resources	**(178.3**	**(19.2)**	**0.0**	**(3.9)**	**0.0**	**201.4**
Adjustments between Revenue and Capital Resources						
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	5.1	1.5	(6.6)			0.0
Payments to the government housing receipts pool (funded by a transfer from the Capital Receipts Reserve)	(0.6)		0.6			0.0
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	11.3					(11.3)
Posting of HRA resources from revenue to the Major Repairs Reserve		3.1			(3.1)	0.0
Total Adjustments between Revenue and Capital Resources	**14.5**	**4.6**	**(6.0)**	**1.3**	**(3.1)**	**(11.3)**
Adjustments to Capital Resources						
Use of the Capital Receipts Reserve to finance capital expenditure			23.8			(23.8)
Use of the Major Repairs Reserve to finance capital expenditure					4.5	(4.5)
Application of capital grants to finance capital expenditure (transferred to the Capital Adjustment Account)				2.1		(2.1)
Cash payments in relation to deferred capital receipts			(0.5)			0.5
Total Adjustments to Capital Resources	**0.0**	**0.0**	**23.3**	**2.1**	**4.5**	**(29.9)**
Total Adjustments	**(163.8)**	**(14.6)**	**17.3**	**(0.5)**	**1.4**	**160.2**

12. Transfers (to)/from Earmarked Revenue Reserves

This note sets out the amounts set aside within the City Fund Balance in earmarked revenue reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet City Fund expenditure in 2021-22.

	Notes	Balance at 31 March 2020	Transfers Out 2020-21	Transfers In 2020-21	Balance at 31 March 2021	Transfers Out 2021-22	Transfers In 2021-22	Balance at 31 March 2022
		£m	£m	£m	£m	£m	£m	£m
Highway Improvements	i	(42.7)	5.7	(10.1)	(47.1)	6.2	(10.7)	(51.6)
Major Projects Reserve	ii	(16.9)	9.4	(61.5)	(69.0)	51.6	(36.2)	(53.6)
Business Rate Equalisation	iii	0.0	0.0	(47.9)	(47.9)	37.7	(24.6)	(34.8)
City Fund Risk Reserve	iv	0.0	0.0	0.0	0.0	0.0	(30.0)	(30.0)
Build Back Better Reserve	v	0.0	0.0	0.0	0.0	1.1	(18.1)	(17.0)
London NNDR Pool SIP	vi	(34.1)	25.4	0.0	(8.7)	0.0	(0.5)	(9.2)
Crime Reduction Initiatives	vii	(1.4)	0.0	(0.8)	(2.2)	0.0	(6.8)	(9.0)
Police Future Expenditure	viii	(2.9)	2.9	(4.3)	(4.3)	2.6	(3.5)	(5.2)
Other Earmarked Reserves	ix	(16.7)	2.4	(4.5)	(18.8)	2.0	(4.8)	(21.6)
Total		**(114.7)**	**45.8**	**(129.1)**	**(198.0)**	**101.2**	**(135.2)**	**(232.0)**

(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) Major Projects Reserve – This reserve has been established to fund the 2 major projects funded from City Fund resources, the Combined Criminal Court and the Museum of London Relocation.

(iii) Business Rate Equalisation Reserve – This reserve will be used to fund collection fund deficits that will be accounted for in future years. The reserve holds funding received from Government to offset the impact of granting business rate relief to retail, leisure and hospitality businesses during 2021-22 (£24.6m) and compensation received from Govt to assist local authorities with losses incurred in the collection of business rates and council tax.

(iv) City Fund Risk Reserve – This reserve is held to mitigate the additional financial risks brought about COVID-19 and the current economic climate including factors like inflation.

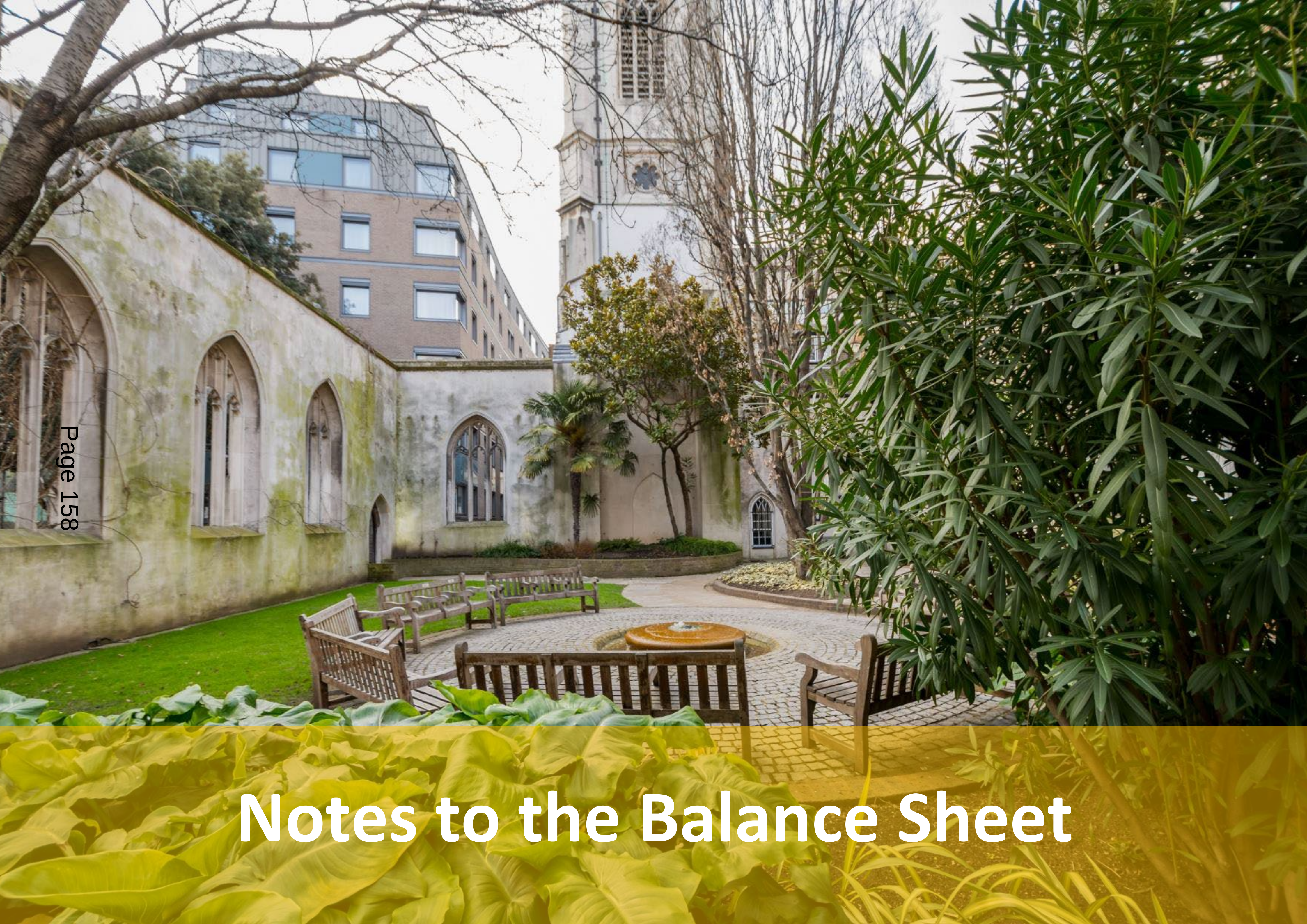
(v) Build Back Better Reserve – Funds set aside to finance the build back better programme which seeks to support the recovery in the City post COVID-19.

(vi) Unallocated London NNDR Pool Strategic Investment Pot (SIP) – This relates to yet to be allocated SIP funds generate through the London NNDR Pool. The City Corporation acts a lead authority for the pool and in that role has the final say on the allocation of SIP funds.

(vii) Police Future Expenditure Reserve - Revenue expenditure for the City Police service is cash limited. The net position each year is taken from/to this reserve to fund future service costs.

(viii) Under the guidelines of the Proceeds of Crime Scheme funds received by the City Police must be ring fenced for “crime reduction initiatives”.

(ix) Other Earmarked Reserves – The total for all other reserves set aside for specific purposes including service projects, VAT, the School’s reserve and renewals and repairs.



Notes to the Balance Sheet

13. Property, Plant and Equipment

Movements on Balances 2021-22	Council Dwellings	Other Land & Buildings	Leasehold Improvements	Vehicles, Plant & Equipment	Community Assets	Assets Under Construction	Surplus Assets	Total
	£m	£m	£m	£m	£m	£m	£m	£m
Cost or valuation								
at 1 April 2021	**263.0**	**509.2**	**7.3**	**115.9**	**1.5**	**48.0**	**3.0**	**947.9**
Additions	1.9	3.3	0.6	5.4	0.0	52.0	0.0	**63.2**
Transfers	0.3	104.1	0.0	0.8	0.0	(4.5)	(1.8)	**98.9**
Revaluation increases/(decreases) recognised in the Revaluation Reserve	(5.7)	21.6	0.0	0.0	0.0	0.0	0.0	**15.9**
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(1.6)	(36.7)	0.0	0.0	0.0	0.0	0.0	**(38.3)**
Derecognition - disposals	(6.8)	0.0	0.0	(0.2)	0.0	0.0	(0.2)	**(7.2)**
at 31 March 2022	**251.1**	**601.5**	**7.9**	**121.9**	**1.5**	**95.5**	**1.0**	**1,080.4**
Accumulated Depreciation and Impairment								
at 1 April 2021	**(0.1)**	**(4.5)**	**(0.7)**	**(65.1)**	**0.0**	**0.0**	**(0.7)**	**(71.1)**
Depreciation Charge	(2.6)	(10.8)	(0.7)	(7.3)	0.0	0.0	0.0	(21.4)
Depreciation written out to the Revaluation Reserve	1.7	9.9	0.0	0.0	0.0	0.0	0.0	11.6
Depreciation written out to the Surplus/Deficit on the Provision of Services	0.9	0.2	0.0	0.0	0.0	0.0	0.0	1.1
Derecognition - disposals	0	0.0	0.0	0.2	0.0	0.0	0.0	0.2
at 31 March 2022	**(0.1)**	**(5.2)**	**(1.4)**	**(72.2)**	**0.0**	**0.0**	**(0.7)**	**(79.6)**
Net Book Value								
at 31 March 2021	**262.9**	**504.7**	**6.6**	**50.8**	**1.5**	**48.0**	**2.3**	**876.8**
at 31 March 2022	**251.0**	**596.3**	**6.5**	**49.7**	**1.5**	**95.5**	**0.3**	**1,000.8**

Property, Plant and Equipment (Continued)

Movements on Balances 2020-21	Council Dwellings	Other Land & Buildings	Leasehold Improvements	Vehicles, Plant & Equipment	Community Assets	Assets Under Construction	Surplus Assets	Total
	£m	£m	£m	£m	£m	£m	£m	£m
Cost or valuation								
at 1 April 2020	**303.7**	**505.6**	**7.0**	**108.4**	**1.5**	**21.6**	**3.8**	**951.6**
Additions	1.6	2.0	0.3	8.0	0.0	29.3	0.0	41.2
Transfers	1.1	2.3	0.0	(0.5)	0.0	(2.9)	(0.7)	(0.7)
Revaluation increases/(decreases) recognised in the Revaluation Reserve	(22.8)	0.7	0.0	0.0	0.0	0.0	(0.1)	(22.2)
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(15.6)	(1.4)	0.0	0.0	0.0	0.0	0.0	(17.0)
Derecognition - disposals	(5.0)	0.0	0.0	0.0	0.0	0.0	0.0	(5.0)
at 31 March 2021	**263.0**	**509.2**	**7.3**	**115.9**	**1.5**	**48.0**	**3.0**	**947.9**
Accumulated Depreciation and Impairment								
at 1 April 2020	**(0.1)**	**(4.0)**	**0.0**	**(58.4)**	**0.0**	**0.0**	**(0.7)**	**(63.2)**
Depreciation Charge	(2.7)	(13.1)	(0.7)	(6.7)	0.0	0.0	(0.2)	(23.4)
Depreciation written out to the Revaluation Reserve	1.6	11.9	0.0	0.0	0.0	0.0	0.2	13.7
Depreciation written out to the Surplus/Deficit on the Provision of Services	1.1	0.7	0.0	0.0	0.0	0.0	0.0	1.8
Derecognition - disposals	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
at 31 March 2021	**(0.1)**	**(4.5)**	**(0.7)**	**(65.1)**	**0.0**	**0.0**	**(0.7)**	**(71.1)**
Net Book Value								
at 31 March 2020	**303.6**	**501.6**	**7.0**	**50.0**	**1.5**	**21.6**	**3.1**	**888.4**
at 31 March 2021	**262.9**	**504.7**	**6.6**	**50.8**	**1.5**	**48.0**	**2.3**	**876.8**

Infrastructure Assets

In accordance with the temporary relief offered by the Update to the Code of Practice on infrastructure assets, this note does not include disclosure of gross costs and accumulated depreciation. This is due to historical reporting practices and resultant information deficits meaning that this would not faithfully represent the asset position to the users of the financial statements and would not provide the basis for these users to take economic or other decisions relating to infrastructure assets.

We have also utilised the provisions granted under The Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2022 SI 1232/2022 which allows for the derecognition of replaced elements of infrastructure assets to be assumed to be at nil value and confirms that prior year adjustments are not required in relation to this matter. This means that the figures presented below represent the spend and depreciation calculated for this asset class, but due the information deficits, may not accurately reflect the true value of these assets.

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2020-21	Infrastructure Assets Movement on Balances	2021-22
£m		£m
51.6	**Opening Net Book Value at 1 April**	**48.8**
5.3	Additions	6.9
(8.1)	Depreciation	(8.0)
48.8	**Closing Net Book Value at 31 March**	**47.7**

Reconciliation of Property, Plant and Equipment

The below table reconciles the individual disclosure notes to the total property, plant and equipment balance on the face of the balance sheet

2020-21	Reconciliation of Property, Plant and Equipment	2021-22
£m		£m
876.8	Other PPE Assets	1,000.8
48.8	Infrastructure Assets	47.7
925.6	**Total PPE Assets Net Book Value**	**1,048.5**

The authority has determined in accordance with Regulation 30M of the Local Authorities (Capital Finance and Accounting) (England/Wales) (Amendment) Regulations 2022 that the carrying amounts to be derecognised for infrastructure assets when there is replacement expenditure is nil.

Depreciation

The useful lives and depreciation rates generally used in the calculation of depreciation are listed below.

• General operational buildings	50 years
• Council Dwellings	125 years
• Certain listed[2] operational buildings	75 – 125 years
• Leasehold Improvements	10 – 30 years
• Infrastructure	10 – 25 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

[2] A building which is included on the statutory list of 'buildings of special architectural or historic interest'.

HRA Dwelling Valuations

Dwellings are valued at their 'existing use with vacant possession' and then reduced to reflect 'existing use for social housing'. The reduction is a measure of the economic cost of providing council housing at less than open market rents. Current MHCLG guidance (guidance for valuers – 2016) identifies a vacant possession adjustment factor for London of 25%. This factor has been adopted in establishing the Existing Use Value- Social Housing. The estimated vacant possession value of HRA dwellings is £712.4m which has been reduced by 75% to £179.7m to reflect social housing.

The City Fund also maintains the Barbican Estate which, whilst classed as Council Dwellings, sits outside of the HRA and is not subject to the adjustment factor.

Commitments

Significant capital commitments above £1m totalling £14.9m were outstanding at 31 March 2022, detailed as:

- £4.2m relating to Salisbury Square demolition and development scheme
- £3.3m relating to phase 4 works at Central Criminal Court (Old Bailey)
- £3.3m relating to the replacement of mechanical and electrical services and Walbrook Wharf Depot
- £1.6m outstanding in respect of the installation of sprinklers on the Avondale Square Housing estate
- £1.3m in respect of the Poultry Market roof
- £1.2m in respect of heating and hot water replacement schemes at York Way estate

Revaluations

The following have been revalued at 31 March 2021 in accordance with the Rolling Five Year Programme of Revaluation or to reflect material changes in value:

- Barbican Centre, including the Barbican lending library
- Barbican Estate residential properties, baggage stores, and car bays
- Bishopsgate Police Station
- Central Criminal Court
- City of London Cemetery and Crematorium properties
- Cleansing Depot and Offices at Walbrook Wharf
- Housing Commercial Properties (shop units, garages and parking spaces)
- Housing Dwellings (including guest flats)
- Public Car Parks
- Public Conveniences
- Spitalfields Market
- Woodredon and Warlies Park Estate
- Surplus Properties
- Investment Properties
- Assets Held for Sale - HRA non-dwelling properties at Holloway

The City Fund 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, Public Car Parks, Public Conveniences, Walbrook Wharf (depot and offices), Golden Lane Recreation Centre, Woodredon and Warlies Park, Cemetery and Crematorium, Police Station, 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 Fund are Cushman and Wakefield LLP, Gerald Eve LLP and Savills (UK) Ltd.

All other asset values have been prepared by registered RICS valuers employed in the City Corporation’s City Surveyor’s Department.

14. Heritage Assets

The carrying value of heritage assets currently held in the Balance Sheet at historic cost is £9.0m (2020-21 £9.0m) 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 printed books collection from the 15th century onwards and many special collections including those devoted to Samuel Pepys, John Wilkes and Sir 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 Corporation website(https://www.cityoflondon.gov.uk/things-to-do/history-and-heritage/london-metropolitan-archives)

15. Capital Expenditure and Finance

The total amount of capital expenditure incurred in the year is shown, in the table adjacent, together with the resources that have been used to finance it. Where assets are acquired under finance leases (see note 30, page 75-77) the transactions are considered to be the same as if the City Fund had purchased the assets and financed this by taking out a loan. Liabilities are therefore recognised for the same amount as the assets acquired under finance leases.

A nil or negative Capital Financing Requirement (CFR) indicates that the City Fund's provision for debt is equal to or greater than the debt incurred. Where capital expenditure is to be financed in future years by charges to revenue the expenditure results in a positive CFR, a measure of the capital expenditure incurred historically that has yet to be financed. The net increase in the capital financing requirement of £33.3m reflects the recognition of £34.4m of additional borrowing requirement to fund capital schemes, partially offset by a £1.1m minimum revenue provision made in the year.

2020-21		2021-22
£m		£m
45.3	**Opening Capital Financing Requirement**	**53.4**
	Capital Investment	
46.5	Property, Plant and Equipment	70.1
3.9	Investment Properties	40.1
0.2	Intangible Assets	0.2
11.2	Revenue Expenditure Funded for Capital Under Statute	20.9
	Sources of Finance	
(1.1)	Minimum Revenue Provision	(1.1)
(23.8)	Capital Receipts	(46.9)
(13.0)	Capital grants, contributions and donations	(39.6)
(4.5)	Major Repairs Reserve	(3.6)
(11.3)	Direct revenue contributions	(6.8)
53.4	**Closing Capital Financing Requirement**	**86.7**

2020-21		2021-22
£m		£m
	Explanation of movement in year	
(1.1)	Minimum Revenue Provision	(1.1)
0.0	Assets acquired under finance leases	0.0
9.2	Increase in underlying need to borrow	34.4
8.1	**Increase/(decrease) in Capital Financing Requirement**	**33.3**

16. Long Term Debtors

31 March 2021		31 March 2022
£m		**£m**
12.1	Net Investment in Finance Leases	9.1
1.3	Loans to Museum of London (repayable by 2032)	1.2
2.2	Rent	1.8
0.1	Museum in Docklands Loan	0.1
0.1	Service Charge Loans	0.1
15.8	**Total**	**12.3**

17. Investment Properties

2020-21		2021-22
£m		**£m**
1,621.5	Balance at start of the year	1,601.0
0.0	Transfers	(100.8)
	Additions:	
3.9	Purchases	40.1
0.0	Construction	0.0
0.5	Subsequent expenditure	0.0
0.0	Disposals	(17.2)
	Revaluations:	
(24.4)	Net gains from fair value adjustments	72.0
1,601.0	**Balance at end of the year**	**1,595.1**

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.

The £100.8m transfer of investment property relates to the use of previously income generating property as part of the Combine Courts major project, which will provide a new headquarters for the City of London Police. As these properties are no longer held for income generation or capital appreciation, they do not meet the definition of an investment property and have been transferred to the other land and buildings heading.

The City Find Estate valuation includes £176.9m of lease adjustments and £2.9m rent smoothing adjustment.

As part of the annual valuation of our investment properties, our external valuers have determined that the portfolio has been valued on a level 3 basis. This means there are some significant unobservable inputs which determine the value of these properties, namely the market rent and yield when using the valuation method highlighted above. The below table set out the sensitivity of the property valuations provided by Savills to these inputs based on a +/- 0.25% change in yield (with yields in the range of 2.26% to 7.01%) and +/-5% change in market rents as appropriate; and the sensitivity of the property valuations provided by Cushman & Wakefield to these inputs based on a +/- 0.25% change in yield (with yields in the range 2.75% to 6.06%) and a +/- 5% change in market rents as appropriate.

Unobservable Inputs	Sensitivity Range	Yield Sensitivity Range	Value at 31 March 2022	Tolerance Range
	%	%	£m	£m
Investment property valued by Savills			**1,109.4**	
Yield Sensitivity	+/-0.25	2.26% - 7.01%	1,109.4	1,007.0 - 1,188.1
Market Rents	+/-5.0		1,109.4	1,069.8 - 1,109.6
Investment property valued by Cushman and Wakefield (Strategic estate)			**130.7**	
Yield Sensitivity	+/-0.25	2.75% - 5.52%	130.7	128.7 – 138.1
Market Rents	+/-5.0		130.7	124.9 – 136.2
Investment property valued by Cushman and Wakefield (non-Strategic estate)			**223.1**	
Yield Sensitivity	+/-0.25	4.52% - 6.06%	181.0	160.5-185.3
Market Rents	+/-5.0		181.0	164.0-180.4
Total Valuation			**1,421.1**	

The movement in level 3 valuations for the year 2021-22 shown below. The change in valuation basis has been recognised at the point of valuation i.e. 31 March.

	1 April 2021	Transfers into Level 3	Transfer out of Level 3	Purchases	Sales	Unrealised Gain/Loses	31 March 2022
	£m	£m	£m	£m	£m	£m	£m
Investment Property	1,412.8	0.0	0.0	0.0	0.0	8.3	1,421.1

18. Financial Instruments

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

Categories of Financial Instruments

The financial instruments disclosed in the Balance Sheet are made up of the following categories under IFRS 9.

Long Term	Current		Long Term	Current
31 March 21	**31 March 21**		**31 March 22**	**31 March 22**
£m	**£m**		**£m**	**£m**
		Investments		
0.0	380.1	Fair value through profit and loss	0.0	324.6
0.0	493.5	Amortised Cost	0.0	667.5
0.0	**873.6**	**Total Investments**	**0.0**	**992.1**
		Debtors		
15.8	41.9	Amortised Cost	12.3	89.5
15.8	**41.9**	**Total Debtors**	**12.3**	**89.5**
		Creditors		
0.0	(54.6)	Amortised Cost	0.0	(76.1)
0.0	**(54.6)**	**Total Creditors**	**0.0**	**(76.1)**
		Long Term Liabilities		
(5.4)	0.0	Amortised Cost	(4.9)	0.0
(5.4)	**0.0**	**Total Long Term Liabilities**	**(4.9)**	**0.0**

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Investments

The City Fund's investments comprise cash that is not required for day to day purposes invested in deposits of varying fixed lengths and money market funds (including short dated bonds). Investments in fixed term deposits, call accounts and notice accounts are classified as amortised cost financial assets because they comprise of cash flows which are solely payments of principal and interest. Investment in money market funds are classed as fair value through profit or loss financial assets as the net asset value of these funds can vary slightly.

Fair Value of Assets and Liabilities

Financial assets held at fair value through profit and loss are valued using unadjusted quoted prices in active markets for identical assets (level 1 inputs in the fair value hierarchy).

All other financial liabilities and financial assets represented by amortised cost and long-term debtors and creditors are carried on the balance sheet at amortised cost. Short-term debtors and creditors are carried at cost as this is a fair approximation of their value.

Income, Expense, Gains and Losses

The gains and losses recognised in the CI&ES in relation to financial instruments are made up as follows:

2020-21		2021-22
£m		£m
(6.9)	Net(gain)/loss on financial assets at fair value through profit and loss	7.5
(6.9)	**Total net (gains)/losses in Surplus or Deficit on the Provision of Services**	**7.5**
(7.6)	Interest (income)/expenses from financial assets	(5.7)
(7.6)	**Total interest revenue in Surplus or Deficit on the Provision of Services**	**(5.7)**

31 March 2021			31 March 2022	
Carrying Amount	Fair Value		Carrying Amount	Fair Value
£m	£m		£m	£m
		Financial assets		
7.1	7.1	Long Term Debtors - investment properties	4.3	4.3
8.7	8.7	Long Term Debtors – other	8.0	8.0
873.6	873.6	Short Term Investments	992.1	992.1
41.9	41.9	Short Term Debtors	89.5	89.5
931.3	**931.3**	**Total financial assets**	**1,093.9**	**1,093.9**
		Financial liabilities		
(54.6)	(54.6)	Short Term Creditors	(76.1)	(76.1)
(5.4)	(5.4)	Long Term Liabilities	(4.9)	(4.9)
(60.0)	**(60.0)**	**Total financial liabilities**	**(81.0)**	**(81.0)**

The fair value of long term debtors in relation to investment properties (comprising finance lease debtors) have been assessed based on the investment property fair values categorised within Level 2 of the fair value hierarchy (see accounting policy 1.21). Other long term debtors consist mainly of a loan to and finance lease debtor with the Museum of London. As there is no active market for these items, the fair value is assumed to be the same as the carrying value categorised within level 3 of the fair value hierarchy.

19. Nature and Extent of Risks arising from Financial Instruments

The City Fund's activities expose it to a variety of financial risks:

- Credit risk – the possibility that other parties might fail to pay amounts due to City Fund
- Liquidity risk – the possibility that the City Fund 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 factors that affect the overall performance of the financial markets such as interest rates, stock market movements and foreign exchange rates.

The City 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 Fund'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.

The public health measures taken in United Kingdom to mitigate the spread of the Covid 19 virus, and their effects on the economy in the UK in 2021-22, have not significantly increased the City Fund's exposure to credit or liquidity risks arising from financial instruments.

Credit Risk

Credit risk arises from deposits with banks, other financial institutions and other local authorities, as well as credit exposures to the City Fund's customers. Deposits are only made with banks with a minimum Fitch (a leading credit rating agency) "rating" of Long term A and Short term F1 or are building societies with assets over £10bn (or which have a minimum credit rating similar to that set for the banks). The City Fund also invests in money market funds, which are subject to a minimum credit rating of AAAmmf (Fitch) or equivalent. The City Fund also holds investments in in two Short Dated Bond Funds. These financial instruments typically do not obtain their own standalone credit rating. Instead, the funds will invest in a wide array of investment grade instruments, which the City Corporation actively monitors in terms of the fund's composition and credit quality of its underlying assets.

The creditworthiness of the counterparties on the City Fund's lending list is carefully monitored. 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. Security of the investments is the prime criteria when selecting investments with liquidity and yield being secondary and tertiary considerations. The lending limits attributable to HSBC, Barclays, Goldman Sachs International Bank, NatWest and Santander UK were maintained at maximum lending limits of £100m each during 2021-22, and Lloyds Bank was fixed at £150m (Lloyds being the City of London Corporation's banker). The lending limit for the Nationwide Building Society was maintained at £120m. The maximum duration for such loans is 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 is fixed at 1 year. The list also contains twelve foreign banks with individual limits of £100m with a maximum loan duration of three years. The included foreign banks are Australia and New Zealand Banking Group, National Australia Bank, Bank of Montreal, Royal Bank of Canada, Toronto-Dominion Bank, Landesbank Hessen-Thueringen Girozentrale, Cooperatieve Rabobank, DBS Bank, United Overseas Bank, Skandinaviska

Enskilda Banken, Swedbank, and Svenska Handelsbanken The lending list also includes five highly rated money market funds (Aberdeen Sterling Liquidity Fund, CCLA Public Sector Deposit Fund, Deutsche Managed Sterling Fund, Federated Short-Term Sterling Prime Fund, and Invesco Sterling Liquidity Portfolio); three highly rated Ultra-Short Dated Bond Funds (Federated Sterling Cash Plus Fund, Aberdeen Standard Investments Short Duration Managed Liquidity Fund and Payden Sterling Reserve Fund); and two Short Dated Bond Funds (Legal & General Short Dated Sterling Corporate Bond Index Fund and Royal London Investment Grade Short Dated Credit Fund). The City Corporation also lends to other UK local authorities with a limit of £25m to any individual authority.

The City Fund's maximum exposure to credit risk in relation to its investments in banks, building societies, local authorities 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 amount borrowed would be specific to each individual institution. No credit limits were exceeded during the reporting period and the City Fund does not expect any losses from non-performance by any counterparty in relation to outstanding deposits. As at 31 March 2022, the City Fund had £1,022.0m in cash, cash equivalents and investments.

The City Fund, along with other Funds of the Corporation, share a common Corporation cashbook and at any time cash balances will be put out to investments in bank notice accounts, money market funds or deposit accounts. Each fund has a share of the invested balances in proportion to this relative holding in the Corporation cashbook. There is little exposure to credit risk arising from these investments.

The City Fund 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 and expected credit losses has been included within the accounts based on the length of time past the due date and progress on recovery action.

31 March 2022	<3 months	3-6 months	6-12 months	>1 year	Total
Expected loss rate	2%	11%	31%	50%	-
Gross carrying amount (£m)	16.6	3.9	2.6	4.1	27.3
Loss provision (£m)	0.3	0.4	0.8	2.1	3.6

Liquidity risk

The authority has ready access to borrowings from the money markets to cover any day to day cash flow need, and the Public Works Loans Board, for access to longer term funds. The authority is also required to provide a balanced budget through the Local Government Finance Act 1992, which ensures sufficient monies are raised to cover annual expenditure. There is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments. At present, the City Fund has no borrowing exposure.

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 CI&ES will rise,
- investments at fixed rates – the fair value of the assets will fall (no impact on revenue balances).

Changes in interest receivable on variable rate investments are posted to the Surplus or Deficit on the Provision of Services and affect the General Fund Balance. Movements in fair value of fixed rate investments that have a quoted market price will be reflected in the Other Comprehensive Income and Expenditure Statement. 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:

2020-21		2021-22
£m		**£m**
	Increase in interest receivable on investments held at variable rates	
4.3	City Fund	4.6
0.0	HRA	0.0
4.3	**Total**	**4.6**

The impact of a 1% fall in interest rates would be as above but with the movements being reversed. All of the City Fund's financial investments held at amortised cost are due to mature within twelve months as at 31 March 2022 and therefore the impact of a 1% movement in interest rates on the fair value of fixed rate investment assets would not be material. Within its financial investments held at fair value through profit or loss, the City Fund holds two short dated bond fund investments whose value is sensitive to fluctuations in interest rates. Based on the combined modified duration of these investments as at 31 March 2022, the Corporation estimates that a 1% increase (decrease) in interest rates will decrease (increase) their carrying value by £4.6m.

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.

Other price risks

The City of London Corporation has no material investments in equity shares attributable to the City Fund.

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

31 March 2021		31 March 2022
£m		£m
34.2	Central Government Bodies	35.2
8.8	Greater London Authority	3.4
23.5	London Business Rates Pool	41.1
	All Other Bodies	
25.3	Rents	20.4
10.8	Sundry	6.9
27.2	Trade Debtors	39.7
12.7	City Fund's Share of National Business Rates Arrears	10.7
8.9	Other	10.0
(11.9)	Less: Impairment allowances for expected credit losses and doubtful debts	(10.5)
139.5	Total	**156.9**

The adjacent table provides a breakdown of the short term debtor balance including the allowance made for expecting credit losses and bad debts. The majority of the amounts due to the City Corporation relate to transactions with other public bodies where grant and reimbursements are due to fund our activities and outstanding balances related to the London Business Rate Pool, where we act as the lead authority for London (more details can be found in note 38) . The remaining amounts relate to outstanding business rate arrears, rental income, fees and charges and Penalty Charge Notice income.

21. Creditors and Receipt in Advance

The adjacent table provides a breakdown of the outstanding creditor and receipt in advance balances for the year. The majority of these balances are held with other public entities and are predominantly due to movements linked to business rate income. The most material of these have been itemised, which include Section 31 grant funding for business rate reliefs, were due to the timing of decisions by Govt, funding was provided to cover the cashflow impact of continuing business rate reliefs for the retail, leisure and hospitality sector into 2021-22. Funding for the COVID Additional Relief Fund (CARF) scheme is also highlighted as these funds were received late in the year and will be used to reduce business rate bills for those that did not benefit from the other COVID business support schemes enacted by Govt. As the CARF scheme was not yet in place, the grant has been treated as a receipt in advance.

The remaining balances with Central Govt bodies and the GLA have been impacted by the reduction in collection fund deficits, detail of which can be fund in the collection fund accounts section of the statement.

The London Business Rates Pool position relates to our role as lead authority so account for all the outstanding movement for the Pool. This balance reflects that pre-COVID business rate income estimates were used to assess contributions to the Pool, which are now lower due to the pandemic and therefore contributions require repayment (more details provided in note 38). This does not represent a draw on City Fund resources.

31 March 2021		31 March 2022
£m		£m
(30.3)	Central Government Bodies	(83.7)
(91.3)	S31 Grant for NNDR Reliefs due to Central Government	(67.5)
0.0	COVID Additional Relief Fund Receipt in Advance from Central Government	(64.4)
(19.6)	Greater London Authority and Transport for London	(49.0)
(105.3)	London Business Rates Pool	(105.9)
(33.2)	City Fund's share of national business rates creditors and receipts in advance	(40.0)
(9.8)	Deposits	(8.3)
(61.2)	Sundry	(79.8)
(27.4)	Receipts in advance	(30.8)
(378.1)	**Total**	**(529.4)**

22. Provisions

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. A provision is recognised for the best estimate of the City Fund's liability at the year-end for appeals. The estimate has been calculated using the Valuation Office Agency (VOA) ratings list of appeals outstanding as at 31 March 2022 and an analysis of successful appeals and trends in 2021-22.

	National Business Rates	City Fund Premium on Business Rates	Total
	£m	£m	
Balance at 1 April 2021	**(43.9)**	**(1.9)**	**(45.8)**
Appeals settled in 2021-22	17.2	0.9	18.1
Provisions made in 2021-22	(11.9)	(0.6)	(12.5)
Balance at 31 March 2022	**(38.6)**	**(1.6)**	**(40.2)**

23. Pension Schemes

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

- The City of London Corporation 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 Corporation. Notes 24 to 26 (page 69-74) provide further information on each of the above schemes.

City of London Pension Scheme

The City Corporation Pension Scheme (the "Scheme") is operated under the regulatory framework for the Local Government Pension Scheme (LGPS) with policy determined in accordance with Pension Fund Regulations. It is a funded defined benefit 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. Prior to 1 April 2014, LGPS pension benefits were based on final pensionable pay and length of pensionable service. From 1 April 2014, the scheme became a career average scheme.

The City Corporation administers the Scheme on behalf of its participating employers. The City Corporation's Corporate Services Committee is responsible for personnel and administration matters, whilst its Pensions Committee is responsible for appointing fund managers and monitoring performance. These functions were previously carried out by the Establishment Committee and the Financial Investment Board.

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.

As an employer participating in the Scheme the City Corporation's estimated share of the net deficit is the responsibility of the City Corporation as a whole. The Corporation and its three funds have a policy in place to share the net defined benefit cost of the pension fund across the three funds. As such the City Fund recognises the net defined benefit cost along with a share of scheme assets and scheme liabilities. The total net defined benefit cost is apportioned across the City Corporation's three funds based on the proportion of pensionable payroll of each fund.

Disclosures in relation to City 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 most recent triennial valuation was as at 31 March 2019 and found that the Pension Fund's funding position had improved to 90% (from 84% as at 31 March 2016). The valuation informed consideration of the level of employer's pension contribution to be charged from 1 April 2020 to 31 March 2023, which remain unchanged from 2019-20 at 21.0% per annum.

Assets and Liabilities in Relation to Retirement Benefits

a. Reconciliation of present value of the scheme liabilities

CITY OF LONDON CORPORATION	CITY FUND SHARE 51%		CITY OF LONDON CORPORATION	CITY FUND SHARE 51%
31 March 2021	**31 March 2021**		**31 March 2022**	**31 March 2022**
£m	**£m**		**£m**	**£m**
(1,572.5)	(802.1)	1 April	(2,108.5)	(1,075.5)
(79.6)	(40.6)	Current Service Cost	(86.3)	(44.0)
(29.8)	(15.2)	Interest Cost	(41.3)	(21.1)
0.0		Remeasurement gains/losses:		0.0
18.0	9.2	Actuarial Gains/losses arising from demographic assumptions	0.0	0.0
(482.9)	(246.3)	Actuarial gains/losses arising from changes in financial assumptions	111.8	57.0
20.7	10.6	Other Actuarial Gains/Losses	(4.3)	(2.2)
(10.5)	(5.4)	Past Service Cost, including curtailments	(9.4)	(4.8)
(6.6)	(3.4)	Liabilities extinguished on settlements	0.0	0.0
45.5	23.2	Benefits paid	48.2	24.6
(11.2)	(5.7)	Contributions from scheme participants	(11.2)	(5.7)
0.4	0.2	Unfunded Pension Payments	0.4	0.2
(2,108.5)	**(1,075.5)**	31 March	**(2,100.6)**	**(1,071.4)**

Liabilities are discounted to their value at current prices, using a discount rate of 2.35% (based on the annualised Merrill Lynch AA rated corporate bond yield curve where the spot curve is assumed to be flat beyond the 30 year point).

b. Reconciliation of fair value of the scheme assets

CITY OF LONDON CORPORATION	CITY FUND SHARE 51%		CITY OF LONDON CORPORATION	CITY FUND SHARE 51%
31 March 2021	**31 March 2021**		**31 March 2022**	**31 March 2022**
£m	**£m**		**£m**	**£m**
936.9	477.9	1 April	1,188.8	606.3
14.6	7.5	Interest on Assets	22.8	11.6
		Remeasurement gains/losses:		0.0
236.1	120.4	Return on Assets less interest	57.3	29.2
0.0	0.0	Other actuarial gains/losses	0.0	0.0
0.0	0.0	Change in proportion allocated to City Fund	0.0	0.0
(0.8)	(0.4)	Administration expenses	(1.0)	(0.5)
33.3	17.0	Contributions by Employer	37.4	19.1
11.2	5.7	Contributions by Scheme Participants	11.2	5.7
(45.9)	(23.4)	Benefits Paid	(48.6)	(24.8)
3.5	1.8	Settlement Prices Received/(Paid)	0.0	0.0
1,188.8	**606.4**	**31 March**	**1,267.9**	**646.6**

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

31 March 2021		31 March 2022
%		**%**
60	Equity Investments	59
1	Cash	1
12	Infrastructure	12
28	Absolute return portfolio	27
100		**100**

The analysis of investments held and valuations are included in the accompanying Pension Fund accounts.

c. Overall net deficit

CITY OF LONDON CORPORATION	CITY FUND SHARE 51%		CITY OF LONDON CORPORATION	CITY FUND SHARE 51%
31 March 2021	**31 March 2021**		**31 March 2022**	**31 March 2022**
£m	**£m**		**£m**	**£m**
(635.6)	(324.1)	1 April	(919.7)	(469.0)
(536.0)	(273.4)	change in liabilities	7.9	4.0
251.9	128.5	change in assets	79.1	40.4
(919.7)	**(469.0)**	**31 March**	**(832.7)**	**(424.6)**

Basis for Estimating Assets and Liabilities

The liabilities have been valued by the City of London's independent consulting actuaries (Barnett Waddingham LLP) using the projected unit method, based upon the latest full valuation of the scheme as at 31 March 2019 and updated to the balance sheet date. The main assumptions used in the calculations are as follows:

2020-21		**2021-22**
	Mortality assumptions:	
	Life expectancy in years from age 65	
	Retiring today	
21.6	Men	21.6
24.3	Women	24.3
	Retiring in 20 years	
22.9	Men	23.0
25.7	Women	25.8
3.2%	Rate of Inflation – RPI	3.40%
2.9%	Rate of Inflation – CPI	3.25%
3.85%	Salary Increases	4.25%
2.85%	Pension Increases	3.25%
2.00%	Discount Rate	2.60%

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 defined benefit obligation from changes to various actuarial assumptions. The sensitivity analysis has 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 2022				
	CITY OF LONDON CORPORATION		CITY FUND SHARE 51%	
	Increase	Decrease	Increase	Decrease
	£m	£m	£m	£m
0.1% change in rate for discounting scheme liabilities	(41.8)	42.7	(21.7)	22.2
0.1% change in rate of increase in salaries	3.7	(3.7)	1.9	(1.9)
0.1% change in rate of increase in pensions	38.6	(37.9)	20.1	(19.7)
One year change in rate of mortality assumption	92.1	(88.0)	47.9	(45.8)

Impact on the City Fund's Cash Flows

The objectives of the scheme are to keep employers' contributions at as constant a rate as possible. The Corporation has agreed a deficit recovery period of 20 years from 2015-16 with the scheme's actuary. Funding levels are monitored on an annual basis.

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 £424.6m has a substantial impact on the net worth of 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 2022 are £32.3m (estimated City Fund Share £16.5m).

The scheme actuary has estimated that the weighted average duration of the defined benefit obligation for scheme members is 21 years

24. 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 into the Pension Fund, the Home Office will pay an equivalent top-up grant to the City Fund. Where the City Fund receives a transfer from the Pension Fund, the City Fund 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.

The Police Pension liability represents the pension benefits Officers have accrued as at 31 March 2022 as assessed via actuarial calculation. These benefits, however, will not be payable until Officers have retired. As an unfunded scheme, the liabilities will be met through employee and employer contributions with any deficit being met by the Home Office.

The last full valuation of the Police Pension Scheme was at 31 March 2016 by the Government Actuary's Department and set contributions for the period 1 April 2019 to 31 March 2023.

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 2021		31 March 2022
£m		£m
(935.1)	1 April	(1,139.3)
(16.9)	Current Service Cost	(28.8)
(21.6)	Interest Cost	(22.5)
	Remeasurement gains/losses:	
14.2	Actuarial Gains/losses arising from demographic assumptions	(6.1)
(208.0)	Actuarial gains/losses arising from changes in financial assumptions	44.1
0.2	Other Actuarial Gains/Losses	(123.1)
31.9	Benefits paid	34.9
0.0	Past Service Costs	0.0
(4.6)	Contributions from scheme participants	(4.9)
0.6	Injury Benefits Paid	0.5
(1,139.3)	**31 March**	**(1,245.1)**

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 City Fund's defined benefit obligation from changes to various actuarial assumptions. The sensitivity analysis has 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.

Basis for Estimating Liabilities

The liabilities have been valued by the City of London's independent consulting actuaries (Barnett Waddingham LLP) 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

2020-21	Mortality assumptions:	2021-22
	Life expectancy in years from age 65	
	Retiring today	
21.1	Men	21.1
23.3	Women	23.4
	Retiring in 20 years	
22.3	Men	22.4
24.8	Women	24.9
3.20%	Rate of Inflation – RPI	3.55%
2.80%	Rate of Inflation – CPI	3.25%
3.80%	Salary Increases	4.25%
2.80%	Pension Increases	3.25%
2.00%	Discount Rate	2.60%

Change in Assumptions at 31 March 2022

Impact on the Defined Benefit Obligation in the Scheme		
	Increase	Decrease
	£m	£m
0.1% change in rate for discounting scheme liabilities	(25.7)	26.3
0.1% change in rate of increase in salaries	3.0	(3.0)
0.1% change in rate of increase in pensions	23.1	(22.6)
One year change in rate of mortality assumption	60.2	(57.3)

Impact on the City Fund's Cash Flows

The liabilities show the estimated underlying commitments that the City Fund has in the long run to pay post-employment (retirement) benefits. The net liability of £1,245.1m 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 2022 are expected to be £11.4m and the expected top up grant from the Government is £18.4m.

The scheme actuary has estimated that the weighted average combined duration of the defined benefit obligation for the schemes is 21 years.

25.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 2021		31 March 2022
£m		**£m**
(2.7)	1 April	(2.8)
(0.2)	Current Service Cost	(0.2)
(0.1)	Interest Cost	(0.1)
	Remeasurement gains/losses:	
0.0	Actuarial Gains/losses arising from demographic assumptions	0.0
(0.4)	Actuarial gains/losses arising from changes in financial assumptions	0.1
0.5	Other Actuarial Gains/losses	0.0
0.1	Benefits paid	0.1
(2.8)	**31 March**	**(2.8)**

Basis for Estimating Liabilities

The liabilities have been valued by the City of London's independent consulting actuary (Barnett Waddingham LLP) 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:

2020-21	Mortality assumptions:	2021-22
	Life expectancy in years from age 65	
	Retiring today	
21.6	Men	21.6
24.3	Women	24.3
	Retiring in 20 years	
22.9	Men	23.0
25.7	Women	25.8
3.45%	Rate of Inflation – RPI	3.55%
2.85%	Rate of Inflation – CPI	3.45%
3.85%	Salary Increases	4.45%
2.85%	Pension Increases	3.45%
1.85%	Discount Rate	2.65%

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 Fund'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 2022

Impact on the Defined Benefit Obligation in the Scheme		
	Increase	**Decrease**
	£m	**£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	0.03	(0.03)
One year change in rate of mortality assumption	0.16	(0.15)

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 £2.9m has an impact on the net worth of the City Fund as recorded in the Balance Sheet. However, the City Fund has set aside funds in an earmarked reserve to assist with meeting its share of liabilities.

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

26. 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 CI&ES 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.

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 2022 a loss of £1.0m (at 31 March 2021 it was a loss of £299.6m). 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 2021		**31 March 2022**
£m		**£m**
	Present Value of the defined benefit obligation	
(1,073.2)	City of London Pension Scheme - City Fund	(1,069.2)
(1,127.4)	Police Pension Schemes	(1,234.2)
(2.8)	Judges Pension Scheme	(2.9)
	Fair Value of plan assets	
606.4	City of London Pension Scheme - City Fund	646.6
	Present value of unfunded obligation	
(2.3)	City of London Pension Scheme - City Fund	(2.1)
(11.8)	Police Pension Schemes	(10.7)
(1,611.0)	Net liability on balance sheet	**(1,672.5)**

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

The table summarises the entries in the financial statements for the City of London, Police and Judges' Schemes:

2020-21					2021-22			
Police	**Judges**	**City of London City Fund**	**Total**		**Police**	**Judges**	**City of London City Fund**	**Total**
£m	**£m**	**£m**	**£m**		**£m**	**£m**	**£m**	**£m**
				Comprehensive Income & Expenditure Statement (CIES)				
				Cost of Services:				
16.9	0.2	40.6	57.7	Current service cost	28.8	0.2	44.0	73.0
0.0	0.0	5.4	5.4	Past service costs	0.0	0.0	4.8	4.8
0.0	0.0	1.6	1.6	(gain)/loss from settlements	0.0	0.0	0.0	0.0
				Other Operating Income				
0.0	0.0	0.4	0.4	Administration expenses	0.0	0.0	0.5	0.5
				Financing & Investment Income & Expenditure				
0.0	0.0	0.0	0.0	Current service cost	0.0	0.0	0.0	0.0
21.6	0.1	7.8	29.5	Interest cost	22.5	0.1	9.5	32.0
38.6	0.2	55.8	94.6	**Total Retirement Benefit Charged to the Surplus or Deficit on the Provision of Services**	51.3	0.3	58.8	110.3
				Other Comprehensive Income & Expenditure				
				Remeasurement of the net defined benefit liability:				
0.0	0.0	(120.4)	(120.4)	Return on plan assets	0.0	0.0	(29.2)	(29.2)
(14.2)	(0.0)	(9.2)	(23.4)	Actuarial (gains) & losses - changes in demographic assumptions	6.1	0.0	0.0	6.1
208.0	0.4	246.3	454.7	Actuarial (gains) & losses - changes in financial assumptions	(44.1)	(0.1)	(57.0)	(101.2)
(0.2)	(0.5)	(10.6)	(11.3)	Actuarial (gains) & losses – Other	123.1	(0.0)	2.2	125.3
193.6	(0.1)	106.1	299.6	**Total Other Comprehensive Income & Expenditure**	85.2	(0.1)	(84.1)	1.0
232.1	0.2	161.9	394.1	Total Retirement Benefit Charged/(Credited) to the CIES	136.4	0.2	(25.3)	111.3
				Movement in Reserves Statement				
(232.1)	(0.2)	(161.9)	(394.2)	Reversal of net charges/credits for retirement benefits in accordance with the Code	(136.4)	(0.2)	25.3	(111.3)
27.8	0.1	17.0	44.9	**Actual amount charged against the City Fund and HRA Balances**	30.6	0.1	19.1	49.8

27. 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 total £94.8m from S106/S278 Capital Contributions.

28. Rents Received in Advance

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. This totals £225.9m.

29. Other Long-term Liabilities

At the 31 March 2022 the City Fund has long term liabilities of £57.1m which consists of £52.2m (2020-21: £62.0m) of outstanding London NNDR Pool Strategic Investment Pot (SIP) project funding due to be released over the life span of agreed projects and £4.9m (2020-21: £5.4m) of financial lease liabilities.

30. Leases

Finance Leases

City Fund as Lessee

Nine property agreements have been classified as finance leases – five relating to operational properties and four 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 City Fund's Balance Sheet at the following net amounts:

31 March 2021		31 March 2022
£m		**£m**
	Property, Plant and Equipment	
14.4	Other Land and Buildings	13.6
2.2	Vehicles, Plant and Equipment	1.7
46.9	Investment Properties	43.6
63.5		**58.9**

Upon review of Cleansing Vehicle leases, the Useful Economic Life of 5 years has been deemed more appropriate than the 8 years previously used. This has changed the balance of minimum lease payments.

The rental payments for most of the property leases are immaterial, the highest being £600 per annum. Consequently, no liabilities are recognised in the balance sheet for these leases 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 two investment property leases and the vehicles the City Fund will make payments over the term of the leases to meet the costs of the long term liabilities and the finance costs payable.

The leases are carried under other long term liabilities on the balance sheet:

31 March 2021		31 March 2022
£m		**£m**
3.2	Investment Property	3.2
2.2	Cleansing Vehicles	1.7
5.4	Long Term Liabilities	**4.9**

The minimum lease payments in relation to the investment property are:

Total Future Minimum Lease Payments	Present Value of Future Lease Payments		Total Future Minimum Lease Payments	Present Value of Future Lease Payments
31 March 2021	31 March 2021		31 March 2022	31 March 2022
£m	£m		£m	£m
0.7	0.6	Not later than one year	0.7	0.6
2.1	1.6	Later than one year and not later than five years	1.6	1.1
13.1	3.2	Later than five years	13.0	3.2
15.9	**5.4**	**Total**	**15.2**	**4.9**

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

City Fund as Lessor

The gross investment is made up of the following amounts:

31 March 2021		31 March 2022
£m		£m
	Finance lease debtor (net present value of minimum lease payments)	
0.3	Current	0.3
11.8	non-current	8.8
29.7	Unearned finance income	17.3
0.0	Unguaranteed residual value of property	0.0
41.8	**Gross investment in the lease**	**26.4**

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

Gross Investment in Lease	Net Present Value of Minimum Lease Payments		Gross Investment in Lease	Net Present Value of Minimum Lease Payments
31 March 2021	31 March 2021		31 March 2022	31 March 2022
£m	£m		£m	£m
0.7	0.3	Not later than one year	0.6	0.3
2.4	1.1	Later than one year and not later than five years	2.0	1.1
39.7	10.7	Later than five years	23.8	7.7
41.8	**12.1**	**Total**	**26.4**	**9.1**

The City Fund has a gross investment in finance 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 Fund in future years whilst the debt remains outstanding.

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 7.

Operating Leases

City Fund as Lessee

The future minimum lease payments due under non-cancellable leases in future years are shown below.

31 March 2021		31 March 2022
£m		£m
2.7	Not later than one year	2.7
8.9	Later than one year and not later than five years	6.9
16.9	Later than five years	16.2
28.5	**Total**	**25.8**

City Fund as Lessor

The City of London has granted leases in respect of several City Fund properties, principally Investment Properties, which are treated as operating leases. The future minimum lease payments receivable under non-cancellable leases in future years are shown below.

31 March 2021		31 March 2022
£m		£m
52.7	Not later than one year	45.7
175.3	Later than one year and not later than five years	163.4
2,950.5	Later than five years	3,228.0
3,178.5	**Total**	**3,437.1**

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.

31. Unusable Reserves

31 March 2021		Note	31 March 2022
£m			**£m**
(330.7)	Revaluation Reserve	A	(346.4)
(2,151.2)	Capital Adjustment Account	B	(2,220.2)
1,611.0	Pensions Reserve	C	1,672.6
(54.1)	Collection Fund Adjustment Account	D	41.8
5.2	Accumulated Absences Account	E	3.8
(12.2)	Deferred Capital Receipts Reserve	F	(9.1)
0.2	Financial Instrument Revaluation Reserve	G	0.2
(2.6)	Pooled Investment Adjustment Account	H	4.9
(826.2)	**Total Unusable Reserves**		**(852.4)**

A. Revaluation Reserve

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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).

2020-21			2021-22
£m		**£m**	**£m**
(348.4)	Balance at 1 April		(330.6)
(34.1)	Upward revaluation of assets	(36.1)	
42.7	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	8.3	
8.6	Surplus on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services		(27.8)
5.2	Difference between fair value depreciation and historical cost depreciation	5.5	
0.0	Assets reclassified as investments	0.0	
4.0	Accumulated gains on assets sold or scrapped	6.5	
9.2	Amount written off to the Capital Adjustment Account		12.0
(330.6)	**Balance at 31 March**		**(346.4)**

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.

2020-21			2021-22
£m		£m	£m
(2,176.1)	Balance at 1 April		(2,151.2)
	Reversal of items relating to capital expenditure debited or credited to the CI&ES:		
48.0	Charges for depreciation, impairment and revaluation losses of non-current assets	69.7	
(1.2)	Revaluation gains on Property, Plant and Equipment	(3.2)	
0.2	Amortisation of intangible assets	0.2	
11.2	Revenue expenditure funded from capital under statute	21.0	
5.0	Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CI&ES	25.2	
63.2	**Total reversal of items relating to capital expenditure debited or credited to the CI&ES:**		**112.9**
(9.2)	Adjusting amounts written out of the Revaluation Reserve	(12.1)	
54.0	**Net written out amount of the cost of non-current assets consumed in the year**		**100.8**
	Capital financing applied in the year:		
(20.4)	Use of the Capital Receipts Reserve to finance new capital expenditure	(46.9)	
(4.4)	Use of the Major Repairs Reserve to finance new capital expenditure	(3.6)	
(14.4)	Capital grants, contributions & donations credited to the CI&ES that have been applied to capital financing	(36.4)	
(2.1)	Application of grants to capital financing from the Capital Grants Unapplied Account	(3.2)	
(1.1)	Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	(1.1)	
(11.3)	Capital expenditure charged against the City Fund & HRA balances	(6.8)	
(53.7)	**Total Capital financing applied in the year:**		**(98.0)**
24.4	Movements in the market value of Investment Properties debited or credited to the CI&ES		(72.0)
0.2	Museum of London loan principle		0.2
(2,151.2)	**Balance at 31 March**		**(2,220.2)**

C. Pension Reserve

2020-21		2020-22
£m		£m
1,261.8	Balance at 1 April	1,611.0
299.6	Remeasurements of the net defined benefit liability	1.0
94.5	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	110.3
(44.9)	Employer's pension contributions less direct payments to pensioners payable in the year	(49.8)
1,611.0	**Balance at 31 March**	**1,672.5**

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 CI&ES 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 (City Fund share), Police and Judges' Pension Schemes as determined by independent actuaries using the projected unit method and in accordance with IAS19.

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 CI&ES 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. A deficit of £41.8m has arisen in the account. This deficit is largely due to timing difference between our submission of estimated business rate income for the year, submitted in January for the preceding financial year, and the announcement of the continuation of business rate relief to the retail, leisure, and hospitality sectors occurring in March 2021. Whilst this decision on reliefs is funded by Govt, the ring-fence around the collection fund means it will receive less income than estimated, which creates a deficit to be released over the next two financial years. The £41.8m deficit represents City Fund's 30% share. Government funding of £34.8m has been set aside in the business rate equalisation reserve (see note 12, page 47) to offset this deficit as it unwinds over future financial years. The balance will be incorporated into the medium term financial plan. Further detail on the collection fund can be found in the Collection Fund Accounts (Page 99-102).

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.

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.

G. Financial Instrument Revaluation Reserve

The Financial Instruments Revaluation Reserve contains the gains made by the authority arising from increases in the value of its investments that are measured at fair value through other comprehensive income.

H. Pooled Investment Reserve

The Pooled Investment Reserve accounts for the fair value movements in Pooled Investments, which are required to be held in a ring-fence reserve until these movement are realised.

Notes to the Cash Flow Statement

32. Cash Flow Statement – Operating Activities

The cash flows for operating activities include the following item:

2020-21		2021-22
£m		£m
(47.0)	Depreciation, impairments and impairment reversal	(66.9)
(132.5)	Increase/(Decrease) in creditors	5.2
(6.1)	Increase/(Decrease in debtors	24.7
0.1	Increase/(Decrease in inventories	(0.1)
(49.6)	Movement in pension liability	(60.6)
(5.0)	Carrying amount of non-current assets sold	(25.2)
(24.4)	Movement in investment property values	72.0
(1.1)	Deferred credits	(28.5)
3.4	(Increase)/Decrease in contributions to provisions	5.6
0.0	Other non-cash items charged to the net surplus or deficit on the provision of services	(7.4)
(262.2)	**Total**	**(81.2)**

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

2020-21		2021-22
£m		£m
(7.6)	Interest received	(5.7)

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

2020-21		2021-22
£m		£m
6.6	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	21.3
18.3	Capital grants credited to the net surplus or deficit on the provision of services	49.6
24.9		**70.9**

33. Cash Flow Statement – Investing Activities

2020-21		2021-22
£m		£m
58.0	Purchase of property, plant and equipment, investment property and intangible assets	108.1
(1,885.9)	Proceeds from short-term and long-term investments	(1,918.3)
1,943.7	Purchase of short-term and long-term investments	2,044.5
(7.4)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(24.5)
(44.4)	Capital grants received	(36.0)
1.8	Other receipts from investing activities	6.7
65.8	**Net cash outflows/(inflows) from investing activities**	**180.5**

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34. Cash Flow Statement – Financing Activities

2020-21		2021-22
£m		£m
117.2	Billing Authorities - Council Tax and NNDR Adjustments	(151.7)
0.5	Reduction in finance lease liability	0.5
117.7	**Net cash inflows from financing activities**	**(151.2)**

Other Notes to the Accounts

35. Related Party Transactions

The City Fund is required to disclose information on material “related party transactions” with bodies or individuals that have the potential to control or influence the authority or be controlled or influenced by the authority.

Disclosure

Members are required to disclose their interests, and these can be viewed online at http://democracy.cityoflondon.gov.uk/mgMemberIndex.aspx?bcr=1. Members and Chief Officers have been requested to disclose related party transactions of £10,000 or more in 2021-22, including instances where their close family has made transactions with the City of London.

During 2021-22 the following transactions have been disclosed. This is where Members held positions of control or significant influence in related parties to City Fund are;

Related party	Connected party	2021/22	2020/21	Detail of transaction
		£000	£000	
Age UK London	The City Corporation nominates a Member to Age UK London	-	233	Digital outreach services paid by City Fund
Askonsas Holt Ltd	A member is the board chairman of Askonsas Holt	30	9	Fees and expenses received and paid by City Fund
Association of British Insurers	A Member is a Board Member of the Association of British Insurers.	(4,873)	(6,779)	Provision of service costs received by City Fund
Association of Police and Crime Commissioners	A Member is nominated by the City Corporation to the Association of Police and Crime Commissioners,	-	30	Membership fees paid by City Fund
Blind in Business Charity	A member is appointed as Chair of Trustees	-	10	Business Rate relief
City of London Reserve Forces and Cadets Association	One member is nominated to the City of London Reserve Forces and Cadets Association	-	28	Purchase of training courses and uniforms paid by City Fund
CORAM (Thomas Coram Foundation for Children)	A member is appointed as a trustee	20/(44)	-	Provision of service costs received by City Fund
DLA Piper UK LLP	One member is a equity partner and one member is a consultant to DL A Piper UK LLP	(35)	-	Provision of service costs received by City Fund
Dr Johnson’s House Trust	A member is nominated to Dr Johnson’s House Trust by the City Corporation	8	13	Local Restrictions grant paid by City Fund
East London NHS Foundation Trust	The City Corporation nominates a Member to the East London NHS Foundation Trust	56	79	Service costs paid by City Fund and catering and hire fees received by City Fund

Hiscox Group	A Member is the Chief Executive of Hiscox Group	(10)	(11)	Contribution received by City Fund
Homerton University Hospital	A Member is nominated to Homerton University Hospital by the City Corporation.	-	83/0	IT enabler funding paid by City Fund and support costs received by the City Fund
International Dispute Resolution Centre Ltd	A Member is a Director of the International Dispute Resolution Centre Ltd who are a tenant of the City of London Corporation	-	(1,914)	Rent and service charges received by City Fund during the year and an amount due at the balance sheet date
Local Government Association - General	The City Corporation nominates two members to the Local Government Association – General Assembly	-	18	Subscription fees paid by City Fund
London and Partners	A Member is nominated by the City Corporation to London and Partners	-	29	Letting, hire and storage fees paid by City Fund
Partnership for Young London	The City Corporation nominates a Member to the Partnership for Young London.	15/(14)	30	Service paid by City Fund and workshop; central support charges received by City Fund
Phoenix Group Holdings PLC	A Member is Chairman for Phoenix Group Holdings PLC	(50)	-	Strategic partnership costs paid to City of London
United Kingdom Accreditation Service	A Member is the Director of United Kingdom Accreditation Service	-	16	Assessment fees paid by City Fund

The following transactions have been disclosed where Members have declared an interest in parties that have transactions with the City Fund during 2021-22.

Related party	Connected party	2021/22	2020/21	Detail of transaction
		£000	£000	
Bakers' Company	A member is a court assistant to Bakers' Company	12	-	Payment of Restart Grant by City Fund
CBRE	A member is employed by CBRE	160	-	Payment of rent and service charges by City Fund
Crossrail Ltd	A member is a consultant to Crossrail Ltd	(13)	-	Provision of service costs received by City Fund
Eight Members Club	A member is member to Eight members club	-	30/(3)	Government grants paid by City Fund
Lloyds	A Member is a Member for Lloyds	(219)	-	Contributions and sponsorships paid to City Fund in relation to NECVCU
London Borough of Lambeth	A member is employed by London Borough of Lambeth	29/(1,868)	-	Provision of service costs received by City Fund
London Symphony Orchestra	A member is a member of the Advisory Council for London Symphony Orchestra	3,539/(2,201)	-	Provision of service costs received by City Fund
Moore Kingston Smith LLP	A Member is a consultant to Kingston Smith LLP	-	13	Fundraising services paid by City Fund
Named Members	One Members paid the City Fund	(12)	(36)	Rent received by City Fund

PWC LLP	A Member is an Advisor of PWC LLP	58	(11)	Consultancy services paid and room fees received by City Fund
Trinity House	A Member is a Member of Trinity House	32	-	Payment of Local Restrictions Support Grant and Restart Grant by City Fund
UBS	A Member has declared an interest in UBS.	-	6/(6)	Membership and licensing received by City Fund
Walbrook Club	A Member is a Member of Walbrook Club	12	16	Business rate relief
Worshipful Company of Butchers	Three members are Liverymen	18	-	Payment of Restart Grant by City Fund
WSP Group PLC	A member is a consultant for WSP Group PLC	89	-	Services purchased by City Fund

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 as a co-sponsor. The City of London's contribution in 2021-22 was £22.1m (2020-21: £14.6m) and the City Fund received £0.6m for rent, loan repayments and other services. At 31st March 2022 there was an outstanding receivable of £0.5m relating to rent and loan repayments. For 2022-23, City Fund is committed to provide £5.3m of grant funding for the running costs of the Museum.

Half of the appointments to the Board are made by the City of London and a Member has declared an interest in the Museum. However, the City of London does not exercise control of the Museum.

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

During 2021-22, City's Cash provided a grant to the HRA of £0.7m (2020-21: £0.5m). The Guildhall School of Music and Drama (City's Cash) paid £0.2m for provision of service costs. There were no significant transactions between City Fund and Bridge House Estates during the year or during the prior year and there were no outstanding balances at year end.

Related Party Transactions not disclosed elsewhere in the Accounts

The UK government has significant influence over the general operations of 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 City Fund has with other parties (e.g. council tax bills, housing benefits). Grants from government departments are shown in Note 6. Amounts due to and from central government departments at 31 March 2022 are shown in notes 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

Amounts paid to HM Revenues and Customs in respect of employer's national insurance contributions of £14.1m (2021: £13.8m).

A Member of the City of London has declared that they are the Lead Non-Executive Director for the Home Office. Further details of the City Fund's Transactions with the Home Office can be found in Note 6 (page 36) and Note 20 (page 62).

In the City of London Police's role as lead force for cybercrime the City Corporation has assumed responsibility of National CRC Group Limited (company no 13027672), which is a company limited by guarantee tasked with promoting the effectiveness and efficiency of the Police Service in connection to the protection from and prevention of cybercrime through England and Wales. The City Corporation assumed this role from December 2021. As the only Member of the company this would be considered a subsidiary of the City Corporation, specifically of City Fund. However, due to the limited activity of the company to date and small financial value (total balance sheet value at 31 March 2022 was £2,624), no consolidation has taken place.

36. Members Allowances

In 2021, the Court of Common Council introduced an annual, flat rate, allowance for Members, based on the City Corporation's rate for inner-London Weighting. The allowance is optional and is intended to recompense Members for the duties they undertake on behalf of the City Corporation, while also enabling those who chose not to claim from the scheme to maintain their status as volunteers. During the year, £0.08m in remuneration from the City Fund was claimed for Members undertaking their duties (2020-21: £0).

Members may also 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 Corporation. These costs totalling £8,663.85 (2020-21: £236.72) across all of the City's activities. These costs were met from the endowment funds of the City Corporation and not charged to City Fund.

37. Contingent Liabilities

There are no contingent liabilities to disclose as at the 31 March 2022.

38. Agency Transactions

The City Fund carries out certain work on an agency basis for this it is fully reimbursed.

The City Fund has acted as a Lead Authority for the London Business Rate Pool, which has been operating from 2018-19 through to 2020-21. This role includes acting as finance lead for the pool, which involves aggregating business rate income from participating authorities and distributing funds on behalf of the pool. Whilst the pool did not operate during 2021-22, residual balances relating to prior year pool activity remain on the City Fund balance sheet pending completion of external audits of all members and finalisation/settlement of outstanding fund. These outstanding debtors and creditors balances are shown below. Please note this excludes London NNDR Pool SIP balances which are included in the City Fund CI&ES and Balance Sheet.

Business Rate Pool Balances	Balance as at 31 March 2022 £m
Short-Term Debtors	41.1
Cash & Cash Equivalents	64.8
Short-Term Creditors	(105.9)

As part of its response to the COVID-19 pandemic, the Government initiated several grant support schemes for businesses impacted by the COVID-19 restriction in place during 2020-21. Business rate billing authorities were asked to distribute this funding in line with the qualification criterion set by Government. Several such scheme continued into 2021-22, and we have again judged that City Fund has acted as an intermediary in these transactions and they are therefore not accounted for in the CI&ES. £20.4m of grants were distributed to businesses (2020-21: £38.1m) which were funded from grant income from Government.

Supplementary Accounts and Notes

Housing Revenue Account

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 HRA Statement.

Income and Expenditure Statement

2020-21		Notes	2021-22	
£m			£m	£m
	Expenditure			
4.2	Repairs and maintenance		5.0	
8.0	Supervision and management		8.3	
3.1	Depreciation of non-current assets		2.9	
14.5	Revaluation (gain)/loss on HRA dwellings		0.7	
0.1	Movement in the allowance for bad debts	1	0.5	
29.9	**Total Expenditure**			17.4
	Income			
(10.3)	Dwelling rents		(10.4)	
(1.7)	Non-dwelling rents		(2.4)	
(2.6)	Charges for services and facilities		(1.1)	
0.2	Contributions towards expenditure		(0.2)	
(14.4)	**Total Income**			(14.1)
15.5	**Net Expenditure/(Income) of HRA Services as included in the City Fund CI&ES cost of services**			**3.3**
	HRA share of other income and expenditure included in the City Fund CI&ES			
(1.0)	Net (gain)/loss on Disposal of Fixed Assets			(0.6)
0.0	Interest and investment income			0.0
0.0	Investment property (gain)/loss on revaluation			0.0
14.5	**(Surplus)/deficit for the year on HRA Services**			**2.7**

Movement on the HRA Statement

2020-21		Notes	2020-21	
£m			£m	£m
(0.1)	Balance on the HRA at the end of the previous year			(0.2)
14.5	(Surplus)/deficit for the year on the HRA Income and Expenditure Statement		2.7	
(14.6)	Adjustments between accounting basis and funding basis under statute	2	(2.7)	
(0.1)	(Increase)/decrease in year on the HRA			0.0
(0.2)	**Balance on the HRA at the end of the current year**			**(0.2)**

1. Impairment Allowance for Bad and Doubtful Debts

2020-21		2020-21
£m		**£m**
0.13	Provision at 1 April	0.22
(0.02)	Bad Debts written off	(0.01)
0.11	Decrease in Provision	0.38
0.22	Provision at 31 March	**0.58**

2. Adjustments between Accounting Basis and Funding Basis under Statute

Note 11 (page 44-47) to the City Fund Financial Statements provides further analysis of the adjustments between the accounting basis and funding basis under statute.

3. Housing Stock

As at 31 March 2022 the City Corporation's HRA rental stock was 1,864 dwellings. The HRA also includes costs and service charge income relating to properties sold on long leases of which there were 932 as at 31 March 2022 (2021: 927).

31 March 2021		31 March 2022
No.		**No.**
27	Houses and Bungalows	27
1,840	Flats	1,837
1,867	Total	**1,864**

31 March 2021		31 March 2022
No.		**No.**
1,872	Stock at 1 April	1,867
(5)	Sales	(5)
0	New Build	2
1,867	Stock at 31 March	**1,864**

4. Arrears of Rent, Service and Other Charges

As at 31 March 2022 the total arrears for rent, service charges and other charges were £3.5m (31 March 2021: £2.9m) as follows:

31 March 2021		31 March 2022
£m		**£m**
0.1	Former residential tenants	0.1
0.4	Current residential tenants	0.3
1.1	Commercial tenants	1.6
1.1	Service charges	1.3
0.2	Other charges	0.1
2.9	Total arrears	**3.5**

5. HRA Property, Plant and Equipment

The value of council dwellings within the HRA does not include all council dwellings owned by the City Fund (see note 13, page 49-53) as some council dwellings are held outside of the HRA such as the Barbican Estate.

2020-21					2021-22			
Council Dwellings	**Other Land & Buildings**	**Assets under construction**	**Total**	**Movements on Balances**	**Council Dwellings**	**Other Land & Buildings**	**Assets under construction**	**Total**
£m	**£m**	**£m**	**£m**		**£m**	**£m**	**£m**	**£m**
				Cost or valuation				
221.5	**43.2**	**12.3**	**277.0**	**at 1 April 2020 at 1 April 2021**	**184.1**	**40.0**	**21.3**	**245.4**
1.6	0.4	10.1	12.1	Additions	1.9	(0.0)	21.5	23.4
1.1	0.0	(1.1)	0.0	Transfers	0.3	0.0	(0.3)	0.0
(24.0)	(3.6)	0.0	(27.6)	Revaluation increase/(decrease) recognised in the Revaluation Reserve	4.4	0.0	0.0	**4.4**
(15.6)	0.0	0.0	(15.6)	Revaluation decreases recognised in the Surplus/Deficit on the Provision of Services	2.2	0.0	0.0	**2.2**
(0.5)	0.0	0.0	(0.5)	Derecognition – disposals	(0.3)	0.0	0.0	(0.3)
0.0	0.0	0.0	0.0	Assets reclassified (to)/from Held for Sale	0.0	0.0	0.0	0.0
184.1	**40.0**	**21.3**	**245.4**	**at 31 March 2021 at 31 March 2022**	**192.6**	**40.0**	**42.5**	**275.1**
				Accumulated Depreciation and Impairment				
(0.1)	(0.1)	0.0	(0.2)	**at 1 April 2020 at 1 April 2021**	**0.0**	**(0.2)**	**0.0**	**(0.2)**
(2.6)	(0.3)	0.0	(2.9)	Depreciation Charge	(2.6)	(0.3)	0.0	(2.9)
1.6	0.2	0.0	1.8	Depreciation written out to the Revaluation Reserve	0.0	0.0	0.0	0.0
1.1	0.0	0.0	1.1	Depreciation written out to the Surplus/Deficit on the Provision of Services	(0.8)	0.0	0.0	(0.8)
0.0	0.0	0.0	0.0	Derecognition – disposals	0.0	0.0	0.0	0.0
0.0	(0.2)	0.0	(0.2)	**at 31 March 2021 at 31 March 2022**	(3.4)	(0.5)	0.0	(3.9)
				Net Book Value				
221.4	**43.1**	**12.3**	**276.8**	**at 1 April 2020 at 1 April 2021**	**184.1**	**39.8**	**21.3**	**245.2**
184.1	**39.8**	**21.3**	**245.2**	**at 31 March 2021 at 31 March 2022**	**189.2**	**39.5**	**42.5**	**271.2**

6. Housing Asset Valuation

Dwellings are valued at their 'existing use with vacant possession' and then reduced to reflect 'existing use for social housing'. The reduction is a measure of the economic cost of providing council housing at less than open market rents. Current MHCLG guidance (guidance for valuers – 2016) identifies a vacant possession adjustment factor for London of 25%.

The estimated vacant possession value of HRA dwellings is £712.4m which has been reduced by 75% to £179.7m to reflect social housing.

7. Investment Property

2020-21		2021-22
£m		**£m**
4.2	Balance at start of the year	4.2
	Revaluations:	
0.0	Net gains/(losses) from fair value adjustments	0.0
4.2	**Balance at end of the year**	**4.2**

8. Major Repairs Reserve

2020-21		2021-22
£m		£m
(3.4)	Balance 1 April	(2.0)
	Transfer from HRA equal to depreciation	
(3.1)	dwellings	(2.9)
0.0	non dwellings	0.0
0.0	Additional contribution to/(from) HRA	0.0
4.5	Capital expenditure (dwellings)	3.6
(2.0)	Balance 31 March	**(1.3)**

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.

2020-21		2021-22
£m		£m
	Expenditure in year	
	Fixed assets	
10.2	Assets under construction	21.5
1.6	Dwellings	1.9
0.4	Other	0.0
1.1	Revenue expenditure funded from capital under statute	1.4
13.2	**Total Expenditure**	**24.8**
	Methods of financing	
0.3	Capital Receipts	0.1
4.5	Major Repairs Reserve	3.6
8.4	Reimbursements and Donations	21.1
13.2	**Total Financing**	**24.8**

Collection Fund Account

The Collection Fund shows the transactions of the billing authority in relation to the collection of council tax and non-domestic rates from local taxpayers, and its subsequent distribution to local authorities and the Government. The City Corporation’s share of council tax and business rates income is reflected in the CI&ES on an accruals basis in line with the Code.

Revenue Account

2020-21				Notes	2021-22		
Council Tax	**Business Rates**	**Total**			**Council Tax**	**Business Rates**	**Total**
£m	**£m**	**£m**			**£m**	**£m**	**£m**
			INCOME				
(8.7)		(8.7)	Council Tax Receivable		(9.0)		(9.0)
(0.2)		(0.2)	Transfer from City Fund (Reliefs)		(0.2)		(0.2)
	(1,135.6)	(1,135.6)	National Business Rates	1		(1,137.3)	(1,137.3)
	(39.4)	(39.4)	GLA Business Rate Supplement			(38.7)	(38.7)
	(17.8)	(17.8)	City Fund Business Rate Premium			(17.9)	(17.9)
(8.9)	**(1,192.8)**	**(1,201.6)**	**TOTAL INCOME**		**(9.2)**	**(1,193.9)**	**(1,203.1)**
			EXPENDITURE				
			Council Tax Precepts and Demands				
7.6		7.6	City Fund	2	7.8		7.8
0.7		0.7	GLA		0.7		0.7
0.2		0.2	Impairment of debt for Council Tax				0.0
			National Business Rates Precepts and Demands				
	363.2	363.2	City Fund			352.7	352.7
	447.9	447.9	GLA			435.0	435.0
	399.5	399.5	Central Government			388.0	388.0
	3.8	3.8	National Business Rates transitional protection payments			1.1	1.1
	38.2	38.2	Business Rate Supplement collected on behalf of GLA			39.0	39.0

Revenue Account Continued

2020-21			Notes		2021-22		
Council Tax	Business Rates	Total			Council Tax	Business Rates	Total
£m	£m	£m	Expenditure Continued		£m	£m	£m
	15.9	15.9	City Fund Business Rate Premium			17.5	17.5
	12.1	12.1	City Fund Offset	4		12.1	12.1
			Impairment of debts for Business Rates				
	31.1	31.1	National			(8.4)	(8.4)
	1.1	1.1	GLA			(0.3)	(0.3)
	0.5	0.5	Premium			(0.1)	(0.1)
			Impairment of appeals for Business Rates				
	83.0	83.0	National			39.8	39.8
	1.3	1.3	Premium			0.6	0.6
			Cost of Collection Allowance				
	2.0	2.0	National Business Rates			2.0	2.0
	0.0	0.0	GLA Business Rate Supplement			0.1	0.1
			Contributions towards previous year's estimated Collection Fund Surplus/(Deficit)				
1.2	19.2	20.4	City Fund		0.6	(37.7)	(37.1)
0.1	10.8	10.9	GLA		0.1	(51.6)	(51.5)
	8.4	8.4	Central Government			(45.8)	(45.8)
9.8	**1,438.0**	**1,447.6**	**Total Expenditure**		**9.3**	**1,143.9**	**1,153.1**
0.9	245.2	246.1	(Surplus)/Deficit for Year	5	0.1	(50.1)	(50.0)
(1.5)	(53.9)	(55.4)	Balance 1 April		(0.6)	191.3	190.7
(0.6)	**191.3**	**190.7**	**Balance 31 March**		**(0.5)**	**141.2**	**140.7**

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 2021-22 the City of London set a non-domestic rating multiplier of 0.52 (52.0p in the £) and a small business non-domestic rating multiplier of 0.517 (51.7p in the £). This comprises the NNDR and SBNDR multipliers of 0.512 and 0.499 respectively, plus a premium of 0.8p in the £ to provide additional funding to enable the City Corporation 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 £70,000, the Greater London Authority (GLA) is levying a business rate supplement (BRS) multiplier of 2p in the £ for the 2021-22 financial year to finance the Crossrail project. The City Corporation collects the BRS on an agency basis on behalf of the GLA. The rateable value at the 31 March 2022 was £2.576bn.

2020-21		2021-22
£m		£m
(1,341.2)	National Business Rates	(1,324.7)
52.6	Less: Voids	86.5
22.8	Mandatory and discretionary relief	21.0
128.7	Expanded retail, leisure, and hospitality relief	77.9
1.5	Partly occupied allowance	2.0
(1,135.6)	**Net income from national business rates**	**(1,137.3)**

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 Corporation, as a billing authority, has to make to determine the Council Tax amounts. The City of London set a basic amount of £952.91 for a Band D property, inclusive of a 3% adult social care precept. There was no increase in council tax.

To this £952.91 is added £96.53 in respect of the precept from the Greater London Authority to arrive at the total Council Tax of £1,049.44 for a Band D property in 2021-22. 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	699.62
B	7/9	816.23
C	8/9	932.83
D	9/9	1,049.44
E	11/9	1,282.65
F	13/9	1,515.86
G	15/9	1,749.06
H	18/9	2,098.88

3. Tax Bases 2021-22

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" which reflects the number of dwellings adjusted for applicable discounts and exemptions. These amounts, multiplied by the collection rate of 95%, produce the tax base for each of the areas shown.

BAND	MIDDLE	INNER	CITY AREA	TOTAL
	TEMPLE	TEMPLE	EXCLUDING	CITY
			TEMPLES	AREA
A	0.00	0.00	2.33	2.33
B	0.00	0.00	148.33	148.33
C	0.00	0.00	415.53	415.53
D	0.00	0.00	779.20	779.20
E	9.47	1.22	3068.88	3079.57
F	30.69	23.83	1670.21	1724.73
G	24.17	60.83	1941.43	2026.43
H	0.00	4.00	419.50	423.50
AGGREGATE RELEVANT AMOUNTS	64.33	89.88	8445.41	8599.62
COLLECTION RATE	95%	95%	95%	
TAX BASES	61.11	85.39	8023.14	8169.64

4. City Fund Offset

To reflect the unique characteristics of the square mile, the Government allows the City Fund to retain an amount from the NNDR paid by City businesses. This totalled £12.1m in 2021-22 (2020-21: £12.1m).

5. (Surplus)/Deficit for the year

A business rates surplus of £50.1m was achieved for the year, but this was in large part due to the recovery of large a deficit created in the previous year of £245.2m. After adjusting for the recovery, the in year position was a £85m deficit, the majority of which related to the continuation of business rate relief for the retail, leisure, and hospitality sectors at a rate of 75% (down from 100% in the previous year). Due to the timing of this announcement, which was after the submission of estimated business rate income in January 2021, a mis-match has occurred between expected and actual income creating a deficit in the collection fund. These reliefs are funded from Govt so the release of this element of the deficit into City Fund will be matched with funds held in the business rate equalisation reserve. The below table tracks the movement of business rate collection fund surplus/deficit position across the 3 preceptors.

Breakdown of Business Rate Collection Fund Deficit	Total	City	GLA	Central Govt
Percentage Allocation		30%	37%	33%
Opening Collection Fund Deficit	**191.3**	**54.6**	**63.3**	**73.4**
Part Recovery of 20-21 Deficit in 21-22	(135.1)	(37.7)	(51.6)	(45.8)
21-22 Deficit due to retail, leisure, and hospitality reliefs	77.9	23.4	28.8	25.7
Other 21-22 variances	7.1	2.1	2.6	2.3
Closing Deficit	**141.2**	**42.4**	**43.2**	**55.6**

Police Pension Fund

Police Pension Fund Account for the year ended 31 March 2021

2020-21		2021-22	
£m		£m	£m
	Contributions receivable		
	- from employer		
(10.7)	normal	(11.2)	
0.0	early retirements	0.0	
(4.5)	- from members	(4.9)	
(15.2)			**(16.1)**
(0.3)	Transfers in from other Police Authorities		**(0.3)**
	Benefits payable		
26.0	- pensions	27.0	
6.2	- commutations and lump sums	7.8	
32.2			**34.8**
	Payments to and on account of leavers		
0.0	- Transfers out to other Police Authorities	0.0	
0.0	- Other	0.0	
16.7	Sub-total: Net amount payable for the year before transfer from Police Authority		**18.9**
(16.7)	Additional contribution from Police Authority		(18.9)
0.0	**Net amount payable/receivable for the year**		**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 130 to 146. 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 notes 23 to 26, page 64-74).

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.

Hold for Independent Auditors report to the Members of City of London Pension Fund

City of London Pension Fund Account

Fund Account for the year ended 31 March 2022

2020 21		Notes	2021 22
£m			£m
	Dealings with members, employers and others directly involved in the Fund		
(47.3)	Contributions	7	(51.4)
(2.6)	Transfers in from other pension funds		(3.4)
(49.9)			**(54.8)**
49.8	Benefits	8	52.8
1.9	Payments to and on account of leavers	9	1.9
51.7			**54.7**
1.8	**Net (additions)/withdrawals from dealings with members**		**(0.1)**
9.1	Management expenses	10	10.9
10.9	**Net withdrawals including fund management expenses**		**10.8**
	Returns on investments		
(3.4)	Investment income	11	(4.0)
(279.9)	Profit and losses on disposal of investments and changes in the value of investments	12	(93.8)
(283.3)	**Net return on investments**		**(97.8)**
(272.4)	**Net (increase)/decrease in the net assets available for benefits during the year**		**(87.0)**
(1,028.7)	Opening net assets of the scheme		(1,301.1)
(1,301.1)	**Closing net assets of the scheme**		**(1,388.1)**

Net Asset Statement as at 31 March 2022

2020 21		Notes	2021 22
£m			£m
0.2	Long-term investments		0.2
1,294.4	Investment assets	12	1,368.9
1,294.6	**Total net investments**		**1,369.1**
7.4	Current assets	19	20.4
(0.9)	Current liabilities	20	(1.4)
1,301.1	**Net assets of the Fund available to fund benefits at the end of the reporting period**		**1,388.1**

1. Description of the City of London Pension Fund

a) General

The City of London Pension Fund is part of the LGPS and is administered by the City of London. The City of London is the reporting entity for this pension fund.

The City of London Pension Fund is a funded defined benefits scheme established in accordance with statute. 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).

Benefits include retirement pensions and early payment of benefits on medical grounds and payment of death benefits where death occurs either in service or in retirement. The benefits payable in respect of service from 1st April 2014 are based on career average revalued earnings and the number of years of eligible service. Pensions are increased each year in line with the Consumer Price Index.

The Fund is governed by the Public Service Pensions Act 2013 and the following secondary legislation:

- The LGPS Regulations 2013 (as amended)
- The LGPS (transitional Provisions, Savings and Amendment) Regulations 2014 (as amended) and
- The LGPS (Management and Investment of Funds) Regulations 2016.

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 and appointed by the City of London.

b) Membership of the Fund

Membership of the LGPS is voluntary and employees are free to choose whether to join the scheme, remain in the scheme or make their own personal arrangements outside the scheme. Organisations participating in the City of London Pension Fund include:

- Scheduled bodies, which are automatically entitled to be members of the Fund
- Admitted bodies, which are other organisations that participate in the Fund under an admission agreement between the Fund and the relevant organisation. Admitted bodies include voluntary, charitable and similar bodies or private contractors undertaking a local authority function following outsourcing to the private sector.

The following table summarises the membership numbers of the scheme:

	31 March 2022				31 March 2021
	Current contributors	Beneficiaries in receipt of pension	Deferred members	Total	Total
	No.	No.	No.	No.	No.
ADMINISTERING AUTHORITY					
City of London Corporation	4,332	4,232	4,282	12,846	12,521
	4,332	**4,232**	**4,282**	**12,846**	**12,521**
SCHEDULED BODIES:					
Museum of London	258	268	636	1,162	1,140
Magistrates Court	0	18	13	31	31
Multi Academy Trust	12	0	1	13	4
	270	**286**	**650**	**1,206**	**1,175**
ADMITTED BODIES:					
Irish Society	4	10	2	16	16
City Arts Trust	0	0	0	0	1
Parking Committee for London	0	6	6	12	12
Guildhall Club	0	4	4	8	8
City Academy - Southwark	95	11	134	240	218
Sir John Cass (Brookwood)	0	1	0	1	1
AMEY (Enterprise)	0	6	3	9	9
Eville and Jones	0	0	1	1	1
London CIV	14	1	15	30	29
Westminster Drug Project	1	0	1	2	2
Agilysis	5	5	14	24	24
Agilysis (police)	0	1	2	3	3
Bouygues (EDTE)	0	0	1	1	1
Cook & Butler	1	0	1	2	2
1SC Guarding Limited	0	0	1	1	1
Skanska	4	1	0	5	5
Veolia	3	1	1	5	5
	127	**47**	**186**	**360**	**338**
TOTAL	**4,729**	**4,565**	**5,118**	**14,412**	**14,034**

c) Funding

Benefits are funded by contributions and investment earnings. Contributions are made by active members of the Fund in accordance with the Local Government Pension Scheme Regulations 2013 and ranged from 5.5% to 12.5% of pensionable pay for the financial year ending 31 March 2022. Employers' contributions are set based on triennial actuarial funding valuations. The last such valuation was at 31 March 2019. For 2021/22, employer contribution rates range from 15.0% to 21.0% of pensionable pay.

d) Benefits

Prior to 1 April 2014, pension benefits under the LGPS were based on final pensionable pay and length of pensionable service. From 1 April 2014, the scheme became a career average scheme, whereby members accrue benefits based on their pensionable pay in that year at an accrual rate of 1/49th. Accrued pension is uprated annually in line with the Consumer Prices Index.

A range of other benefits are also provided including early retirement, disability pensions and death benefits, as explained on the LGPS website.

2. Basis of preparation

The statement of accounts summarises the Fund's transactions for the 2021/22 financial year and its financial position at 31 March 2022. The accounts have been prepared in accordance with the *Code of Practice on Local Authority Accounting in the United Kingdom 2021/22* (the Code) which is based upon International Financial Reporting Standards (IFRS), as amended for the UK public sector.

Paragraph 3.3.1.2 of the Code requires disclosure of any accounting standards issued but not yet adopted. IFRS 16, introduced on 1 January 2019, is due to be adopted by the Code for accounting periods commencing on or after 1 April 2022. This new accounting standard largely removes the distinction between operating and finance leases by introducing an accounting model that requires lessees to recognise assets and liabilities for all leases with a term of more than 12 months unless the underlying asset is of low value. This will bring assets formerly off-Balance Sheet onto the Balance Sheet of lessees. Implementation of IFRS 16 is not expected to have a material impact on the Pension Fund because it does not hold any assets as a lessee.

The accounts report on the net assets available to pay pension benefits. They do not take account of obligations to pay pensions and benefits which fall due after the end of the financial year nor do they take into account the actuarial present value of promised retirement benefits. The Code gives administering authorities the option to disclose this information in the net assets statement, in the notes to the accounts or by appending an actuarial report prepared for this purpose. The Pension Fund has opted to disclose this information in Note 18.

The accounts have been prepared on a going concern basis. The administering authority is confident that the Fund will have sufficient resources to meet obligations as they fall due over the foreseeable future.

3. Accounting policies

i. 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.

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

iii. Investment assets are included in the net assets statement on a fair value basis as at the reporting date. A financial asset is recognised in the net assets statement on the date the Fund becomes party to the contractual acquisition of the asset. From this date any gains or losses arising from changes in the fair value of the asset are recognised in the fund account.

iv. The values of investments as shown in the net assets statement have been determined at fair value in accordance with the requirements of the Code and IFRS13 (see Note 13). For the purposes of disclosing levels of fair value hierarchy, the Fund has adopted the classification guidelines recommended in Practical Guidance on Investment Disclosures (PRAG/Investment Association, 2016).

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

vi. Assets and liabilities in overseas currencies are translated into sterling at the exchange rates ruling at the net asset statement date. Transactions during the year are translated at rates applying at the transaction dates. Surpluses and deficits arising on conversion are dealt with as part of the change in market values of the investments.

vii. The Fund discloses its pension fund management expenses in accordance with the CIPFA guidance Accounting for Local Government Pension Scheme Management Expenses (2016), as shown below. All items of expenditure are charged to the Fund on an accruals basis as follows:

Administration expenses	All staff costs of the pensions administration team are charged direct to the Fund. Associated management, accommodation and other overheads are apportioned to this activity and charged as expenses to the Fund.
Oversight and governance	All staff costs associated with governance and oversight are charged direct to the Fund. Associated management, accommodation and other overheads are apportioned to this activity and charged as expenses to the Fund.
Investment management expenses	Investment management expenses are charged directly to the Fund as part of management expenses and are not included in, or netted off from, the reported return on investments.

viii. Income from investments is accounted for on an accruals basis. Investment income arising from the underlying investments of the Pooled Investment Vehicles is typically reinvested within the Pooled Investment Vehicles and reflected in the unit price.

ix. 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.

x. 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.

xi. 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.

xii. Transfer values represent the amounts received and paid during the year for members who have either joined or left the Fund during the financial year and are calculated in accordance with the Local Government Pension Scheme Regulations 2013. Individual transfers in/out are accounted for when received/paid, which is normally when the member liability is accepted or discharged.

xiii. Where an investment manager’s fee note has not been received by the balance sheet date, an estimate based upon the most recent available equivalent trailing reporting period is used for inclusion in the fund account.

4. Critical judgements in applying accounting policies

The net pension fund liability is recalculated every three years by the appointed actuary, with annual updates in the intervening years.

This estimate is subject to significant variances based on changes to the underlying assumptions which are agreed with the actuary and have been summarised in Note 18.

These actuarial revaluations are used to set future contribution rates and underpin the Fund's most significant investment management policies, for example in terms of the balance struck between longer term investment growth and short-term yield/return.

5. Assumptions made about the future and other major sources of estimation uncertainty

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities at the year-end date and the amounts reported for the revenues and expenses during the year. Estimates and assumptions are made considering historical experience, current trends and other relevant factors. However, the nature of estimation means that the actual outcomes could differ from the assumptions and estimates.

The items in the net assets statement at 31 March 2022 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if actual results differ from assumptions
Actuarial present value of promised retirement benefits (Note 18)	Estimation of the net liability to pay pensions depend on a number of complex judgements 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 Fund with expert advice about the assumptions to be applied. This uncertainty relates solely to the disclosures made in Note 18 and does not impact on the Net Asset Statement or Pension Fund Account.	The effects on the net pension liability of changes in individual assumptions can be measured. For instance: • a 0.1% increase in the discount rate assumption would result in a decrease in the pension liability of £47m • a 0.1% increase in assumed earnings inflation would increase the value of liabilities by approximately £4m • a one-year increase in assumed life expectancy would increase the liability by approximately £100m.
Private equity investments (Note 13)	Private equity investments are valued at fair value in accordance with International Private Equity and Venture Capital Valuation Guidelines (2018) and use valuation techniques that rely on unobservable inputs.	Private equity investments are valued at £34m in the accounts. There is a risk that this investment may be under or overstated significantly if the underlying valuation assumptions change.
Infrastructure and pooled property investments (Note 13)	Infrastructure and pooled property investments are valued at fair value using valuation techniques that rely on unobservable inputs.	Infrastructure and pooled property investments are valued at £69m and £101m, respectively in the accounts. There is a risk that this investment may be under or overstated significantly if the underlying valuation assumptions change.

6. Events after the reporting date

There are no events occurring after the reporting date that necessitate adjustments (adjusting events) or disclosure (non-adjusting events).

7. Contributions receivable

By Category

2020 21		2021 22
£m		£m
(12.1)	Employees' contributions	(12.1)
	Employers' contributions	
(24.6)	Normal contributions	(24.3)
(9.0)	Deficit recovery contributions	(9.0)
(1.6)	Pensions strain contributions	(6.0)
(35.2)	**Total employers' contributions**	**(39.3)**
(47.3)		**(51.4)**

By type of employer

2020 21		2021 22
£m		£m
(44.0)	Administering authority	(48.2)
(2.2)	Scheduled bodies	(2.2)
(1.1)	Admitted bodies	(1.0)
(47.3)		**(51.4)**

8. Benefits payable

By Category

2020 21		2021 22
£m		£m
40.9	Pensions	43.1
7.7	Lump sum retirement benefits	8.8
1.2	Lump sum death benefits	0.9
49.8		**52.8**

By type of employer

2020 21		2021 22
£m		£m
46.7	Administering authority	49.9
2.8	Scheduled bodies	2.5
0.3	Admitted bodies	0.4
49.8		**52.8**

9. Payments to and on account of leavers

2020 21		2021 22
£m		£m
1.8	Individual transfers out	1.8
0.1	Refunds to members leaving service	0.1
1.9		**1.9**

10. Management expenses

2020 21		2021 22
£m		£m
0.6	Administration expenses	0.7
8.2	Investment management expenses	9.8
0.3	Oversight and governance*	0.4
9.1		**10.9**

*Includes audit fees of £21,500 that have been charged to the Pension Fund (2020/21: £25,300).

a. Investment management expenses

2020 21					2021 22			
Management Fees	**Performance Related Fees**	**Transaction Costs**	**Total**		**Management Fees**	**Performance Related Fees**	**Transaction Costs**	**Total**
£m	£m	£m	£m		£m	£m	£m	£m
0.7	0.0	0.0	0.7	Infrastructure funds	0.6	2.1	0.0	2.7
4.4	0.9	0.3	5.6	Pooled investments**	4.7	0.3	0.0	5.0
0.5	0.0	0.0	0.5	Pooled property investments	0.5	0.0	0.0	0.5
0.4	1.0	0.0	1.4	Private equity	0.4	1.2	0.0	1.6
6.0	**1.9**	**0.3**	**8.2**	**Total**	**6.2**	**3.6**	**0.0**	**9.8**

**Included £1.1m charged to the Pension Fund by the London CIV regional asset pool (£1.1m in 2020/21).

11. Income from investments

2020 21		2021 22
£m		£m
(0.8)	Infrastructure funds	(0.5)
(0.1)	Interest	(0.0)
(2.4)	Pooled property investments	(2.3)
(0.1)	Private equity	(1.2)
(3.4)	**Total**	**(4.0)**

The Pension Fund's investment policies are focussed on capital accumulation in pooled vehicles and private equity investments. Dividends and interest are typically retained at pool level. Where any shortfall of the Net Deductions on Contributions and Benefits Paid was previously covered by investment income, it is intended that the Fund will sell holdings in 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.

12. Investments

Market Value 31 03 2021		Market Value 31 03 2022
£m		£m
	Investment assets	
	Pooled funds	
243.2	Diversified growth funds	257.3
562.4	Global equity	590.3
117.3	Multi asset credit	120.2
182.3	UK equities	197.2
1,105.2		**1,165.0**
	Other investments	
62.8	Infrastructure funds	68.7
88.2	Pooled property investments	101.1
38.0	Private equity funds	34.1
189.0		**203.9**
0.2	Investment income due	0.0
1,294.4	**Total investment assets**	**1,368.9**
	Long-term investments	
0.2	Equities	0.2
1,294.6	**Net investment assets**	**1,369.1**

a. Reconciliation of movements in investments

The table below shows the movement in market values by asset type

	Market Value 31 03 2021	Purchases During the Year	Sales During the Year	Change in Value	Market Value 31 03 2022
	£m	£m	£m	£m	£m
Infrastructure funds	62.8	0.3	(7.9)	13.5	68.7
Long-term investments	0.2	0.0	0.0	0.0	0.2
Pooled investments	1,105.2	121.6	(126.5)	64.7	1,165.0
Pooled property investments	88.2	6.6	(0.6)	6.9	101.1
Private equity funds	38.0	0.2	(12.8)	8.7	34.1
	1,294.4	**128.7**	**(147.8)**	**93.8**	**1,369.1**
Investment income due	0.2				0.0
Net investment assets	**1,294.6**				**1,369.1**

	Market Value 31 03 2020	Purchases During the Year	Sales During the Year	Change in Value	Market Value 31 03 2021
	£m	£m	£m	£m	£m
Infrastructure funds	62.3	0.1	(0.9)	1.3	62.8
Long-term investments	0.2	0.0	0.0	0.0	0.2
Pooled investments	848.3	40.0	(52.7)	269.6	1,105.2
Pooled property investments	66.1	22.3	(0.6)	0.4	88.2
Private equity	34.7	1.4	(6.7)	8.6	38.0
	1,011.6	**63.8**	**(60.9)**	**279.9**	**1,294.4**
Cash deposits	11.9				0.0
Investment income due	0.1				0.2
Net investment assets	**1,023.6**				**1,294.6**

b. Investments analysed by fund manager

Market value 31 03 2021		Market value 31 03 2022
£m		£m
	Investments managed by the London CIV	
183.9	LCIV Global Alpha Growth Fund*	171.7
117.3	LCIV MAC Fund	0.0
0.0	LCIV Alternative Credit Fund*	120.2
0.2	London CIV	0.2
301.4		**292.1**
	Investments managed outside the London CIV	
58.7	Alternative assets	51.7
94.4	Artemis Institutional Equity Income Fund*	104.3
29.5	Aviva Lime Property Fund	32.6
140.9	C Worldwide Global Equities*	156.6
106.6	Harris Associates Global Equity Fund*	113.4
42.1	IFM Global Infrastructure (UK)	51.1
48.3	Lindsell Train UK Equity Fund	50.9
29.0	M&G UK Residential Property Fund	36.3
29.7	M&G Secured Property Income Fund	32.2
39.6	Liontrust UK Equity Fund	42.0
136.7	Pyrford Global Total Return Fund*	142.8
106.5	Ruffer Absolute Return Fund*	114.5
131.0	Veritas Global Focus Fund*	148.6
993.0		**1,077.0**
1,294.4	**Total**	**1,369.1**
0.2	Investment income due	0.0
1,294.6	**Net investment assets**	**1,369.1**

*These investments each singularly represent over 5% of the net assets of the Fund.

Alternative assets comprise of private equity and infrastructure investments managed through eleven separate investment managers.

13. Fair value - basis for valuation

The basis of the valuation of each class of investment asset is set out below. There has been no change in the valuation techniques used during the year. All assets have been valued using fair value techniques which represent the highest and best price available at the reporting date.

Item	Valuation hierarchy	Basis of valuation	Observable and unobservable inputs	Key Sensitivities affecting the valuations provided
Pooled investments - equity funds (UK and Global)	Level 2	Closing bid price where bid and offer prices are published. Closing single price where single price published	NAV-based pricing set on a forward pricing basis	Not required
Pooled investments – multi-asset funds	Level 2	Closing bid price where bid and offer prices are published. Closing single price where single price published	NAV-based pricing set on a forward pricing basis	Not required
Pooled property investments	Level 3	Closing bid price where bid and offer prices are published. Closing single price where single price published	NAV-based pricing set on a forward pricing basis	Valuations could be affected by significant changes in rental growth, vacancy levels, and the discount rate applied to future cash flows as well as more general changes in market conditions.
Private equity funds	Level 3	Comparable valuation of similar companies in accordance with international private equity valuation guidelines.	Earnings before interest, tax, depreciation and amortisation (EBITDA) multiple, revenue multiple, discount for lack of marketability.	Valuations include assumptions based on non-observable market data, such as discounts applied either to reflect changes in the fair value of financial assets or to adjust earnings multiples.
Infrastructure funds	Level 3	Discounted cashflows applied to equity and debt instruments. The Funds determine fair value for these securities by engaging external valuation services.	Earnings before interest, tax, depreciation and amortisation (EBITDA) multiple, revenue multiple, discount for lack of marketability.	Valuations include assumptions based on non-observable market data, such as discounts applied either to reflect changes in the fair value of financial assets or to adjust earnings multiples.

Sensitivity of assets valued at Level 3

Having analysed historical data and current market trends, and consulted with independent investment advisors, the Fund has determined that the valuation methods described above are likely to be accurate to within the following ranges, and has set out below the consequent potential impact on the closing value of investments held at 31 March 2022.

	Assessed valuation range	Market value 31 03 2022	Value on increase	Value on decrease
	(+/-)	£m	£m	£m
Private equity funds	10%	34.1	37.5	30.7
Pooled property investments	10%	101.1	111.2	91.0
Infrastructure funds	10%	68.7	75.6	61.8
		203.9	**224.3**	**183.5**

a. Fair value hierarchy

Assets have 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 must be traded in active markets, this includes quoted equities, quoted fixed securities, quoted index linked securities and exchange traded unit trusts.

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. Products classified as level 2 comprise open ended pooled investment vehicles which are not exchange traded, unquoted bonds and repurchase agreements.

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 private equity investments and infrastructure funds which are valued using various valuation techniques that require significant judgement in determining appropriate assumptions.

The values of pooled property investments are based on valuations provided by the fund managers which in turn represent estimates by independent professional valuers of the open market value of those investment as at the reporting date.

The values of the investment in private equity and infrastructure funds 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 typically undertaken annually at the end of December. Cash flow adjustments are used to roll forward the valuations to 31 March as appropriate.

Guidance released by the Pensions Research Accountants Group (PRAG) in 2016 provides further clarification on the classification of pooled investment vehicles as level 1, 2 and 3. Pooled funds that are not quoted on an exchange are classed as level 2, as these do not meet the definition of level 1 investment: *The unadjusted quoted price in an active market for identical assets or liabilities that the entity can access at the measurement date.* The table that follows provides an analysis of the assets 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 2021					Values as at 31 March 2022			
Quoted market price	**Using observable inputs**	**With significant unobservable inputs**			**Quoted market price**	**Using observable inputs**	**With significant unobservable inputs**	
Level 1	Level 2	Level 3	Total		Level 1	Level 2	Level 3	Total
£m	£m	£m	£m		£m	£m	£m	£m
				Financial assets at fair value through profit and loss				
0.0	0.0	62.8	62.8	Infrastructure funds	0.0	0.0	68.7	68.7
0.0	0.0	0.2	0.2	Long-term investments	0.0	0.0	0.2	0.2
0.0	1,105.2	0.0	1,105.2	Pooled investments	0.0	1,165.0	0.0	1,165.0
0.0	0.0	88.2	88.2	Pooled property investments	0.0	0.0	101.1	101.1
0.0	0.0	38.0	38.0	Private equity funds	0.0	0.0	34.1	34.1
0.0	**1,105.2**	**189.2**	**1,294.4**	**Total investment assets**	**0.0**	**1,165.0**	**204.1**	**1,369.1**
0.2	0.0	0.0	0.2	Investment income due	0.0	0.0	0.0	0.0
0.2	**1,105.2**	**189.2**	**1,294.6**	**Net investment assets**	**0.0**	**1,165.0**	**204.1**	**1,369.1**

b. Reconciliation of fair value measurements within level 3

The table below shows the movements in level 3 disclosures for 2020/21

Disclosures for level 3	Market value at 31 03 2020	Transfers into level 3	Transfers out of level 3	Purchases at cost	Sales	Unrealised gains / (losses)	Realised gains / (losses)	Market value at 31 03 2021
	£m	£m	£m	£m	£m	£m	£m	£m
Private equity	34.7	0.0	0.0	1.4	(6.7)	7.4	1.2	38.0
Pooled property investments	66.1	0.0	0.0	22.3	(1.1)	0.94	0.0	88.2
Infrastructure	62.3	0.0	0.0	0.1	(0.9)	1.3	0.0	62.8
Long term investment	0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.2
Total level 3	**163.3**	**0.0**	**0.0**	**23.8**	**(8.7)**	**9.6**	**1.2**	**189.2**

14. Financial Instruments

a. Classification of financial instruments

at 31 March 2021					at 31 March 2022			
Fair Value through profit and loss	Assets held at amortised cost	Financial liabilities at amortised cost	Total		Fair Value through profit and loss	Assets held at amortised cost	Financial liabilities at amortised cost	Total
£m	£m	£m	**£m**		£m	£m	£m	**£m**
				Financial assets				
62.8	0.0	0.0	**62.8**	Infrastructure funds	68.7	0.0	0.0	**68.7**
0.0	0.2	0.0	**0.2**	Long-term investments	0.0	0.2	0.0	**0.2**
1,105.2	0.0	0.0	**1,105.2**	Pooled investments	1,165.0	0.0	0.0	**1,165.0**
88.2	0.0	0.0	**88.2**	Pooled property investments	101.1	0.0	0.0	**101.1**
38.0	0.0	0.0	**38.0**	Private equity funds	34.1	0.0	0.0	**34.1**
0.0	7.2	0.0	**7.2**	Cash	0.0	19.9	0.0	**19.9**
0.0	0.2	0.0	**0.2**	Investment income due	0.0	0.0	0.0	**0.0**
0.0	0.1	0.0	**0.1**	Other debtors*	0.0	0.0	0.0	**0.0**
1,294.2	**7.7**	**0.0**	**1,301.9**		**1,368.9**	**20.1**	**0.0**	**1,389.0**
				Financial liabilities				
0.0	0.0	(0.1)	**(0.1)**	Creditors*	0.0	0.0	(0.1)	**(0.1)**
1,294.2	**7.7**	**(0.1)**	**1,301.8**	**Total**	**1,368.9**	**20.1**	**(0.1)**	**1,388.9**

*The table above excludes debtors valued at £0.5m (31 March 2021: £0.1m) and creditors valued at £1.3m (31 March 2021: £0.8m) which are non-contract based transactions and balances and therefore do not meet the criteria of financial instruments. Further information on current assets and current liabilities outstanding at the reporting date is detailed in notes 19 and 20 below.

b. Net (Gains) and Losses on Financial Instruments

2020 21		2021 22
£m		£m
	Financial Assets	
279.9	Fair value through profit and loss	93.8
279.9		**93.8**

15. Risk and risk management

The Pension Fund's primary long-term risk is that its assets will fall short of its liabilities (i.e. promised benefits payable to members). Therefore, the aim of investment risk management is to minimise the risk of an overall reduction in the value of the Fund and to maximise the opportunity for gains across the whole Fund portfolio.

The Fund's investments are actively managed by twelve 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, 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

16. Market risks

Market risk is the risk of loss from fluctuations in equity and commodity prices, interest and foreign exchange rates and credit spreads. The Fund is exposed to market risk from its investment activities, particularly through its equity holdings. The level of risk exposure depends on market conditions, expectations of future price and yield movements and the asset mix. The objective of the Fund's risk management strategy is to identify, manage and control market risk exposure within acceptable parameters, while optimising investment return.

In general, excessive volatility in market risk is managed through the diversification of the portfolio in terms of geographical and industry sectors, asset classes and individual securities. To mitigate market risk, the Pension Fund and its investment advisors undertake appropriate monitoring of market conditions and benchmark analysis.

Price risk

In consultation with its investment consultant, Mercer Ltd, the Fund has determined that the following movements in market price risk are reasonably possible for 2021/22, assuming that all other variables, in particular foreign exchange rates and interest rates, remain the same:

Asset type	Value as at 31 March 2022	Change	Value on increase	Value on decrease
	£m	%	£m	£m
Developed market global equities	745.6	18.9%	886.5	604.7
Emerging market global equities	42.1	28.6%	54.1	30.1
Diversified growth funds	257.3	11.8%	287.7	226.9
Multi asset credit	120.2	10.8%	133.2	107.2
UK property (proxy for residential property)	36.3	9.9%	39.9	32.7
Long lease UK property	64.8	16.5%	75.5	54.1
Private equity	34.1	24.8%	42.6	25.6
Unlisted infrastructure	68.7	16.2%	79.8	57.6
Total	**1,369.1**		**1,599.3**	**1,138.9**

Asset type	Value as at 31 March 2021	Change	Value on increase	Value on decrease
	£m	%	£m	£m
Developed market global equities	688.3	18.7%	817.0	559.6
Emerging market global equities	56.6	28.6%	72.8	40.4
Diversified growth funds	243.2	11.6%	271.4	215.0
Multi asset credit	117.3	10.5%	129.6	105.0
UK property (proxy for residential property)	29.0	16.4%	33.8	24.2
Long lease UK property	59.2	9.7%	64.9	53.5
Private equity	38.0	24.7%	47.4	28.6
Unlisted infrastructure	62.8	16.1%	72.9	52.7
Total	**1,294.4**		**1,509.8**	**1,079.0**

Interest rate risk

The Fund invests in financial assets for the primary purpose of obtaining a return on investments. The pooled multi-asset investments are indirectly subject to interest rate risks, as underlying holdings include fixed income instruments, and this represent the risk that the fair value or these financial instruments will fluctuate because of changes in market interest rates. Fund managers have the discretion to manage interest risk exposure through the use of derivatives.

The Fund's indirect exposure to interest rate movements as at 31 March 2022 and 31 March 2021 is set out below. These disclosures present interest rate risk based on the underlying financial assets at fair value. Bonds and cash balances are exposed to interest rate risk. The table below demonstrates the change in value of these assets had the interest rate increased or decreased by 1%.

Value as at 31 March 2021	Change	Value on increase	Value on decrease	Assets exposed to interest rate risk	Value as at 31 March 2022	Change	Value on increase	Value on decrease
£m	%	£m	£m		£m	%	£m	£m
7.2		7.2	7.2	Cash and cash equivalents	19.9		19.9	19.9
231.5	1.00%	230.2	240.2	Bonds	245.9	1.00%	241.2	250.7
238.7		**237.4**	**247.4**	**Total**	**265.8**		**261.1**	**270.6**

Currency risk

Currency risk represents the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Fund is exposed to currency risk on financial instruments owned directly or through a pooled structure, that are denominated in any currency other than the functional currency of the Fund (UK sterling).

Currency	As at 31 March 2022			
	Value	Change	Value on increase	Value on decrease
	£m	%	£m	£m
United States Dollar	417.7	2.41%	427.8	407.6
Euro	123.2	1.54%	125.1	121.3
Japanese Yen	37.7	2.67%	38.7	36.7
Australian Dollar	31.1	2.32%	31.8	30.4
Swiss Franc	17.1	2.00%	17.4	16.8
Hong Kong Dollar	14.9	2.37%	15.3	14.5
Taiwanese Dollar	11.4	2.08%	11.6	11.2
Indian Rupee	10.7	3.11%	11.0	10.4
Swedish Krona	10.3	1.97%	10.5	10.1
Indonesian Rupiah	10.1	2.18%	10.3	9.9
Other overseas	57.1	1.85%	58.2	56.0
Overseas total	**741.3**		**757.7**	**724.9**
Sterling	627.8			
Net investment assets	**1,369.1**			

The table above summarises the position as at 31 March 2022, and the comparable position as at 31 March 2021 is shown below. The analysis uses historical currency volatility data sourced from the fund custodian, BNY Mellon.

Currency	As at 31 March 2021			
	Value	Change	Value on increase	Value on decrease
	£m	%	£m	£m
United States Dollar	376.1	2.35%	384.9	367.3
Euro	120.0	1.56%	121.9	118.1
Japanese Yen	35.0	2.74%	36.0	34.0
Australian Dollar	20.8	2.27%	21.3	20.3
Swiss Franc	17.5	2.24%	17.9	17.1
Hong Kong Dollar	16.4	2.34%	16.8	16.0
Chinese Yuan	13.3	2.38%	13.6	13.0
Taiwanese Dollar	10.8	2.00%	11.0	10.6
Indian Rupee	10.8	2.61%	11.1	10.5
Swedish Krona	10.3	2.28%	10.5	10.1
Other overseas	70.1	2.40%	71.8	68.4
Overseas total	**701.1**		**716.8**	**685.4**
Sterling	593.5			
Net investment assets	**1,294.6**			

Liquidity risk

Liquidity risk represents the risk that the Fund will not be able to meet its financial obligations as they fall due. Officers monitor cash flows and take steps to ensure that there are adequate cash resources to meet the Fund's commitments. The Fund has immediate access to its cash holdings.

Liquid assets are those that can be converted to cash within three months, subject to normal market conditions. As at 31 March 2022, liquid investment assets were £1,165.0m representing 85% of total fund assets (£1,105.4m at 31 March 2021 representing 85% of the Fund at that date). These investments can in fact be liquidated within a matter of days

Credit Risk

Credit risk represents the risk that the counterparty to a financial transaction will fail to discharge an obligation and cause the Fund to incur a financial loss. The market values of investments generally reflect an assessment of credit in their pricing and consequently the risk of loss is implicitly provided for in the carrying value of the Fund's financial assets and liabilities. The selection of high-quality counterparts, brokers and financial institutions minimises credit risk that may occur through the failure of third parties to settle transactions in a timely manner.

17. Funding arrangements

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 2019 using the projected unit method and the resulting employers' contribution were implemented for the three financial years commencing 1 April 2020.

The main funding assumptions which follow were incorporated into the funding model used in the 31 March 2019 valuation (Consumer Price Inflation has been used as basis to reflect the actuarial assumption in real terms):

	March 2019	
	% p.a.	Real % p.a.
Financial assumptions		
Discount rate	5.1	2.5
Retail Price Inflation	3.6	1.0
Consumer Price Inflation	2.6	-
Pension increases	2.6	-
Pay increases	3.6	1.0

The discount rate reflects the asset allocation embedded in Fund's long-term strategy; the below table outlines how these assumptions translate into an overall discount rate assumption as at 31 March 2019.

Future assumed returns at 31 March 2019	Percentage of Fund	Return Assumption	Real (relative to CPI)
	%	%	%
Equities	55.0	6.7	4.1
Property and infrastructure	15.0	6.1	3.5
Absolute return fund - inflation plus 3.7%	30.0	6.3	3.7
Expenses (deduction)		(0.2)	(0.2)
Neutral estimate of discount rate based on long-term investment strategy		**6.3**	**3.7**
Prudence allowance		(1.2)	(1.2)
Discount rate		**5.1**	**2.5**

Demographic assumptions

The assumed life expectancy from age 65 is show below for the 31 March 2019 valuation.

Life expectancy from age 65		31 March 2019
Retiring today	Males	21.7
	Females	24.3
Retiring in 20 years	Males	23.1
	Females	25.8

Commutation assumption

As part of the 31 March 2019 valuation the actuary assumed that members on average exchanged pension to get approximately 50% of the maximum available cash on retirement.

50:50 membership

The actuary has assumed that existing members will continue to participate in their current section

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Funding Position at Valuation date

The valuation at 31 March 2019 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 was as follows:

	March 2019
Past service liabilities	**£m**
Active members	(383.7)
Deferred pensioners	(236.7)
Pensioners	(555.3)
Total	**(1,175.7)**
Assets	1,062.9
Deficit	**(112.8)**
Funding level	**90%**

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

	March 2019
	Contribution rate %
Future service funding rate	15.0
Past service adjustment	5.5
Total contribution rate	**20.5**

The secondary rate contributions agreed with individual employers were set at the 31 March 2019 valuation to restore the Fund to a funding position of 100% over a recovery period of no longer than 14 years.

18. Whilst the Fund level contribution rate is now 20.5% per annum, within this individual employer contribution rates vary. Having considered the basic rate of employer's contributions above, the City of London Corporation set contribution rates applicable to its employees of 21.0% for each of the financial years 2020/21 to 2022/23. Exceptions are City Academy and the Multi Academy Trust who both pay 17.1% p.a., the London CIV (15.0%), Veolia (17.6%) and the Museum of London (16.1%).

Funded Obligation of the Overall Pension Fund

31 March 2021		31 March 2022
£m		£m
(2,304.4)	Present Value of the defined benefit obligation*	(2,292.7)
1,301.1	Fair Value of Fund Assets (bid value)	1,388.1
(1,003.3)	Net Liability	**(904.6)**

*The present value of the funded obligation consists of £2,253.1m in respect of vested obligations and £39.6m in respect of non-vested obligations (2020/21: £2,262.4m and £42.0m respectively).

The above figures show the total net liability of the Fund as at 31 March 2022 and have been prepared by the fund actuary (Barnett Waddingham LLP) in accordance with IAS26. In calculating the disclosed numbers, the value of Fund's liabilities calculated for the funding valuation as at 31 March 2019 have been rolled forward, using financial assumptions that comply with IAS19.

at 31 March 2021		Assumptions	at 31 March 2022	
% p.a.	Real % p.a.*		% p.a.	Real % p.a.*
2.85	-	CPI increase	3.25	-
3.85	1.00	Salary increase	4.25	1.00
2.85	-	Pension increase	3.25	-
2.00	-	Discount Rate	2.60	-

* Consumer Price Inflation has been used as basis to reflect the actuarial assumption in real terms.

Life expectancy from age 65		31 March 2021	31 March 2022
Retiring today	Males	21.6	21.6
	Females	24.3	24.3
Retiring in 20 years	Males	22.9	23.0
	Females	25.7	25.8

McCloud and Sargeant judgments

The Government reformed public service pension schemes in 2014 and 2015 and introduced protections for older members. In December 2018, the Court of Appeal ruled that younger members of the Judges' and Firefighters' Pension schemes have been discriminated against because the protections do not apply to them. The Government has confirmed that there will be changes to all main public sector schemes, including the LGPS, to remove this age discrimination. The present value of the defined benefit obligation includes an allowance for the impact of any amendments that may be required to the Local Government Pension Scheme as a result of the Court of Appeal judgement on the McCloud and Sargeant cases on the basis that there is a constructive obligation as at 31 March 2022.

Guaranteed Minimum Pension (GMP) Equalisation

On 22 January 2018, the Government published the outcome of its *Indexation and equalisation of GMP in public service pension schemes* consultation, concluding that the requirement for public service pension schemes to fully price protect the GMP element of individuals' public service pension would be extended to those individuals reaching State Pension Age (SPA) before 6 April 2021. The present value of the defined benefit obligation assumes that the Fund will pay limited increases for members that have reached SPA by 6 April 2016, with the Government providing the remainder of the inflationary increase. For members that reach SPA after this date, the calculation assumes that the Fund will be required to pay the entire inflationary increase.

19. Current assets

Current assets include cash balances of £19.9m at 31 March 2022 (£7.2m at 31 March 2021) and accruals for contributions of £0.5m (£0.2m at 31 March 2021).

20. Current liabilities

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

21. Additional voluntary contributions

Market Value at 31 March 2021		Market Value at 31 March 2022
£m		**£m**
2.1	Prudential	2.1
0.6	Standard Life Investments	0.6
0.2	Utmost Life and Pensions	0.1
2.9		2.8

Additional voluntary contributions (AVCs) are managed externally and independently from the rest of the Pension Fund. They are paid by members to the Corporation and transferred directly to the relevant fund managers – Prudential, Standard Life Investments and Utmost Life and Pensions (formerly Equitable Life). AVCs of £0.44m were paid in 2021/22 (2020/21: £0.44m).

In accordance with Regulation 4(1) (b) of the Pension Scheme (Management and Investment of Funds) Regulations 2016, the contributions paid, and the assets of these investments are not included in the Fund's accounts.

22. Related party transactions

The City of London Pension Fund is administered by the City of London Corporation. Consequently, there is a strong relationship between the local authority and the Pension Fund.

During the reporting period, the administering authority incurred salary expenses amounts to £0.6m (2020/21: £0.6m) which were recharged to to Pension Fund.

The Corporation is also the single largest employer of members of the Pension Fund and the employer contributions paid by it was £31.2m in 2021/22 (2020/21: £31.3m).

23. Key management personnel

The key management personnel of the Fund as at 31 March 2022 were the Chamberlain, Corporate Treasurer, Pensions Manager (Administration) and Group Accountant for Pensions and Treasury Management. Total remuneration payable from the Pension Fund to key management personnel is set out below and has been apportioned based on an estimate of management personnel's time attributable to the Pension Fund.

2020 21		2021 22
£m		**£m**
0.2	Short-term benefits	0.2
0.2		**0.2**

24. Contingent liabilities and contractual commitments

The Fund had external outstanding capital commitments relating to property amounting to £38.6m as at 31 March 2022 (31 March 2021: £0m), which are expected to be called down in the next 12-18 months. Further outstanding capital commitments at 31 March 2022 totalled £6.9m (31 March 2021: £8.0m). These commitments relate to outstanding call payments due on unquoted limited partnership funds held in the private equity and infrastructure parts of the portfolio. The amounts 'called' by these funds are irregular in both size and timing over a period of between four and six years from the date of each original commitment.

Accounting Policies

Accounting Policies

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. Basis of Preparation

The basis of preparation is set out in note 1 (page 27) to these accounts.

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 contracts with service recipients, whether for service or the provision of good, is recognised when (or as) the good or services are transferred to the service recipient in accordance with the performance obligations in the contract;
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as 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; and
- 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 is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours less cheques and BACS payments issued but not presented. Cash equivalents are highly liquid investments that mature in three months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

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 and are disclosed in the notes.

1.5. Charges to Revenue for Non-current Assets

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

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

The City Fund 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 in the CI&ES 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 Corporation 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). The Corporation and its three funds have a policy in place to share the net defined benefit cost of the pension fund across the three funds. As such the City Fund recognises the net defined benefit cost along with a share of scheme assets and scheme liabilities. The total net defined benefit cost is apportioned across the Corporation's three funds based on the proportion of pensionable payroll of each 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 employee
- 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 CI&ES 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 CI&ES as part of non-distributed costs
  - net interest on the net defined benefit liability is charged to the financing and investment income and expenditure line of the CI&ES. The interest is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability at the beginning of the period taking into account any changes in the net defined benefit liability during the period as a result of contribution and benefit payments

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

In relation to retirement benefits, statutory provisions require the City Fund unallocated reserve to be charged with the amount payable to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the movement in reserves statement, this means that there are transfers to and from the pension reserve to remove the notional debits and credits for retirement benefits and replace them with debits for cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year end. The negative balance that arises on the pension reserve thereby measures the beneficial impact to theCity 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 Fund 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 Fund. Where a transfer is made out of the Pension Fund, the City Fund 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 Fund's share of the liability. The City Fund'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 Community and Children's Services line in the CI&ES 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 Liabilities

Financial liabilities are recognised on the Balance Sheet when the authority becomes a party to the contractual provisions of a financial instrument and 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 CI&ES 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.

(b) Financial Assets

Financial assets are classified based on a classification and measurement approach that reflects the business model for holding the financial assets and their cashflow characteristics. There are three main classes of financial assets measured at:

- amortised cost
- fair value through profit or loss (FVPL), and
- fair value through other comprehensive income (FVOCI).

The authority’s business model is to hold investments to collect contractual cash flows. Financial assets are therefore classified as amortised cost, except for those whose contractual payments are not solely payment of principal and interest (i.e. where the cash flows do not take the form of a basic debt instrument).

(i) **Financial Assets Measured at Amortised Cost**

Financial assets measured at amortised cost are recognised on the Balance Sheet when the authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the CI&ES for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the financial assets held by the authority, this means that the amount presented in the

Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the CI&ES is the amount receivable for the year in the loan agreement.

Any gains and losses that arise on the derecognition of an asset are credited or debited to the Financing and Investment Income and Expenditure line in the CI&ES.

(ii) Expected Credit Loss Model

The authority recognises expected credit losses on all of its financial assets (excluding statutory amounts such as council tax and NNDR) held at amortised cost, either on a 12-month or lifetime basis. The expected credit loss model also applies to lease receivables and contract assets. Only lifetime losses are recognised for trade receivables (debtors) held by the authority.

The City Corporate currently has finance lease debtors for ground rents due on leases properties. Due to the low value of these rents compared to the investment lessees have made in these properties it is highly unlikely that default will occur and therefore no expected credit loss has been applied to these amounts.

Impairment losses are calculated to reflect the expectation that the future cash flows might not take place because the borrower could default on their obligations. Credit risk plays a crucial part in assessing losses. Where risk has increased significantly since an instrument was initially recognised, losses are assessed on a lifetime basis. Where risk has not increased significantly or remains low, losses are assessed on the basis of 12-month expected losses.

(iii) Financial Assets Measured at Fair Value through Profit of Loss

Financial assets that are measured at FVPL are recognised on the Balance Sheet when the authority becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Fair value gains and losses are recognised as they arrive in the Surplus or Deficit on the Provision of Services.

The fair value measurements of the financial assets are based on the following techniques:

- instruments with quoted market prices – the market price

- other instruments with fixed and determinable payments – discounted cash flow analysis.

The inputs to the measurement techniques are categorised in accordance with the following three levels:

- Level 1 inputs – quoted prices (unadjusted) in active markets for identical assets that the authority can access at the measurement date.
- Level 2 inputs – inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly.
- Level 3 inputs – unobservable inputs for the asset.

(iv) Financial Assets Measured at Fair Value through Other Comprehensive Income (designated equity instruments)

The authority has designated an equity investment in the Municipal Bonds Agency as a financial asset measured at FVOCI on the basis that it is not held for trading and is held for strategic purposes. Fair Value gains and losses are recognised through other comprehensive income and expenditure. Any gains and losses that arise on the derecognition of the asset are credited or debited to the Financing and Investment Income and Expenditure line in the CI&ES.

The City Fund is not party to any material finance guarantees and therefore no adjustment to the accounts has been made.

1.9. Interest Income

Interest is credited to the City Fund and Housing Revenue Account based upon average balances held by the Chamberlain 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 CI&ES within taxation and non-specific grant income.

(b) Capital

Where a capital grant or contribution has been recognised as income in the CI&ES, 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 CI&ES, 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 CI&ES.

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 CI&ES 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

Heritage assets are those assets intended to be preserved in trust for future generations because of their cultural, environmental or historical associations. 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 Corporation does not consider the expense of obtaining information on cost or values to be justified and therefore recognises on the City Fund balance sheet only those heritage assets for which information on costs is readily available. The City Corporation considers that heritage assets will have indeterminate lives and high residual values; hence the City Corporation does not consider it appropriate to charge the City Fund depreciation for these assets (see note 14, page 54, for details of these assets).

1.14. 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 CI&ES. 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 Unallocated Reserve. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the Unallocated Reserve. The gains and losses are therefore reversed out of the Unallocated Reserve in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

1.15. Contingent Assets

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

1.16. Contingent Liabilities

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

1.17. Provisions

Provisions are made where an event has taken place that gives the City Fund 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 Fund 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 CI&ES in the year that the City Fund 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 Fund settles the obligation.

1.18. Leases

Leases are classified as finance leases when substantially all the risks and rewards of ownership are transferred to the lessee. All other leases are classified as operating leases. Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification. Freehold land has an indefinite life and the land within the lease is recorded as an operating lease unless it is an immaterial part of the lease.

(a) Finance Leases

(i) City Fund 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 Fund 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 is 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. The asset is written out of the balance sheet as a disposal. A gain, representing the net investment in the lease is credited to income and the difference shown as a gain or loss on disposal. Where the lessee acquires the asset through payment of a premium at the commencement of the lease, this is included as a capital receipt and there is no remaining finance lease asset.

Operating Leases

(i) City Fund as Lessee

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefitting from use of the leased property, plant or equipment. Charges are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a rent-free period at the commencement of the lease). Where rent concessions have been granted because of the Covid-19 pandemic, these have included the forgiveness of a portion of or all lease payments for an agreed period (i.e. a temporary rent reduction or rent holiday). These concessions have been recognised over the periods that the change relate to.

(ii) City Fund 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 is credited to the CI&ES. Credits are made on a straight-line basis over the period of the lease, even if the payments are not received on this basis (e.g. there is a premium paid at the commencement of the lease).

1.19. Overheads

The costs of support service overheads are generally apportioned between all services 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.

1.20. 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, assets under construction and surplus assets.

(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 Fund, 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.
- Council dwellings – current value, determined using the basis of existing use value for social housing
- 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.

- Surplus assets – fair value, estimating highest and best use

All properties included on the balance sheet at current or 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 (except for infrastructure assets) 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
- 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.

For infrastructure assets, the provisions under The Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2022 SI 1232/2022 allow for the derecognition of replaced elements of infrastructure assets to be assumed to be at nil value. This provision has been utilised in forming the statement of accounts. In the event that a disposal proceed was received for an infrastructure asset, the accounting treatment describe above would be utilised for this receipt.

(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

<u>Assets other than Housing Revenue Account (HRA) Dwellings</u>

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
- 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.

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.

1.21. Fair value measurement

The authority measures some of its non-financial assets such as surplus assets and investment properties and some of its financial instruments such as equity shareholdings at fair value at each reporting date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

a) in the principal market for the asset or liability; or

b) in the absence of a principal market, in the most advantageous market for the asset or liability.

The authority measures the fair value of an asset or liability using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

When measuring the fair value of a non-financial asset, the authority takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The authority uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Inputs to the valuation techniques in respect of assets and liabilities for which fair value is measured or disclosed in the authority's financial statements are categorised within the fair value hierarchy, as follows:

- Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities that the authority can access at the measurement date
- Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly
- Level 3 – unobservable inputs for the asset or liability.

1.22. Reserves

Specific amounts have been set aside as reserves for future policy purposes or to cover contingencies. Details of the City Fund's earmarked reserves are set out in note 12(page 48). 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 unusable reserves are set out in note 31 (page 78-81).

1.23. Revenue expenditure funded from capital under statute

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

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

1.24. Value Added Tax

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

1.25. Schools

The Code of Practice on Local Authority Accounting in the United Kingdom confirms that the balance of control for local authority maintained schools (i.e. those categories of school identified in the School Standards and Framework Act 1998, as amended) lies with the local authority. The Code also stipulates that those schools' assets, liabilities, reserves and cash flows are recognised in the local authority financial statements. Therefore schools' transactions, cash flows and balances are recognised in each of the financial statements of the authority as if they were the transactions, cash flows and balances of the authority.

1.26. Accounting for Council Tax and National Non Domestic Rates

The council tax and National Non Domestic Rates (NNDR) income included in the CI&ES is the City Fund's share of accrued income for the year. However, regulations determine the amount of council tax and NNDR that must be included in the City Fund. Therefore, the difference between the income included in the CI&ES and the amount required by regulation to be credited to the City Fund is taken to the Collection Fund Adjustment Account and included as a reconciling item in the Movement in Reserves Statement.

The Balance Sheet includes the City Fund's share of the end of year balances in respect of council tax and NNDR relating to arrears, impairment allowances for doubtful debts, overpayments and prepayments and appeals.

1.27. Accounting for the London Business Rates Pool Pilot

In 2018-19 the City of London undertook the role of Lead Authority for the 100% London Business Rates Pool Pilot which borough together the business rates generated across the 32 London Boroughs, the City Corporation and the GLA. The City of London has continued this role on 2020-21. In its role as Lead Authority, the City Corporation has received funds and made payments on behalf of the pool and retaining funds for distribution to pool members in the future. The City Corporation has treated these transactions as an agent on behalf of the pool members and therefore has not accounted for these transactions in its CI&ES. Any outstanding transaction to or from the pool are shown as a debtor or creditor balances on the City Corporation balance sheet.

2. Accounting Standard issued but not yet adopted

2.1 At the balance sheet date, the following new standards and amendments to existing standards have been published but not yet adopted by the Code of Practice of Local Authority Accounting in the United Kingdom:

- Definition of a Business: Amendments to IFRS 3 Business Combinations
- Interest Rate Benchmark Reform: Amendments to IFRS 9, IAS 39 and IFRS 7
- Interest Rate Benchmark Reform – Phase 2: Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16.
- IFRS 16 Leases will require local authorities recognise assets they lease into the organisation on their balance sheets as right-of-use assets with corresponding lease liabilities (there is recognition for low-value and short-term leases). Implementation of this standard has been previously deferred but is now scheduled for implementation from 1 April 2022. At the balance sheet date, no reasonable estimate of the impact of this change could be made.

Annual Governance Statement

Executive Summary

1. The City Corporation has approved and adopted a code of corporate governance which is consistent with the principles of the CIPFA/SOLACE *Delivering Good Governance in Local Government Framework 2016.*
2. This statement explains how the City Corporation has complied with the code and also meets the requirements of regulation 6(1) of the Accounts and Audit (England) Regulations 2015, which requires all relevant bodies to prepare an annual governance statement.
3. The City of London Corporation is satisfied that appropriate governance arrangements are in place. The organisation is committed to continuous improvement and changes that are due to be made in the coming year will strengthen this position further.
4. **The Head of Internal Audit and Risk Management has provided an annual opinion stating that the City has adequate and effective systems of internal control (which includes governance arrangements) in place to manage the achievement of its objectives. This is informed by completed Audit work, discussion with key officers and observation of the governance process in operation, with particular regard to the implementation and continued operation of amended governance processes to address the impact of the COVID-19 pandemic.**

Code of Corporate Governance

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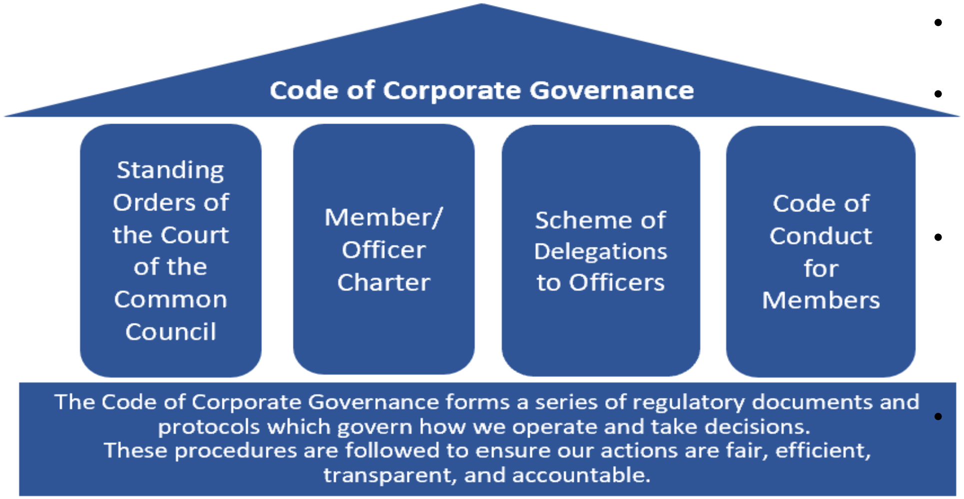
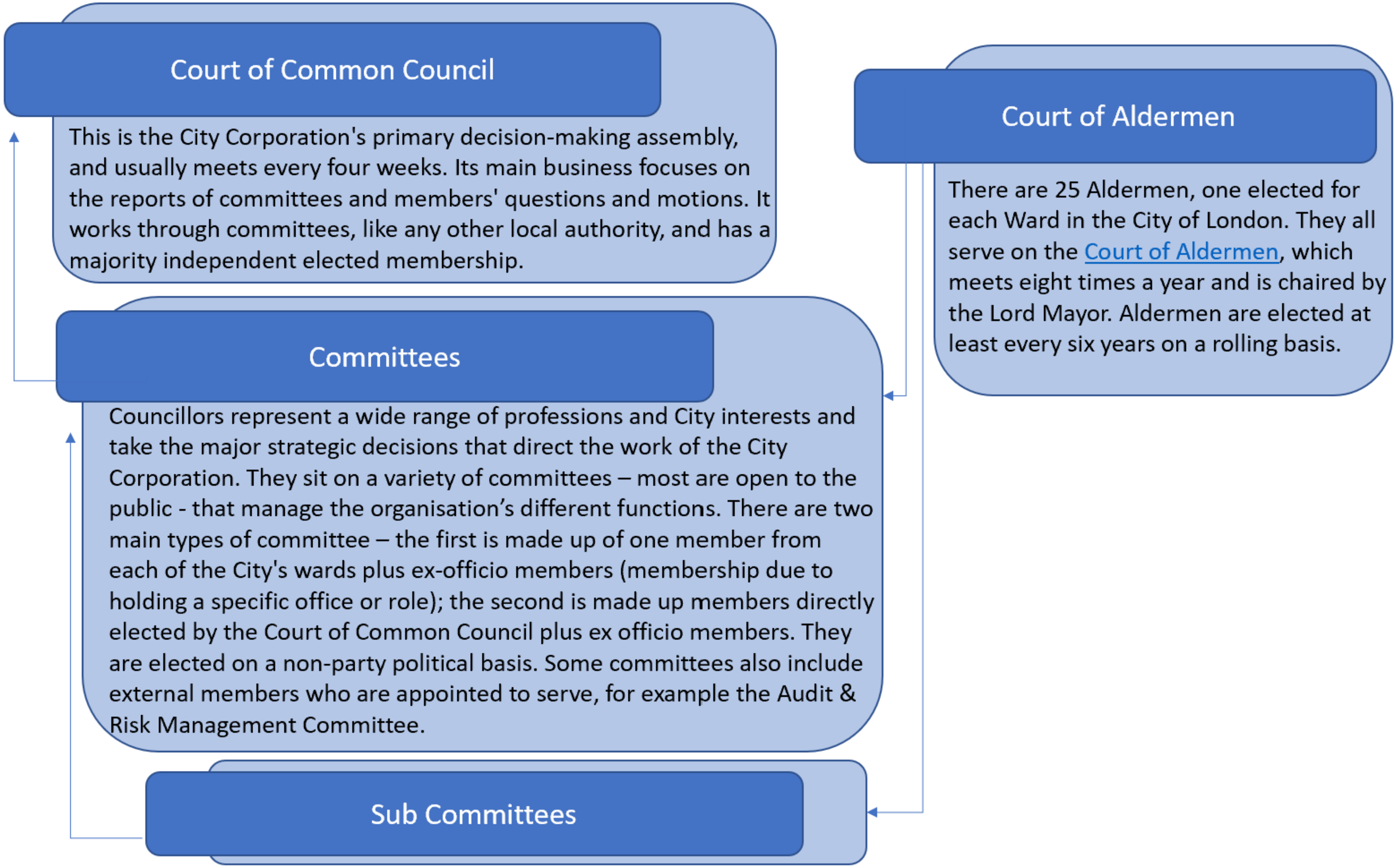
5. The principles of good governance are embedded within a comprehensive published Code of Corporate Governance. This code covers both the Local authority and Police Authority roles, and links together a framework of policies and procedures, all of which are published on the City of London Corporations web pages at the following location: Corporate Governance - City of London



- The Standing Orders of the Court of the Common Council outline how the court shall be run.
- Our Member/Officer Charter, in conjunction with the City Corporation's Member and Employee codes of conduct, ensures that appropriate working relationships and mutual expectations are more clearly established and promoted between Members and Officers.
- The Court of Common Council has agreed the principle that authority should be delegated to Chief Officers (and their nominated Deputies or Assistants) under the Scheme of Delegations to Officers for carrying out the day-to-day management of all services and for the discharge of specific statutory and non-statutory functions.
- The Code of Conduct for Members states members shall have regard for the Seven Principles of Public Life: Selflessness, Integrity, Objectivity, Accountability, Openness, Honesty and Leadership.

6. Our decision-making arrangements operate on a committee-based system whereby elected Members (Councillors) are appointed annually to serve on our many committees and sub committees. These committees, the principal governing body being the Court of Common Council, meet regularly throughout the year.



7. Key features of the City Corporation's Governance Framework include effective leadership, scrutiny and review, and robust decision making and risk management.

Key Elements of the Governance Framework

Members, Committees and Policy Chair

Provide leadership and set policy to maintain the City's global standing as a vibrant and thriving City, supporting a diverse and sustainable London within a globally successful UK

Scrutiny and Review

Committees scrutinize and review the City Corporation's policy, plans and performance:

- Audit and Risk Management Committee
- Efficiency and Performance Sub (Finance) Committee
- Finance Committee
- Policy and Resources Committee
- Police Authority Board
- Bridge House Estates Board

Risk Management

Corporate risks are considered quarterly by the Executive Leadership Board and reported to the Audit and Risk Management Committee

Decision making

Committee meetings are held in public and recordings are available on City of London Corporation – YouTube channel for up to one year

Decisions are recorded on the City Corporation website

Town Clerk and Chief Executive, Deputy Town Clerk and Chief Officers

The Town Clerk and Chief Executive is the Head of Paid Service and responsible for City Corporation staff and for leading the Chief Officer executive leadership team.

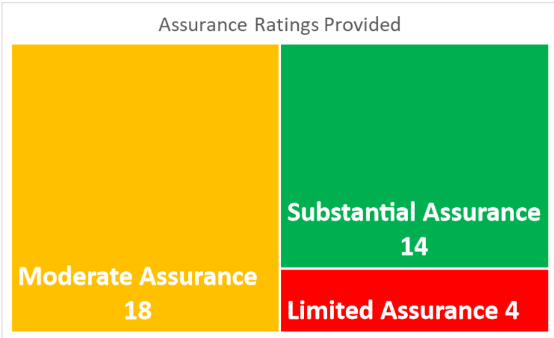
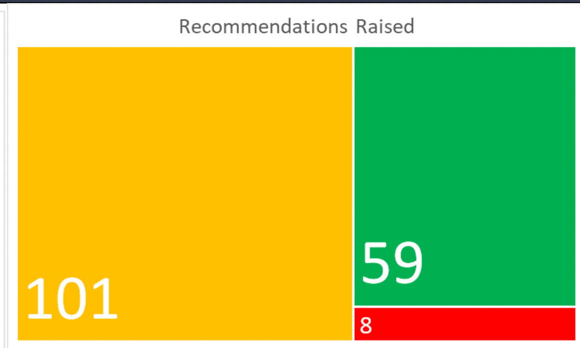
The Deputy Town Clerk is responsible for servicing meetings of the Court of Common Council and Court of Aldermen, their committees, sub-committees and working parties, acting as the Electoral Registration Office and being responsible for the City of London Corporation's Communications.

The Chamberlain and Chief Finance Officer is the City Corporation's s.151 Officer responsible for ensuring the City Corporation's financial position.

The Corporate Plan 2018-23

8. The City of London Corporation Corporate Plan 2018-23 provides the framework for the delivery of our services. We aim to contribute to a flourishing society, support a thriving economy and shape outstanding environments. Our annual Business Planning process is aligned to the Corporate Plan outcomes, with the objective of focusing the City Corporation's ambition, resources and performance on the achievement of twelve strategic outcomes. Development of the Corporate Plan 2025-30 is underway under the direction of the new Chief Strategy Officer, appointed in 2021.

Review of Effectiveness

Governance Key Performance Indicators	Outcome
Internal Audit Work: 38 Internal Audit reviews were completed in 2021/22, 50% of which resulted in a Moderate Assurance opinion, a small minority of Limited Assurance opinions were given with the remainder of areas reviewed receiving Substantial Assurance. A total of 168 recommendations were raised by Internal Audit, more than half of which were given an Amber priority rating, requiring prompt attention from Management. Less than 5% of recommendations raised were Red (critical) priority, all of which have been promptly resolved.	 
Fraud identification: proven fraudulent activities carried out by members or staff	None in 2021/22
Outcomes of investigations carried out by Monitoring Officer or Standards Committee	None in 2021/22
s151 formal issues raised	None in 2021/22
Local Government Ombudsman referrals (where upheld)	None in 2020/21 (update when the 2021/22 data is available)
Meeting statutory deadlines/targets as per Electoral Commission Performance Standards	Achieved
Freedom of Information and Environmental Information Regulations	2021: 95.5% of FOI and EIR requests responded to within the statutory compliance deadline. Information Commissioners Office target: 90% of FOIs responded to in time. Complaints received concerning request responses: 9% upheld, 13% partially upheld, 77% not upheld.

The Governance Review

9. Robert Rodgers, The Lord Lisvane, was commissioned to undertake an independent review of the City Corporation's governance arrangements in 2019. His findings were received in September 2020. The review was scrutinised by the Court of Common Council through regular Member Engagement Sessions; each aspect of the review and the Court's decision-making arrangements was explored in detail and views were sought on revising the committee structure and governance arrangements to be a more effective, efficient and relevant decision-making structure. Initially, up until 31 March 2021, consideration had been given to the organisation's constitutional arrangements and support given to the abolition of the Standards Committee and the Standards Appeal Committee, the introduction of Independent Panels to receive allegations of misconduct, determine whether to investigate, present findings to the Court, and hear any appeal; the creation of the now-named Competitiveness Advisory Board as well an Emergency Committee to provide Member oversight in emergency

situations in future. In December 2021, further changes were agreed upon by Court and full implementation of a revised structure will take place after the 2022 Ward elections. This will see a wholesale restructure of the Court's Committees, in line with the Review recommendations. Committees will then be responsible for enacting changes with respect to their sub-committees. There will still be ongoing development in some areas of governance, such the City's Planning and housing functions. The Court of Common Council has agreed to review all new Governance arrangements after two years, however, if any areas are identified as problematic, an urgent focused assessment will be conducted to recommend changes to the appropriate body. Work undertaken by Internal Audit during 2020/21 did not identify any material issues or weaknesses, though various recommendations have been made to improve governance arrangements within individual operational areas. These recommendations do not form part of the Annual Governance Statement action plan but remain within the oversight of Internal Audit and the Audit and Risk Management Committee.

Independent Panel

10. The review of the Standards regime resulted in the abolition of the previous Standards Committee and the Standards Appeal Committee and the creation of an Independent Panel. The new Panel comprises a diverse group of independent persons only appointed by the Court of Common Council following a transparent advertising and recruitment process. Its purpose is to receive allegations of misconduct, determine whether to investigate, consider the outcome of investigations and if necessary, hold a hearing and only appeal and present recommendations to the Court. The new regime involves a three-stage process, an assessment stage, a hearing stage and an appeal stage. The new Panel is also responsible for considering requests for dispensations. Other elements of the Standards Committee's work are currently retained under the auspices of the Policy and Resources Committee, pending the outcome of the governance review, e.g. promoting and maintaining high standards of conduct by Members and Co-opted Members and keeping under review and monitoring the following: -

- City of London Corporation's Member Code of Conduct together with any guidance
- City of London Corporation's Employee Code of Conduct by way of an annual update by the Director of HR
- The Protocol on Member/Officer Relations
- Training Members and Co-opted Members on matters relating to the City of London Corporation's Code of Conduct

Performance Management

11. Work had previously started on a Corporate Performance Framework (CPF) aiming to capture around 300 organisational performance indicators from data streams collated from across the organisation. This work was paused in Q2 2021 while the Corporate Strategy and Performance Team (CSPT) went through its Target Operating Model (TOM) review. Following the TOM restructure work remained on hold as a consequence of staff changes and recruitment, recommencing at the end of 2021, once the new Assistant Director for Corporate Performance & Analysis was in post. An informal review of existing CPF activity has been completed. Findings indicated that the original performance indicators identified may be of value to some areas of the organisation where they relate to specific work programmes. However, collectively they fall short of providing overarching strategic performance indicators for City Corporation. The Framework also lacked any way of delivering strategic oversight of organisational activity. Nor did the CPF provide a means of visualising organisational activity or progress over time. A shift towards performance indicators measuring outcomes – especially when these are specific, measurable, achievable,

relevant and timebound – and ways of visualising data to make it more accessible, and allow for increased analysis, is necessary to provide more depth to corporate understanding of performance and use this data to inform strategic decision making.

12. In late March 2022 a discussion took place on the CPF at the Executive Leadership Board. Agreement was reached that it was necessary to refocus previous activity in order to deliver a workable solution for the CPF. This iteration of the framework aims to be focussed on identifying ways of tracking relevant strategic outcomes, developing ways of using data that underpin this to visualise activity for City Corporation. The updated CPF will also be designed for continuous improvement, with ongoing feedback on content encouraged. This work is being developed in tandem with the new Corporate Plan so as to ensure alignment of performance and strategic plans – however, parts of the CPF will be available in 2022, in advance of the new plan.

Financial Management Arrangements

13. The Chamberlain is the Chief Finance Officer in accordance with section 151 of the Local Government Act 1972 and has overall responsibility for the proper administration of the City's financial affairs. CIPFA's 2010 Statement on the Role of the Chief Financial Officer in Local Government defines 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 were reviewed and found to conform to the governance requirements of the Statement. The Chamberlain also fulfils the role of Treasurer of the Police Authority. Compliance with CIPFA's Financial Management Code has been reviewed and areas for action in relation to this have been determined.

14. The City Corporation culture is to maximise returns from its resources and seek value for money. It assesses the scope for improvements in efficiency/value for money by a variety of means, including improvement priorities set by the Policy & Resources Committee through the annual resource allocation process, and internal examination and review by the Efficiency & Performance (Finance) Sub Committee. The Efficiency & Performance Sub Committee has responsibility for monitoring and oversight of the Efficiency and Sustainability Plan and of departmental Economy, Efficiency and Effectiveness (EEE) Health Checks. These include consideration of income, helping to embed further a value for money culture within the City Corporation's business planning processes. The Projects Sub Committee meets monthly to ensure that projects align with corporate objectives and strategy and provide value for money. Oversight for the major programmes is provided by the Capital Buildings Committee, meeting every two months, supported by a monthly Major Programme Assurance board.

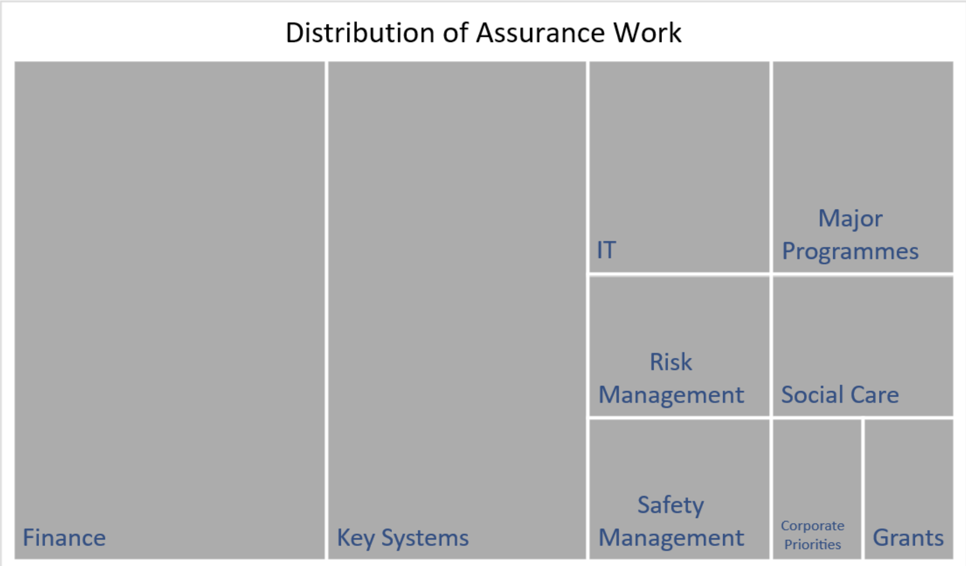
Risk Management

15. The City Corporation has established formal Risk Management arrangements which include the development and maintenance of corporate, departmental, and service risks, their regular review by departmental senior management, through the Chief Officer Risk Management Group, and reported to the relevant Grand/Service Committee. These arrangements are subject to annual review by the Audit and Risk Management Committee and have continued to operate effectively.
16. The Audit and Risk Management Committee continued to play an important and integral part in ensuring that our most important risks were reviewed through regular risk updates and deep dives of corporate risks on a rolling basis. The Committee also continued to operate the Informal Risk Challenge process, meeting with Chief Officers individually to evaluate their approach to managing risk within their operations.
17. An external Risk Management Health check was undertaken in 2021/22 which found that:

> "Overall, the Health Check review found that the City Corporation's risk management approach aligns with best practice, it strives for continuous improvement, recognising that there are always improvements that can be made to its effectiveness."

Role of Internal Audit

18. Internal Audit has provided independent and objective assurance across a range of City Corporation activities and services, in accordance with the Annual Internal Audit Plan (part of a 3-year Strategic Audit Plan). The Audit Plan has been managed proactively throughout the year with the engagement and support of the Audit and Risk Management Committee; amendments were made to accommodate the continued impact of the Target Operating Model review, with work being reprioritised and rescheduled accordingly. The diagram below indicates the broad categorisation of assurance work within the Internal Audit programme of work and the key themes emerging from Audit findings:



Key themes emerging:

- Roles and Responsibilities (ambiguity)
- Compliance and Enforcement (2nd Line of Defence)
- Education and Awareness
- Poorly Defined Deliverables (and reporting against)
- Governance (accountability, ownership, structure,
- Lessons Learned

19. In accordance with the requirements of the Public Sector Internal Audit Standards, an annual self-assessment has been undertaken and confirmed that the City Corporation's Internal Audit function conforms with the requirements of the standards.

Audit and Risk Management Committee

20. The Audit & Risk Management Committee has a wide-ranging but focused brief that underpins the City of London Corporation's governance processes. It met this remit via structured independent challenge and oversight of the adequacy of Corporate and departmental risk management, in addition to the internal controls and financial reporting frameworks.

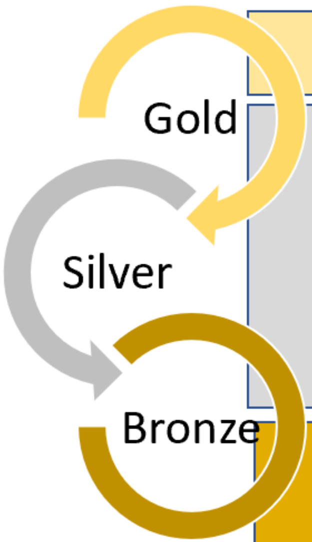
Headline outcomes for the year include:

- Adding greater depth to the oversight and scrutiny of effective risk management through the Informal Risk Challenge Process and "deep dive" reviews
- Driving the continued evolution of risk management organisation wide, both on the part of Officers within departments, and also elected Members
- Challenging and supporting the organisation in its response to the COVID-19 pandemic
- Supporting the process to ensure that Internal Audit activity is focussed towards areas of most significant risk
- Ensuring timely and effective implementation of Internal Audit recommendations through a robust process of follow-up activity

Key Governance Issues

COVID-19

21. Under the Civil Contingencies Act 2004 the City of London Corporation is a Category 1 responder. It therefore has statutory responsibilities under the act and the emergency provisions that comes with it. The outbreak of the COVID-19 pandemic in 2020 resulted in officers deploying command and control structures in order to effectively manage the City Corporation's response to the global crisis. Officers worked, and continue to work, with Public Health England and other partners, in accordance with current Government guidance, to maintain the organisation's critical and other services and to minimise the impact of COVID-19 on the City's communities as we enter a new period post the pandemic emergency.
22. The introduction of [temporary emergency measures] enabled formal decision-making meetings to be undertaken virtually until 6th May 2021. The ability to operate in this manner was very successful, it introduced more flexibility, helped to facilitate greater public scrutiny, and aided Members and officers in conducting business more efficiently. Prior to the introduction of virtual meetings, matters which required an immediate formal committee decision were dealt with in accordance with [Standing Order No 41(a)] i.e. under the urgency procedures. Decisions taken in this manner usually involves consultation with just the Chairman and Deputy Chairman of a committee, but the process was extended so all Members of a committee had the opportunity to comment before a decision was taken. The arrangements were lifted but temporarily re-imposed from 16 December 2021 to 27 January 2022 due to the Omicron outbreak.
23. The management of risk has been at the heart of the governance arrangements employed to manage the City Corporation's response to COVID-19. The City Corporation's Gold group agreed a risk management protocol which set out the process by which the corporate risk for COVID-19 (CR34) and operational risks (silver/ thematic group) were identified, assessed, managed, and reported. The Audit and Risk Management Committee received detail of all the COVID-19 risks.



A City Corporation-wide Gold group had been established at the start of the pandemic to oversee the response across all its areas.

A Silver group was established in Community and Children's Services, chaired by the Director of Community and Children's Services, comprising the Department Leadership Team and relevant external stakeholders such as Health Colleagues and the voluntary and community sector. Meeting weekly throughout lockdown periods and when there were significant pandemic pressures, the group was responsible for identifying vulnerable groups and the mobilisation of critical support including the safeguarding of adults and children. Assistant Director of People's Services was the responsible lead for ensuring that access to social care and rough sleeping services were maintained. Assistant Director for Commissioning and Partnerships was responsible for maintaining our commissioned services and flexing these up where necessary.

A bronze group of Service Managers, chaired by the Assistant Director, Housing and Barbican, was established and brought together working knowledge of the impact of the pandemic on residents and services, proposed responses to this and raised any risks in maintaining services for vulnerable people to the Silver group.

24. Throughout the period, the City Corporation ensured that access to services was maintained for vulnerable people and that additional support was provided where required.
25. Since March 2020, the City has been delivering a range of Grant support to City Businesses, primarily focussed on the Retail, Hospitality and Leisure Sectors, on behalf of Central Government. The City's own City Business Support Grant scheme has delivered around £15m to SME Retail, Hospitality and Leisure businesses.

26. The City's Business Rate Enhanced Retail and Hospitality Relief scheme, gave 100% relief from business rates to businesses in these sectors in the first three months of 2021/22 financial year, followed by a 66% reduction for the remainder of the year.

Electoral arrangements

27. The City Corporation administers electoral registration and elections in the City of London and maintains a database of organisations and individuals in the City of London who are eligible to register to vote. Three separate registers are maintained: the Common Hall Register of Liverymen, the Ward Lists and the Electoral Register. Information on the electoral process and how to vote is published on the City Corporation website. Common Hall is one of the assemblies through which the City Corporation operates and is a meeting of the Liverymen of the City of London Livery Companies, held at Guildhall twice a year, to elect officers of the City including the Sheriffs and the Lord Mayor. The Lord Mayor is elected annually at Michaelmas, on 29 September, and the City's Sheriffs are elected after Midsummer day on 24 June. Sheriffs support the Lord Mayor in their official duties undertaken on behalf of the City Corporation.
28. City-wide elections due to be held in 2021 were delayed to March 2022. The COVID-19 pandemic had impacted on Ward List voter registration, businesses and workers were not present in the City, and it was uncertain whether it would be possible for the City of London Corporation to physically arrange and hold elections. At the time of making this decision to alter the electoral term for serving Members it was both unknown and unpredictable how long or far reaching the impacts of the pandemic would be on the city and its citizens. Delays to elections are rare and only happen in exceptional circumstances; this unusual and difficult decision was not taken lightly and it was the first time it had happened since the time of World War II. T, which illustrates how fundamental the City of London Corporation regarded it to be. Other governance changes were made due to the impacts of the pandemic to permit Alderman to continue to serve until the age of 75 and for the incumbent Lord Mayor to extend his 1 year term by 12 months.
29. A campaign to improve the voter statistics for the City, and a dedicated Speak for the City website that enabled voter registrations and provided information on how to stand as a candidate, meant workers and residents who were entitled to vote in the March 2022 election were not disenfranchised because of the effects of the pandemic. The City's electoral register for the March 2022 elections stood at its highest level for seven years with almost 20,000 voters, up nearly 50% on the previous year. 38 new members and 62 returning members were elected to the Court of Common Council. Of these, 32 were women – an increase of eight on the figure from 2017 (24). More than half of new candidates were either women or people from black, Asian or minority ethnic backgrounds. Aldermanic elections will resume after the publication of the Ward Lists in 2022.

Equality Diversity & Inclusion

30. Equality, Diversity & Inclusion (EDI) needs continued to gain increased prominence and recognition in the Corporation. The Tackling Racism Taskforce proposed 35 recommendations including on tackling historical issues such as statues and landmarks, that the City Corporation implemented to promote economical, educational, and social inclusion, and put diversity and inclusivity front and centre in everything it does, from staffing and governance arrangements to its family of schools, the City of London Police and its close relationship with the City's financial and professional services sector. The Corporation worked closely with Barbican Centre to respond to the publication of Barbican Stories, acting quickly to put in place an External Review by employment and equality law specialist Lewis Silkin LLP, and a HR Audit of working practices at the Barbican and beyond. The Barbican EDI Plan was updated and a dedicated Interim Director of Equity, Inclusion and Diversity was appointed. The Nominations, Effectiveness and Inclusions Committee oversees the Barbican Centre's EDI policies. In November 2021, funding of a small but focussed team to support the City Corporation's Head of Equality, Diversity & Inclusion (EDI) was agreed. The dedicated EDI function will provide access to professional expertise and specialist knowledge in the areas of Leadership, Culture, Line management, Behaviours, Career progression, Policies and practices, Customer satisfaction and Supply chain involvement. It will also be critical to the City Corporation in ensuring it meets its requirements under the Equality Act 2010. Executive Leadership Board approval was given to establish a pool of EDI reps in the organisation who will assist the City Corporation in meeting its requirements on EDI.

31. The City Corporation continued its upward progress in the Social Mobility Employer Index, moving up 10 places in 2021 to rank 40th in the national league table of organisations which work to attract and progress talent from a wide range of backgrounds. The City Corporation continued to lead the Government-commissioned Socio-Economic Diversity Taskforce, which has over 100 employers represented across UK financial and professional services. The City Corporation has identified some newly emerging recruitment and retention challenges that are related to the impacts of the pandemic, and that are also being widely experienced by other sectors, and its Target Operating Model implementation. Action to mitigate this is being taken forward by Chief Officers.

Target Operating Model

31. Implementation of a new Target Operating Model (TOM) for the Corporation was taken forward in 2021/22 to align activity and resources and build competence and capability to better enable the organisation to achieve Corporate Plan outcomes and drive competitiveness in the sectors where it operates. TOM Programme Office oversight of five workstreams - Tier 1 Restructure / Talent & Leadership, Organisational Design, Enabling Functions, Ways of Working, Institutions, and Behaviours & Culture - came to an end in March 2022 with oversight transferring to the Chief Strategy Officer. Effective governance was provided by the Design Advisory Board, TOM Steering Group, and Establishment Committee. All departments and institutions produced Committee proposals to align their structures with the TOM Organisational Design principles. The approved proposals mean that the financial target of the TOM has been met. Success measures and metrics are being developed for the Target Operating Model whilst Departments continue to seek agreement to implement further phases of change, and transition to business as usual. A post implementation Review will be undertaken in 2023.

Afghanistan

32. In September 2021 the City Corporation was informed that the government had secured two “bridging hotels” in the Square Mile to provide temporary homes to families evacuated from Afghanistan. The urgency with which this operation was delivered meant there was little early clarity in terms of the host local authority’s responsibilities or role. Early in the placement of these families the government asked the City Corporation to provide “wrap around” support. The support aims to ensure families health and welfare needs are being met, that people are safe, that children and young people get school and college places, and families can access to health, welfare benefits and other support. The delivery of this role was supported by government funding to the City Corporation. A Gold group established at the outset period to provide leadership and decision making to secure immediate resource and delivery was replaced by a humanitarian assistance working group chaired by the Executive Director – Community and Children’s Services. It brought together internal and external stakeholders to provide co-ordination and accountability. It is supported by an operations group. The department’s Head of Finance and two Assistant Directors form a finance group to assess and approve requests for funding to deliver services and ensure funding is used effectively and in line with the guidance of government. A policing group meets to review incidents and intelligence to ensure guests remain safe. The City Corporation also participates in London Councils’ Afghan Bridging Hotels group, where all London authorities hosting bridging hotels convene to identify common issues and share information

Ukraine

33. Following the Russian Invasion of Ukraine the UK has imposed a range of sanctions on Russia in addition to those which have been in place since 2020. A Gold Group chaired by the Chief Operating Officer was put in place in March 2022 to ensure that the City Corporation is compliant. The City Corporation’s City Bridge Trust is also helping Ukrainian refugees receive a warm and safe welcome.

Accountability and Action Plans

34. Progress has been taken to taken to address key governance issues identified in the Annual Governance Statement 2020-21:

Issue identified	Action Taken	Outcome
Work to further develop, refine, implement and embed a Corporate Performance Framework will resume once a team is in place (initiated in Nov 2021). In the meantime, a successful application to issue Power BI licences to all staff means that Departments can now access real-time performance data as and when required. Corporate Performance Framework will be used to provide performance information for scrutiny at Committee, corporate, strategic, departmental, service and operational levels, as well as in published reports.	Recruitment action was successfully completed through the end of 2021/22, enabling a review of the Corporate Performance Framework to be undertaken. Work on the CPF remains ongoing, with the future approach having been agreed by the Executive Leadership Board in March 2022.	Ongoing
In 2022, the Executive Leadership Board will consider Organisational Performance as a standing agenda item at its monthly meetings to ensure transparency, oversight, ownership and scrutiny of performance across the organisation.	Included as a regular item in the Executive Leadership Board Forward Plan for 2022.	✓
Officer Governance has been reviewed to enable more agile and proactive working. From June 2021 The Executive Leadership Board (ELB), made up of our senior leadership team with quarterly attendance from Heads of Institutions, will set, refresh and align on strategy, share major risks, review performance, make key decisions, manage talent & succession and collaborate across the organisation. Tier 2 leaders across the organisation will also be invited to attend quarterly meetings of the refreshed Senior Leaders Forum (SLF), which will connect on plans across the organisation, shaping strategy, initiatives and decisions before they are escalated to the ELB.	Officer governance and the route whereby issues can be escalated through the reshaped Senior Leaders Forum and Executive Leadership Board is included on the City Corporation intranet.	✓
Review of the decision-making process to be carried out to create more sustainable decision-making processes using hybrid meetings.	The Court of Common Council has agreed to review all new Governance arrangements after two years.	✓
Further consideration of the findings of the Lisvane review and implementation of recommendations as appropriate.	The Court of Common Council considered each aspect of the review, and changes agreed in December 2021, will see a revised committee structure put in place after the 2022 Ward elections. An Independent Panel, a Competitiveness Advisory Board and an Emergency Committee have been implemented.	✓
Risk management maturity exercise to be undertaken.	An external Risk Management Review by Risk Management Partners (RMP) in mid-2021 provided assurance to Executive Leadership Board and to the Audit and Risk Management Committee as to the effectiveness of risk management arrangements.	✓

35. The City Corporation proposes over the coming year to take the following actions to address these key governance issues:

Refining the Corporation's annual Business Planning Process, to ensure the development of the City of London Corporation Corporate Plan 2025-30

Lead:
Chief Strategy Officer

A redesign of the Corporate Performance Framework so it aligns to the development of the City of London Corporation Corporate Plan 2025-30

Lead:
Chief Strategy Officer

Further work on developing new Corporate Risks

Lead:
Chief Strategy Officer

Continuing to strengthen Equality, Diversity & Inclusion

Lead:
Chief Operating Officer

Establishing the agreed new Committee Structure and governance arrangements to conclude the implementation of the Lisvane Review

Lead:
Deputy Town Clerk

Ensure compliance with the CIPFA Financial Management Code

Lead:
The Chamberlain and Chief Finance Officer

Ensuring new Operating Model transition to business as usual and providing an assessment of its effectiveness via a Continuous Improvement and Review process.

Lead:
Chief Strategy Officer

36. This annual governance statement was approved by the City Corporation's Audit and Risk Management Committee on 12th July 2022.

John Barradell
Town Clerk and Chief Executive
Date: xxx 2022

Christopher Hayward
Chair, Policy and Resources Committee
Date: xxx 2022

Further Information

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 and the Greater London Authority (GLA).
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.

Section 106 agreement A legal agreement between Local Authorities and developers; these are linked to planning permissions and can also be known as planning obligations.

Section 278 agreement A section of the Highways Act 1980 that allows developers to enter into a legal agreement with the Local Authority to make permanent alterations or improvements to a public highway as part of a planning approval.

AVC .... Additional Voluntary Contributions
BCMS .... Business Continuity Management System
BRS .... Business Rate Supplement
CFR .... Capital Financing Requirement
CIL .... Community Infrastructure Levy
CIPFA .... Chartered Institute of Public Finance & Accounting
CPI .... Consumer Price Index
DfE .... Department for Education
DSG .... Dedicated Schools Grant
EUV .... Existing Use value
FTE .... Full Time Equivalent
GAAP .... Generally Accepted Accounting Practice
GLA .... Greater London Authority
HRA .... Housing Revenue Account
IAS .... International Accounting Standards
IFRS .... International Financial Reporting Standards
ISB .... Individual Schools Budget
LASAAC .... Local Authority (Scotland) Accounts Advisory Committee
LGPS .... Local Government Pension Scheme
LIBOR .... London Interbank Offered Rate
MRP .... Minimum Revenue Provision
NNDR .... National Non-Domestic Rate
OFSTED .... Office for Standards in Education, Children's Services and Skills
PCN .... Penalty Charge Notice
RPI .... Retail Price Index
SBNDR .... Small Business Non-Domestic Rate
SeRCOP .... Service Reporting Code of Practice
SETS .... Stock Exchange Electronic Trading Service
SI .... Statutory Instruments
SIP .... Strategic Investment Pot
SOLACE .... Society of Local Authority Chief Executives
VAT .... Value-Added Tax
VOA .... Valuation Office Agency

NOTES TO THE 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 Corporation Audit Progress Report

Year ending 31 March 2022

August 2023

Contents

The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit planning process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect the Authority or all weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

Introduction

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This paper provides the Audit and Risk Management Committee with a report on progress in delivering our responsibilities as your external auditors.

Members of the Audit and Risk Management Committee can find further useful material on our website, where we have a section dedicated to our work in the public sector. Here you can download copies of our publications https://www.grantthornton.co.uk/en/services/public-sector-services/

If you would like further information on any items in this briefing, or would like to register with Grant Thornton to receive regular email updates on issues that are of interest to you, please contact either your Engagement Lead or Engagement Manager.

Progress at August 2023

21-22 Financial Statements Audit

In January we issued a detailed audit plan, setting out our proposed approach to the audit of the Authority's 2021-22 financial statements.

We began our work on your draft financial statements in November 2022, but due to the finance team needing to prioritise the audits of City Cash and Bridge House Estates, the audit fieldwork did not gain momentum until the beginning of February 2023. There has been relatively high staff turnover in the finance team during our audit. This has, at times, led to us having to deal with multiple contact points in relation to the same queries. This has resulted in inefficiencies in completing the work.

The authority still has the prior year accounting period open along with several other audits on the City of London Corporation ongoing. This creates pressure on the finance team's ability to respond to audit queries. We have also faced challenges receiving appropriate responses on samples and this has resulted in sample testing taking significantly longer than we would expect. On completion of this year's audit, we will assess the additional cost that the above elements have had.

Considerable progress has been made since our last update, but there are still several items preventing us from completing our work. The primary outstanding requirement is as follows:

- completion of the 2020-21 financial statements audit by your predecessor auditor. As at August 2023, the City Fund and Pension Fund audit are yet to be completed for the year-ended 31 March 2021.

Other key outstanding work:

- Ongoing internal consultation on the accounting for lease premia (£176.9m) – we are discussing the Corporation's accounting treatment, on the valuation of lease premia received in relation to several investment properties, with our financial reporting team. On this area, we have had multiple responses with the most recent response raising new considerations on the matter, which we are now assessing.

- Ongoing hot review of the accounts – this is a process undertaken on all first-year audit clients and involves our technical teams review of the accounts. Given the nature of the authority, with there being several complex arrangements, this has taken time to close down. Staff turnover has had some impact on the pace this has been completed in.

- We are of the view that the latest triennial valuation contains information that should be considered in the 31 March 2022 position. Management have obtained the required reports from the actuary to restate the 2021/22 position for the Authority but did not initially obtain them for the Pension Fund. This is required to complete the audit. This work is ongoing for both the 21/22 City Fund and Pension Fund accounts.

- We are also consulting with our internal audit quality team to revise the benchmark for our materiality threshold, with the intention to retrospectively increase the figure. This approach is not typical in Local Authority accounting but reflects the fact we feel the authority has some unique circumstances that could lead to a different benchmark being used in our work going forwards.

- We are also undergoing our routine review process by the engagement manager, engagement lead and quality control reviewer.

Progress at August 2023 (cont.)

Other key outstanding work (cont.):

- As at the time of writing this report, there are a number of samples for which evidence is still outstanding, or for which follow-up queries are unresolved. These samples are in our testing of:
  - Completeness expenditure
  - Completeness income
  - Grant income
  - Fees and other charges
  - Employee benefits
  - Infrastructure assets
  - Assets under construction
  - Additions (PPE and Investment Properties)
  - REFCUS
  - Debtors
  - Creditors

Progress at August 2023 (cont.)

Other areas

Certification of claims and returns

We will certify the Authority's annual Housing Benefit Subsidy claim in accordance with procedures agreed with the Department for Work and Pensions (DwP). We had originally planned for the certification work for the outstanding 2020-21 claim to commence in November so that we could complete our work and report to DwP in December 2022. This timetable was not achieved and we await the final 2019-20 HBAP report, issued by your predecessor auditor, to be able to commence our work as soon as possible. Once this is received, we will work with the management to confirm timescales

Meetings

We met with Finance Officers in regularly as part of our quarterly liaison meetings and continue to be in discussions with finance staff regarding emerging developments and to ensure the audit process is smooth and effective.

Events

We provide a range of workshops, along with network events for members and publications to support the Authority. Your officers attended our Accounts Workshop in February 2023, where we highlighted financial reporting requirements for local authority accounts and gave insight into elements of the audit approach.

Value for Money

Under the 2020 Code of Audit Practice, for local government bodies auditors are required to issue our Auditor's Annual Report no later than 30 September or, where this is not possible, issue an audit letter setting out the reasons for delay.

NOA have issued Auditor Guidance Note 3 (AGN 03) in relation to Auditors' Work on Value for Money (VFM) Arrangements for 21-22 audits.

The ongoing delays in local audit continue to significantly impact audited bodies and the financial reporting and auditing process, and may therefore affect the timing of when the work on VFM arrangements set out in AGN03 is performed and reported.

The guidance states that the auditor should perform the procedures required as part of their work on VFM arrangements under AGN3 and issue their Auditor's Annual Report when their work is complete.

The Auditor's Annual Report should be issued no more than three months after the date of the opinion on the financial statements for all local government bodies.

We issued our Auditor's Annual Report for 2021-22 at the Audit and Risk Management Committee on 13th March 2023.

Audit Deliverables

2021/22 Deliverables	Planned Date	Status
Audit Plan We are required to issue a detailed audit plan to the Audit and Risk Management Committee setting out our proposed approach in order to give an opinion on the City Fund and Pension Fund 2021/22 financial statements and to issue a commentary on the Authority's value for money arrangements in the Auditor's Annual Report	January 2023	Completed
Audit Findings Report – City Fund The Audit Findings Report will be reported to you at the Audit & Risk Management Committee.	TBC	Not yet due
Auditors Report – City Fund This includes the opinion on your financial statements.	TBC	Not yet due
Audit Findings Report – Pension Fund The Audit Findings Report will be reported to you at the Audit & Risk Management Committee.	March 2023	Draft issued
Auditors Report – Pension Fund This includes the opinion on your financial statements.	TBC	Not yet due
Auditor's Annual Report This report communicates the key outputs of the audit, including our commentary on the Authority's value for money arrangements.	March 2023	Completed

Audit related Deliverables	Planned date	Status
Housing Benefit Subsidy – certification This is the report we submit to Department of Work and Pensions based upon the mandated agreed upon procedures we are required to perform. • 2020-21 HBAP return • 2021-22 HBAP return	TBC	TBC

Audit Deliverables

2022/23 Deliverables	Planned Date	Status
Audit Plan – City Fund We are required to issue a detailed audit plan to the Audit and Risk Management Committee setting out our proposed approach in order to give an opinion on the City Fund 2022-23 financial statements and to issue a commentary on the Authority's value for money arrangements in the Auditor's Annual Report	September 2023	Completed
Audit Plan – Pension Fund We are required to issue a detailed audit plan to the Audit and Risk Management Committee setting out our proposed approach in order to give an opinion on the Pension Fund 2022-23 financial statements.	September 2023	Completed
Audit Findings Report – City Fund The Audit Findings Report will be reported to you at the Audit & Risk Management Committee.	TBC	Not yet due
Auditors Report – City Fund This includes the opinion on your financial statements.	TBC	Not yet due
Audit Findings Report – Pension Fund The Audit Findings Report will be reported to you at the Audit & Risk Management Committee.	TBC	Not yet due
Auditors Report – Pension Fund This includes the opinion on your financial statements.	TBC	Not yet due
Auditor’s Annual Report This report communicates the key outputs of the audit, including our commentary on the Authority's value for money arrangements for 2022-23.	TBC	Not yet due

Delayed publication of audited local authority accounts

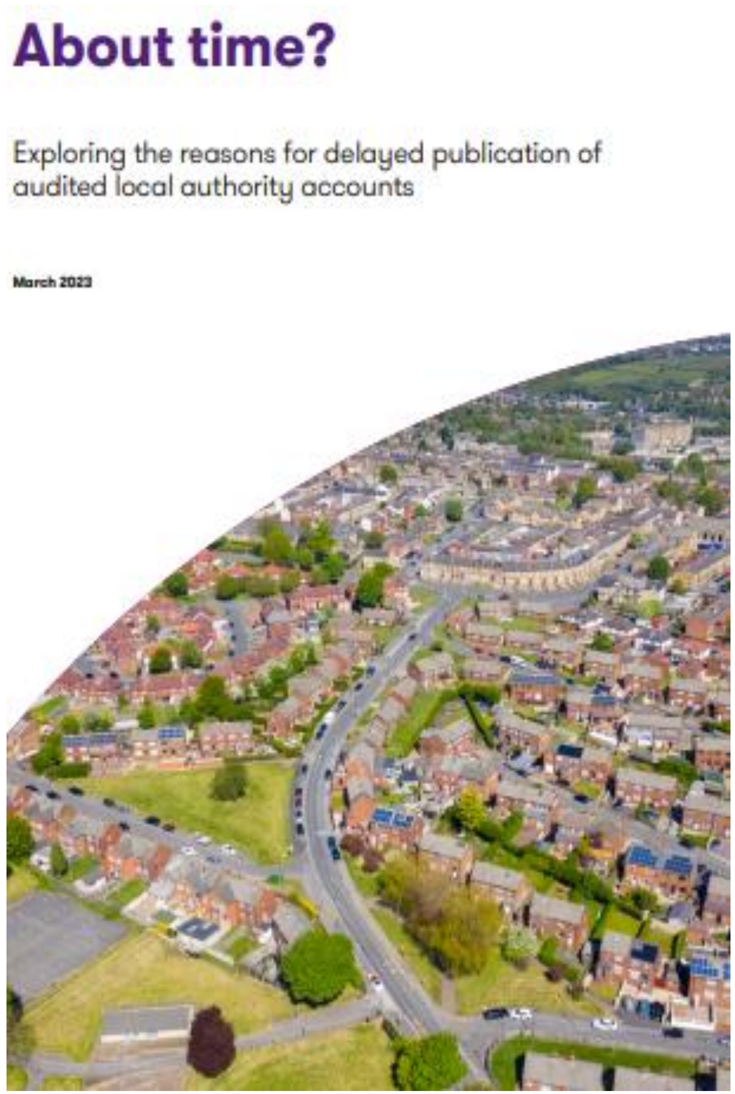
In December 2022 there were over 600 local audit opinions outstanding. This means that many stakeholders can't rely on audited accounts to inform decision making – a significant risk for governance and control.

Local authority accounts are becoming increasingly complex as accounting standards evolve and local authorities enter more and more innovative financing arrangements and income generation projects. A significant challenge in managing local audits is the differing needs of various stakeholders. The local government sector, central government and regulators need to agree on the purpose of local audit and find a consensus on improving efficiency in publishing accounts. Grant Thornton has produced a report that explore the reasons for delayed publication of audited local authority accounts.

Table 1 below illustrates the declining performance against the target date for publication of audited accounts in recent years.

Table 1 Audited accounts published by target date over the last six years

Financial year	Deadline for publication of unaudited accounts	Target date for publication of audited accounts	% audited accounts published by target date (all firms average)	% audited accounts published by target date (Grant Thornton audits)
2016/17	30 June 2017	30 September 2017	95	97
2017/18	31 May 2018	31 July 2018	87	91
2018/19	31 May 2019	31 July 2019	58	65
2019/20	1 September 2020	30 November 2020	45	54
2020/21	1 August 2021	30 September 2021	9	12
2021/22	1 August 2022	30 November 2022	12	20



Delayed publication of audited local authority accounts

What more can be done?

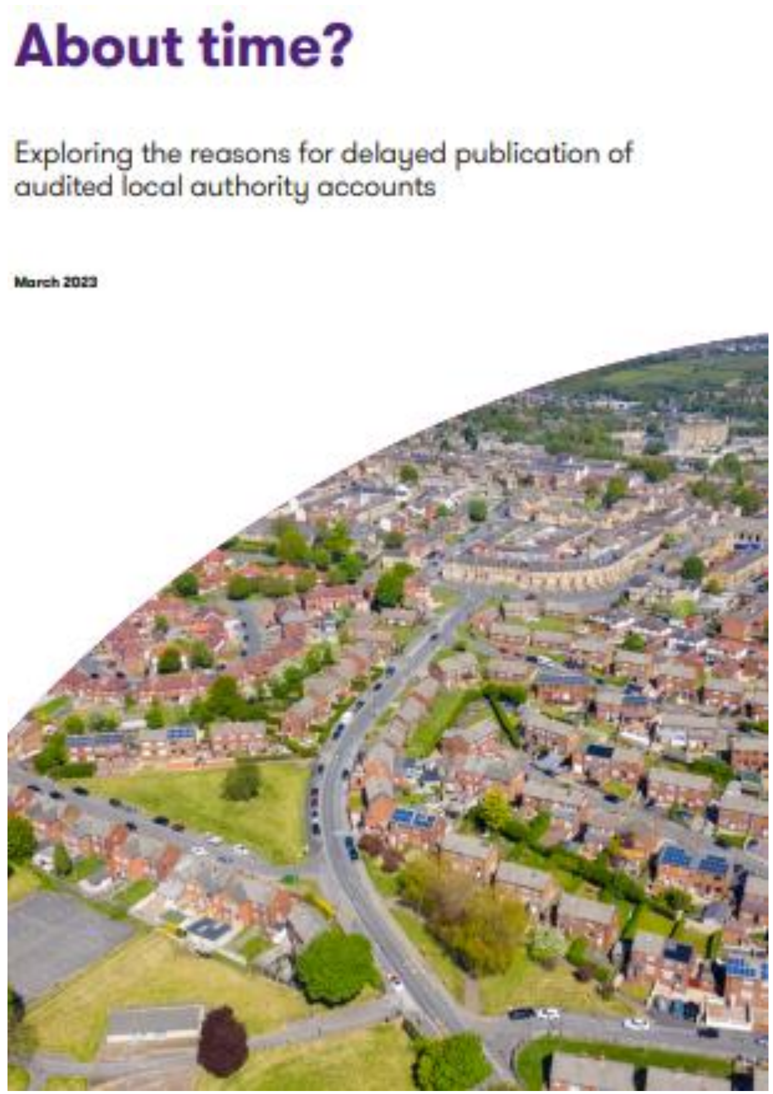
All key stakeholders in the local audit system will need to continue their efforts to secure improvement and a return to high levels of compliance with timely publication of audited accounts. The report explores several of the causes of delay and steps which might be taken to reduce the incidence of delays.

These steps relate to systems leadership, holding both authorities and auditors to account for their performance, a continued focus on the quality of accounts preparation and audit, and the effective engagement between auditors and audited bodies.

The report makes 20 recommendations for improving timeliness in publishing audited accounts.

The report also sets out a checklist which management and the audit committee should consider. The report recommends DLUHC, CIPFA or the FRC set out expectations for the system as a whole.

[Click here for full report]



SEND deficits kept off budgets for another three years

The government has allowed councils to keep deficits on spending for children with special educational needs and disabilities off their balance sheets for a further three years.

The government's local government finance policy statement published on 12th December 2022 says that the statutory override for the Dedicated Schools Grant (DSG) will be extended for the next three years, from 2023-24 to 2025-26.

Councils use the high needs funding block of the DSG to fund Send provision. But for many authorities, the cost of this has been outstripping the amounts provided by tens of millions of pounds, leading to a total deficit estimated at more than £2bn.

The statutory override means that any DSG deficits are not included in council's main revenue budgets. Before today's announcement, it had been due to expire in 2023. Last year, Matt Dunkley, chair of the Association of Directors of Children's Services' resources and sustainability policy committee, said: "We think the cumulative high needs block deficits of local authorities are approximately £2.3bn."

In June, the government launched the £85m Delivering Better Value in Send programme, that involves specialist advisors probing 55 councils' financial data to try and cut their DSG deficits. The Chartered Institute of Public Finance and Accountancy, a partner in the programme, said the scheme would provide "project management, change management and financial modelling capacity".

The programme is running alongside the Department for Education's 'safety valve' support scheme that offers bailouts for the councils with the largest Send spending deficits, in return for them implementing stringent reforms.

About 40 councils are expected to receive safety valve funding, meaning that the two programmes together will include about two thirds of councils with responsibility for Send. Also in June, the then children's minister Will Quince wrote a letter to council chief executives warning that a "significant number of councils are "running services that are not sustainable, and instead jeopardise the longevity of that crucial support".

Stonewall Gold Employer: GT's LGBTQIA+ inclusion journey

Background

15 Feb 2023, Stonewall, Europe's largest charity for Lesbian, Gay, Bi, Trans, and Queer (LGBTQIA+) rights, launched its widely anticipated Top 100 Employers List – recognising us for our work in supporting LGBTQIA+ colleagues to be the best versions of themselves at work and awarding us Gold Employer, the highest award.

We're proud to announce that we've ranked among the UK's leading employers from the public, private, and third sectors in the Stonewall Workplace Equality Index (WEI). We've also been recognised as a Gold Employer. Overall, we've ranked 38th in the latest WEI results, and 26th in the private sector, and 9th in the financial services sector.

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Informing the audit risk assessment for City of London Corporation – City Fund 2021/22

The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect your business or any weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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Purpose

The purpose of this report is to contribute towards the effective two-way communication between City of London Corporation City Fund's external auditors and City of London Corporation City Fund's Audit Committee, as 'those charged with governance'. The report covers some important areas of the auditor risk assessment where we are required to make inquiries of the Audit Committee under auditing standards.

Background

Under International Standards on Auditing (UK), (ISA(UK)) auditors have specific responsibilities to communicate with the Audit Committee. ISA(UK) emphasise the importance of two-way communication between the auditor and the Audit Committee and also specify matters that should be communicated.

This two-way communication assists both the auditor and the Audit Committee in understanding matters relating to the audit and developing a constructive working relationship. It also enables the auditor to obtain information relevant to the audit from the Audit Committee and supports the Audit Committee in fulfilling its responsibilities in relation to the financial reporting process.

Communication

As part of our risk assessment procedures we are required to obtain an understanding of management processes and the City of London Corporation City Fund's oversight of the following areas:

- General Enquiries of Management
- Fraud,
- Laws and Regulations,
- Related Parties,
- Going Concern, and
- Accounting Estimates.

Purpose

This report includes a series of questions on each of these areas and the response we have received from City of London Corporation City Fund's management. The Audit Committee should consider whether these responses are consistent with its understanding and whether there are any further comments it wishes to make.

General Enquiries of Management

Question	Management response
1. What do you regard as the key events or issues that will have a significant impact on the financial statements for 2021/22?	We are moving away from the impact of COVID-19 but there are still some residual issues affecting the 21/22 accounts including collection fund deficits and inflated reserve balance due to S31 offset funding, business support funding and COVID additional relief fund (CARF) impacting on creditor balances. Aside from those issues the accounts reflect previous areas which have an impact including IAS19 valuations, PPE valuations, investment property valuation and the assessment of business rate appeal provisions. The forecast Medium Term Financial Plan position show deficits occurring from 2023/24 which will require addressing as part of the budget setting process.
2. Have you considered the appropriateness of the accounting policies adopted by City of London Corporation City Fund? Have there been any events or transactions that may cause you to change or adopt new accounting policies? If so what are they?	The City Fund accounts are prepared in accordance with proper accounting practices as required by the Accounts and Audit Regulations 2015. This comprises the Code of Practice on Local Authority Accounting in the United Kingdom 2021-22 (the Code) issued by the Chartered Institute of Public Finance and Accountancy (CIPFA), supported by International Financial Reporting Standards (IFRS). Accounting policies are reviewed as part of the preparation of the accounts. No changes have been made in 21/22.
3. Is there any use of financial instruments, including derivatives? If so, please explain	City Fund is invested in money market funds to the value of £325m
4. Are you aware of any significant transaction outside the normal course of business? If so, what are they?	As part of the new Police HQ project there has been circa £100m transfer from investment property to operational property as this site will be used for the building. This is an internal transfer.

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General Enquiries of Management

Question	Management response
5. Are you aware of any changes in circumstances that would lead to impairment of non-current assets? If so, what are they?	No
6. Are you aware of any guarantee contracts? If so, please provide further details	CoL has entered into a guarantee contract for the Police ICT Company – as a national body supporting all forces with ICT services. This guarantee is limited to £28k.
7. Are you aware of the existence of loss contingencies and/or un-asserted claims that may affect the financial statements? If so, please provide further details	No
8. Other than in house solicitors, can you provide details of those solicitors utilised by City of London Corporation City Fund during the year. Please indicate where they are working on open litigation or contingencies from prior years?	Provided as a separate document

General Enquiries of Management

Question	Management response
9. Have any of the City of London Corporation City Fund's service providers reported any items of fraud, non-compliance with laws and regulations or uncorrected misstatements which would affect the financial statements? If so, please provide further details	The Corporate fraud register will be provided. Confirmation of non-compliance with laws and regulations has been provided via the Comptrollers and City Solicitor. You will be aware of the outstanding issue regarding the accounting for infrastructure assets. The accounts have been presented according to the latest guidance but we are awaiting further guidance on how this issue will be managed.
10. Can you provide details of other advisors consulted during the year and the issue on which they were consulted?	The City commission several valuation experts to conduct the valuation of their operational and investment property. These are Gerald Eve, Cushman and Wakefield and Savills. The City Corporation commission Barnet Waddingham to conduct its actuarial valuations including IAS19. We use Analyse Local to support our appeal provision calculation. Details to be provided separately.
11. Have you considered and identified assets for which expected credit loss provisions may be required under IFRS 9, such as debtors (including loans) and investments? If so, please provide further details	Assessment of expected credit losses are made on all non-statutory account debtors as per the requirements. Provisions are made based on backward and forward looking factors. Bad debt provision calculations have been provided as part of the audit pack.

Fraud

Matters in relation to fraud

ISA (UK) 240 covers auditors responsibilities relating to fraud in an audit of financial statements.

The primary responsibility to prevent and detect fraud rests with both the Audit Committee and management. Management, with the oversight of the Audit Committee, needs to ensure a strong emphasis on fraud prevention and deterrence and encourage a culture of honest and ethical behaviour. As part of its oversight, the Audit Committee should consider the potential for override of controls and inappropriate influence over the financial reporting process.

As City of London Corporation City Fund's external auditor, we are responsible for obtaining reasonable assurance that the financial statements are free from material misstatement due to fraud or error. We are required to maintain professional scepticism throughout the audit, considering the potential for management override of controls.

As part of our audit risk assessment procedures we are required to consider risks of fraud. This includes considering the arrangements management has put in place with regard to fraud risks including:

- assessment that the financial statements could be materially misstated due to fraud,
- process for identifying and responding to risks of fraud, including any identified specific risks,
- communication with the Audit Committee regarding its processes for identifying and responding to risks of fraud, and
- communication to employees regarding business practices and ethical behaviour.

We need to understand how the Audit Committee oversees the above processes. We are also required to make inquiries of both management and the Audit Committee as to their knowledge of any actual, suspected or alleged fraud. These areas have been set out in the fraud risk assessment questions below together with responses from City of London Corporation City Fund's management.

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Fraud risk assessment

Question	Management response
1. Has City of London Corporation City Fund assessed the risk of material misstatement in the financial statements due to fraud? How has the process of identifying and responding to the risk of fraud been undertaken and what are the results of this process? How do the City of London Corporation City Fund's risk management processes link to financial reporting?	Reliance is placed on the controls in place to prevent fraud e.g. systems/processes/financial monitoring/procurement practice etc and any concerns would be flagged to the Chamberlain and Audit and Risk committee, which would be factored into the financial statements preparation. A fraud register is maintained of any actual or suspected fraud cases. Internal Audit has provided independent and objective assurance across a range of City Corporation activities and services, in accordance with the Annual Internal Audit Plan (part of a 3-year Strategic Audit Plan). The Audit Plan has been managed proactively throughout the year with the engagement and support of the Audit and Risk Management Committee; amendments were made to accommodate the continued impact of the Target Operating Model review, with work being reprioritised and rescheduled accordingly. The Head of Internal Audit and Risk Management has provided an annual opinion stating that the City has adequate and effective systems of internal control (which includes governance arrangements) in place to manage the achievement of its objectives. This is informed by completed Audit work, discussion with key officers and observation of the governance process in operation, with particular regard to the implementation and continued operation of amended governance processes to address the impact of the COVID-19 pandemic.
2. What have you determined to be the classes of accounts, transactions and disclosures most at risk to fraud?	See response to Q5 below
3. Are you aware of any instances of actual, suspected or alleged fraud, errors or other irregularities either within City of London Corporation City Fund as a whole, or within specific departments since 1 April 2021? If so, please provide details	All frauds, whether actual or suspected are recorded on the corporate fraud register – 2021/22 extract of the full register attached.

Fraud risk assessment

Question	Management response
4. As a management team, how do you communicate risk issues (including fraud) to those charged with governance?	Biannual counter fraud and investigation reports delivered to the Audit & Risk Management Committee. Corporate risk report as standard item at each meeting of the Audit & Risk Management Committee.
5. Have you identified any specific fraud risks? If so, please provide details Do you have any concerns there are areas that are at risk of fraud? Are there particular locations within City of London Corporation City Fund where fraud is more likely to occur?	Yes – those areas where there is an inherent risk of fraud, despite having a sound control framework, the risks of human fraud or error can still exist. Housing allocations and rents (HRA properties) AP (Mandate) Social care (Direct Payments) All frauds, whether actual or suspected are recorded on the corporate fraud register – 2021/22 extract of the full register attached.
6. What processes do City of London Corporation City Fund have in place to identify and respond to risks of fraud?	Fraud risks are considered as part of each internal audit assignment, with appropriate testing undertaken to assess the scale of the fraud risks in that service. IA's counter fraud team consider fraud risks as part of corporate fraud investigation activity and these are reported as appropriate to management, with recommendations made as appropriate to improve the control framework.

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Fraud risk assessment

Question	Management response
7. How do you assess the overall control environment for City of London Corporation City Fund including: • the existence of internal controls, including segregation of duties; and • the process for reviewing the effectiveness the system of internal control? If internal controls are not in place or not effective where are the risk areas and what mitigating actions have been taken? What other controls are in place to help prevent, deter or detect fraud? Are there any areas where there is a potential for override of controls or inappropriate influence over the financial reporting process (for example because of undue pressure to achieve financial targets)? If so, please provide details	Delivery of a programme of Internal Audit work, this incorporates assurance work reviewing controls within key financial systems as well as a risk based programme of activity (the approach to the latter still focusses on the adequacy of the Internal Control environment). Segregation of duties is built into many of our existing processes, often driven/enforced by the design and implementation of our IT systems. The effectiveness of the system of internal control is based upon review and analysis of completed Internal Audit work and other relevant information that the Head of Internal Audit becomes aware of. This is a judgement/opinion based assessment so does not follow a specific process. Refer to the Head of Internal Audit Annual Opinion report to Audit and Risk Management Committee to identify risk areas from absent/weak internal controls. Mitigating actions are usually to implement /improve the controls identified as weak. There are also some effective 2nd line controls, for example in relation to procurement, we also make use of the NFI and more recently the London NFI fraud hub. There is always the potential for override or inappropriate influence, some of the City Corporation's financial arrangements are complicated, that said, Internal Audit work has not identified any specific instances.
8. Are there any areas where there is potential for misreporting? If so, please provide details	Not to our knowledge.

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Fraud risk assessment

Question	Management response
9. How does City of London Corporation City Fund communicate and encourage ethical behaviours and business processes of it's staff and contractors? How do you encourage staff to report their concerns about fraud? What concerns are staff expected to report about fraud? Have any significant issues been reported? If so, please provide details	Both the Corporate Anti-Fraud & Corruption Strategy and the Whistleblowing Policy provide confidential routes for staff to report any fraud concerns to the Internal Audit & Counter Fraud division for consideration of further investigation. A mandatory fraud awareness eLearning package is in place to raise staff awareness of fraud risks and acts as a reminder to staff about what risks they need to report. This eLearning is repeated periodically for staff employed in high fraud risk areas, such as housing, benefits, accounts payable etc. Staff are encouraged to report any concerns they may have, these are triaged by the Internal Audit & Counter Fraud division upon receipt with appropriate action taken. Details of the cases referred and investigated during the 2021/22 reporting year can be found in the attached registers.
10. From a fraud and corruption perspective, what are considered to be high-risk posts? How are the risks relating to these posts identified, assessed and managed?	Posts where there is an inherent risk of fraud through misappropriation of funds or the City's assets. These include, finance, cashiers, AP, payroll, benefits, revenues, social care (DP) and housing teams. Staff in high-risk posts are required to submit a declaration of interest return on an annual basis to their Chief Officer, any third-party interests are considered on the basis of the risks posed and appropriate safeguards put in place. The mandatory fraud awareness eLearning training is repeated periodically for staff employed in high fraud risk posts.
11. Are you aware of any related party relationships or transactions that could give rise to instances of fraud? If so, please provide details How do you mitigate the risks associated with fraud related to related party relationships and transactions?	No Self-declaration of conflicts of interests/ third party interests expected to be reported by officers and Members. The City utilises the NFI AppCheck as part of its recruitment checks to see if staff have a third-party interest (recorded within NFI data) that may impact their duties at CoL. Scope exists to use AppCheck periodically for high-risk posts, but not known if this is being done holistically at present. Testing through the NFI biennial exercise – employees to Companies House data matching, The CoL is signed up to the NFI fraud hub, meaning more regular data matching of staff data to Companies House data.

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Fraud risk assessment

Question	Management response
12. What arrangements are in place to report fraud issues and risks to the Audit Committee? How does the Audit Committee exercise oversight over management's processes for identifying and responding to risks of fraud and breaches of internal control? What has been the outcome of these arrangements so far this year?	The Audit & Risk Management Committee (ARMC) receive an annual counter fraud & investigation report to its May committee and a half yearly report to its November committee. The Committee also receives regular updates on follow up work and has the power to hold officers to account, through calling management to committee to explain why any recommendations have not been implemented Overall arrangement for reporting and responding to recommendations has been positive and not required further intervention by ARMC.
13. Are you aware of any whistle blowing potential or complaints by potential whistle blowers? If so, what has been your response?	Not for pensions. Wider organisation wise - details of the disclosures raised under the whistleblowing procedure, along with the outcome of any investigation undertaken during 2021/22 can be found in the 2021/22 disclosure register attached. All disclosures raised under the whistleblowing channels are reported to the Audit & Risk Management Committee for oversight, along with a redacted summary of the outcome.
14. Have any reports been made under the Bribery Act? If so, please provide details	No

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Law and regulations

Matters in relation to laws and regulations

ISA (UK) 250 requires us to consider the impact of laws and regulations in an audit of the financial statements.

Management, with the oversight of the Audit Committee, is responsible for ensuring that City of London Corporation City Fund’s operations are conducted in accordance with laws and regulations, including those that determine amounts in the financial statements.

As auditor, we are responsible for obtaining reasonable assurance that the financial statements are free from material misstatement due to fraud or error, taking into account the appropriate legal and regulatory framework. As part of our risk assessment procedures we are required to make inquiries of management and the Audit Committee as to whether the body is in compliance with laws and regulations. Where we become aware of non-compliance or suspected non-compliance we need to gain an understanding of the non-compliance and the possible effect on the financial statements.

Risk assessment questions have been set out below together with responses from management.

Impact of laws and regulations

Question	Management response
1. How does management gain assurance that all relevant laws and regulations have been complied with? What arrangements does City of London Corporation City Fund have in place to prevent and detect non-compliance with laws and regulations? Are you aware of any changes to the City of London Corporation City Fund's regulatory environment that may have a significant impact on the City of London Corporation City Fund's financial statements?	Management and Committee reporting arrangements. See annual governance statement. Keep relevant laws and regulations under review – focus on changes in liaison with Comptroller and City Solicitor's department. The Comptroller and City Solicitor, is responsible for providing all legal services required by the City of London. This includes providing legal advice to Committees, Departments of the City, to the Commissioner of Police for the City, and to other organisations for whom the Comptroller & City Solicitor is required to act as legal adviser (e.g. the Museum of London). No
2. How is the Audit Committee provided with assurance that all relevant laws and regulations have been complied with?	The City Corporation has established formal Risk Management arrangements which include the development and maintenance of corporate, departmental, and service risks, their regular review by departmental senior management, through the Chief Officer Risk Management Group, and reported to the relevant Grand/Service Committee. These arrangements are subject to annual review by the Audit and Risk Management Committee and have continued to operate effectively. The Audit and Risk Management Committee continue to play an important and integral part in ensuring that our most important risks were reviewed through regular risk updates and deep dives of corporate risks on a rolling basis. The Committee also continued to operate the Informal Risk Challenge process, meeting with Chief Officers individually to evaluate their approach to managing risk within their operations. See Risk Management Policy and Strategy for further details.
3. Have there been any instances of non-compliance or suspected non-compliance with laws and regulation since 1 April 2021 with an on-going impact on the 2021/22 financial statements? If so, please provide details	Not as far as we are aware.
4. Are there any actual or potential litigation or claims that would affect the financial statements? If so, please provide details	Not of a material nature.

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Impact of laws and regulations

Question	Management response
5. What arrangements does City of London Corporation City Fund have in place to identify, evaluate and account for litigation or claims?	See response to Q2 above. In addition, confirmation is required from each Chief Officer that events after the balance sheet date and contingent liabilities/outstanding claims have been considered, with details of any material items or a nil return being provided.
6. Have there been any reports from other regulatory bodies, such as HM Revenues and Customs, which indicate non-compliance? If so, please provide details	Not as far as we are aware.

Related Parties

Matters in relation to Related Parties

City of London Corporation City Fund are required to disclose transactions with bodies/individuals that would be classed as related parties. These may include:

- bodies that directly, or indirectly through one or more intermediaries, control, or are controlled by City of London Corporation City Fund;
- associates;
- joint ventures;
- a body that has an interest in the authority that gives it significant influence over the Fund;
- key management personnel, and close members of the family of key management personnel, and
- post-employment benefit plans (Fund) for the benefit of employees of the Fund, or of any body that is a related party of the Fund.

A disclosure is required if a transaction (or series of transactions) is material on either side, i.e. if a transaction is immaterial from the [type of body]'s perspective but material from a related party viewpoint then the Fund must disclose it.

ISA (UK) 550 requires us to review your procedures for identifying related party transactions and obtain an understanding of the controls that you have established to identify such transactions. We will also carry out testing to ensure the related party transaction disclosures you make in the financial statements are complete and accurate.

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Related Parties

Question	Management response
1. Have there been any changes in the related parties including those disclosed in City of London Corporation City Fund's 2020/21 financial statements? If so please summarise: • the nature of the relationship between these related parties and City of London Corporation City Fund whether City of London Corporation City Fund has entered into or plans to enter into any transactions with these related parties the type and purpose of these transactions	Members have agreed to disclose all related party transactions of £10k to ensure transparency so our disclosures go above the strict accounting requirement. The disclosure in the accounts makes clear the movements from the previous year.
2. What controls does City of London Corporation City Fund have in place to identify, account for and disclose related party transactions and relationships?	Members are required to complete these disclosures as part of their role. Related parties linked to roles obtained through the Corporations are included by default.
3. What controls are in place to authorise and approve significant transactions and arrangements with related parties?	The Corporation does not operate single member decision making so all decisions are routed through the committee system. All procurement activity follows procurement rules which would usually result in a tender or approved framework being utilised with a transparent selection process.
4. What controls are in place to authorise and approve significant transactions outside of the normal course of business?	Whilst delegation limits are in place for Officers to action transactions most if not all significant transactions would be routed through a committee process. An audit trail of approvals will be required in order for payments to be processed.

Going Concern

Matters in relation to Going Concern

The audit approach for going concern is based on the requirements of ISA (UK) 570, as interpreted by Practice Note 10: Audit of financial statements and regularity of public sector bodies in the United Kingdom (Revised 2020). It also takes into account the National Audit Office's Supplementary Guidance Note (SGN) 01: Going Concern – Auditors' responsibilities for local public bodies.

Practice Note 10 confirms that in many (but not all) public sector bodies, the use of the going concern basis of accounting is not a matter of significant focus of the auditor's time and resources because the applicable financial reporting frameworks envisage that the going concern basis for accounting will apply where the body's services will continue to be delivered by the public sector. In such cases, a material uncertainty related to going concern is unlikely to exist.

For this reason, a straightforward and standardised approach to compliance with ISA (UK) 570 will often be appropriate for public sector bodies. This will be a proportionate approach to going concern based on the body's circumstances and the applicable financial reporting framework. In line with Practice Note 10, the auditor's assessment of going concern should take account of the statutory nature of the body and the fact that the financial reporting framework for local government bodies presume going concern in the event of anticipated continuation of provision of the services provided by the body. Therefore, the public sector auditor applies a 'continued provision of service approach', unless there is clear evidence to the contrary. This would also apply even where those services are planned to transfer to another body, as in such circumstances, the underlying services will continue.

For many public sector bodies, the financial sustainability of the body and the services it provides are more likely to be of significant public interest than the application of the going concern basis of accounting. Financial sustainability is a key component of value for money work and it is through such work that it will be considered.

Going Concern

Question	Management response
1. What processes and controls does management have in place to identify events and / or conditions which may indicate that the statutory services being provided by City of London Corporation City Fund will no longer continue?	The organisation maintains regular in year monitoring, medium term forecasting, risk management processes and has a strong financial standing which would prevent such an occurrence from happening.
2. Are management aware of any factors which may mean for City of London Corporation City Fund that either statutory services will no longer be provided or that funding for statutory services will be discontinued? If so, what are they?	No
3. With regard to the statutory services currently provided by City of London Corporation City Fund, does City of London Corporation City Fund expect to continue to deliver them for the foreseeable future, or will they be delivered by related public authorities if there are any plans for City of London Corporation City Fund to cease to exist?	The City of London expects continued delivery of these services.
4. Are management satisfied that the financial reporting framework permits City of London Corporation City Fund to prepare its financial statements on a going concern basis? Are management satisfied that preparing financial statements on a going concern basis will provide a faithful representation of the items in the financial statements?	Yes

Accounting estimates

Matters in relation to accounting estimates

ISA (UK) 540 (Revised December 2018) requires auditors to understand and assess a body's internal controls over accounting estimates, including:

- The nature and extent of oversight and governance over management's financial reporting process relevant to accounting estimates;
- How management identifies the need for and applies specialised skills or knowledge related to accounting estimates;
- How the body's risk management process identifies and addresses risks relating to accounting estimates;
- The body's information system as it relates to accounting estimates;
- The body's control activities in relation to accounting estimates; and
- How management reviews the outcomes of previous accounting estimates.

As part of this process auditors also need to obtain an understanding of the role of those charged with governance, which is particularly important where the estimates have high estimation uncertainty, or require significant judgement.

Specifically do Audit Committee members:

- Understand the characteristics of the methods and models used to make the accounting estimates and the risks related to them;
- Oversee management's process for making accounting estimates, including the use of models, and the monitoring activities undertaken by management; and
- Evaluate how management made the accounting estimates?

We would ask the Audit Committee to satisfy itself that the arrangements for accounting estimates are adequate.

Accounting Estimates - General Enquiries of Management

Question	Management response
1. What are the classes of transactions, events and conditions, that are significant to the financial statements that give rise to the need for, or changes in, accounting estimate and related disclosures?	These are reviewed and disclosed in note 2 of the accounts. Potential areas include business rates, pension liability, PPE, asset valuations and arrears.
2. How does the City of London Corporation City Fund's risk management process identify and address risks relating to accounting estimates?	The City of London Corporation is committed to ensuring risk management is utilised in every aspect of the organisation to drive efficiency, innovation and effectiveness in its overall decision-making process. The Corporate Risk Register contains the City Corporation's most significant risks and is reviewed by the Performance and Strategy Summit Group (chaired by the Town Clerk) before being reported to the Audit and Risk Management Committee on a periodic basis. Each department has a nominated Risk Coordinator who can provide support and guidance to officers and managers on risk management. The Risk Management Group, chaired by the Chamberlain's Corporate Risk Advisor, allows all the Risk Coordinators to jointly take a holistic view of the operational elements of risk management, including the review, development and engagement of managing risks within departments.
3. How does management identify the methods, assumptions or source data, and the need for changes in them, in relation to key accounting estimates?	These are largely driven by technical reporting requirements as set out but professional bodies (RICS and IAS etc). CoL does maintain some level of internal expertise like property specialists, accountants, those operating within the pension field etc to support the process. In relation to NNDR appeals the use of external experts provides us with a wider view of the evolution within this area and our position as the second largest business rate authority means we have close contact with Govt and other large business rate areas (like Westminster) to understand potential changes. Judgements on the recoverability of arrears are reviewed each year to ensure they appropriately capture the risk around this.
4. How do management review the outcomes of previous accounting estimates?	Many of these areas are constantly evolving and therefore these estimates only reflect a point in time. Previous years values form the starting point against current year estimates will be measured, and understanding key movements is critical to understanding how positions may have evolved.
5. Were any changes made to the estimation processes in 2021/22 and, if so, what was the reason for these?	In terms of overall approach, there were no changes in 21/22

Accounting Estimates - General Enquiries of Management

Question	Management response
6. How does management identify the need for and apply specialised skills or knowledge related to accounting estimates?	These are largely focused on the key areas of estimation which are material to the accounts requiring specialist training in making assessment (e.g. property and actuarial valuations) or where access to specialist knowledge provides support and advice when linking into the estimations process (e.g. NNDR provisions). Where specialised skills or knowledge are not available internally, the Corporation utilises interim staff to ensure that the required skills are accessible.
7. How does the City of London Corporation City Fund determine what control activities are needed for significant accounting estimates, including the controls at any service providers or management experts?	All external advice is subject to review processes where information provided is challenged to ensure it is robust and any movements are understood. For valuations, formal challenge sessions are held with our internal property experts and then further challenge is made by our capital accountants if there are any valuations that are flagged as outliers. The pension valuations are largely formulaic but we do ensure that significant movements between years are understood with additional disclosures included if necessary. NNDR appeals are subject to review by the Head of Revenues and the collection fund accountant. Bad debt provisions are viewed by the relevant head of finance and service leads to ensure a reasonable position is reached. Note in the case of external experts the base data used to produce these estimates is provided by CoL so we ensure these remain robust.
8. How does management monitor the operation of control activities related to accounting estimates, including the key controls at any service providers or management experts?	See response to Q7 above
9. What is the nature and extent of oversight and governance over management's financial reporting process relevant to accounting estimates, including: - Management's process for making significant accounting estimates - The methods and models used - The resultant accounting estimates included in the financial statements.	See response to Q7 above

Accounting Estimates - General Enquiries of Management

Question	Management response
10. Are management aware of any transactions, events, conditions (or changes in these) that may give rise to recognition or disclosure of significant accounting estimates that require significant judgement (other than those in Appendix A)? If so, what are they?	No
11. Why are management satisfied that their arrangements for the accounting estimates, as detailed in Appendix A, are reasonable?	These are established processes which are supported by external advice adhering to professional standards
12. How is the Audit Committee provided with assurance that the arrangements for accounting estimates are adequate ?	The audit committee are aware of any prior audit issues raised with accounting estimates and are informed of changes made to address these issues. Briefing sessions are held on the accounts prior to sign off which enables Members (within and outside of the committee) to challenge the approach to any aspect of the accounts. Members appoint senior staff within Chamberlain’s with appropriate skills and qualifications to provide the relevant assurance around the statement of accounts. The audit committee also maintains 3 independent members with appropriate skills and experience to provide challenge to all elements of the audit committee remit including the approval of the statement of accounts.

Appendix A Accounting Estimates

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Land and buildings valuations	External RICS valuations	Passing over of data by CoL to base valuations on, review meetings to discuss valuations, further challenge by capital team on valuation report.	Yes, detail already provided	Valuations are inherently uncertain due to the nature of the valuation process as individual valuers make judgements in forming a valuation.	No
Council dwelling valuations	Internal valuer using beacon methodology	Qualification of valuers, training, peer review	Internal qualified valuers	Valuations are inherently uncertain due to the nature of the valuation process as individual valuers make judgements in forming a valuation.	No
Investment property valuations	External RICS valuations	Passing over of data by CoL to base valuations on, review meetings to discuss valuations, further challenge by capital team on valuation report	Yes, detail already provided	Valuations are inherently uncertain due to the nature of the valuation process as individual valuers make judgements in forming a valuation.	No
Depreciation	Methods used as accepted by CIPFA code of practice. Asset lives determined as part of capital scheme development and principle as identified in the accounts	Discussion with capital scheme managers and subsequent use of valuations process to determine changes in UEL. Control in place to ensure all capital spend is capture through project procedure.	Project manager identified when capital scheme undertaken to advise to UEL	UEL are an inherent estimate.	No

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Appendix A Accounting Estimates

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Valuation of pension liabilities	Actuarial valuations as set out by actuarial standards	Underlying data is provided by CoL, estimates are reviewed and challenged once provided by Actuary	Yes, Barnett Waddingham	There is a degree of uncertainty involved due to the long-term nature of pension liability.	No
Fair value estimates	Only applies to short dated bond fund investments whose value are deemed via market price.	N/A	None – albeit these fund are invested with an investment firm.	N/A	No
Provisions	Currents only applicable for NNDR appeals. In general confirmation of potential issues received via Chief Officer confirmations	Senior leaders, including the Town Clerk and City Solicitor determine if there is an issue.	No	Would be subject to the specific provision issue that was being dealt with.	No
Accruals	Based on financial commitments at the end of the financial year yet to be recorded. Limited use of models but judgement require on models but judgement require on value of capital works completed at year end, which is determined by contractor	Review of financial position by budget holders and finance professionals.	No	Limited uncertainty as this is usually based on actual delivery of product or service.	No

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Appendix A Accounting Estimates

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Credit loss and impairment allowances	Generally review of historic trends, with account taken of future issues that may impact specific income streams	Review of historic trends, information for service managers	No	Locally determined depending on income stream.	No
Finance lease liabilities	Method as set out in CIPFA code of practice.	n/a	No	n/a	No
NNDR Appeals provision	Analyse provide by Analyse Local	VOA listing of CCA	Analyse Local	Uncertainty inherent but wider data set utilised by Analyse Local provide greater level of support for approach.	No

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Informing the audit risk assessment for City of London Corporation Pension Fund 2021/22

The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect your business or any weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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Purpose

The purpose of this report is to contribute towards the effective two-way communication between City of London Corporation Pension Fund's external auditors and City of London Corporation Pension Fund's Audit Committee, as 'those charged with governance'. The report covers some important areas of the auditor risk assessment where we are required to make inquiries of the Audit Committee under auditing standards.

Background

Under International Standards on Auditing (UK), (ISA(UK)) auditors have specific responsibilities to communicate with the Audit Committee. ISA(UK) emphasise the importance of two-way communication between the auditor and the Audit Committee and also specify matters that should be communicated.

This two-way communication assists both the auditor and the Audit Committee in understanding matters relating to the audit and developing a constructive working relationship. It also enables the auditor to obtain information relevant to the audit from the Audit Committee and supports the Audit Committee in fulfilling its responsibilities in relation to the financial reporting process.

Communication

As part of our risk assessment procedures we are required to obtain an understanding of management processes and the City of London Corporation Pension Fund's oversight of the following areas:

- General Enquiries of Management
- Fraud,
- Laws and Regulations,
- Related Parties,
- Going Concern, and
- Accounting Estimates.

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Purpose

This report includes a series of questions on each of these areas and the response we have received from City of London Corporation Pension Fund's management. The Audit Committee should consider whether these responses are consistent with its understanding and whether there are any further comments it wishes to make.

General Enquiries of Management

Question	Management response
1. What do you regard as the key events or issues that will have a significant impact on the financial statements for 2021/22?	There have been no key events or issues that have a significant impact on these statements. For the City Fund, Grant Thornton asked for the IAS 19 valuation to be redone. This does not impact the Pension Fund accounts. Following the Triennial review , Grant Thornton has asked for the IAS 26 to be revised. This is a standalone note and does not impact the Fund Account/Net Asset Statement of the Pension Fund accounts.
2. Have you considered the appropriateness of the accounting policies adopted by City of London Corporation Pension Fund? Have there been any events or transactions that may cause you to change or adopt new accounting policies? If so, what are they?	Accounting policies are reviewed as part of the preparation of the accounts. No changes have been made in 21/22
3. Is there any use of financial instruments, including derivatives? If so, please explain	The pension fund monies are invested with fund managers within different asset classes such as equity, multi asset, private equity and infrastructure
4. Are you aware of any significant transaction outside the normal course of business? If so, what are they?	No

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General Enquiries of Management

Question	Management response
5. Are you aware of any changes in circumstances that would lead to impairment of non-current assets? If so, what are they?	No
6. Are you aware of any guarantee contracts? If so, please provide further details	No
7. Are you aware of the existence of loss contingencies and/or un-asserted claims that may affect the financial statements? If so, please provide further details	No
8. Other than in house solicitors, can you provide details of those solicitors utilised by City of London Corporation Pension Fund during the year. Please indicate where they are working on open litigation or contingencies from prior years?	No external solicitors are used by the Pension Fund.

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General Enquiries of Management

Question	Management response
9. Have any of the City of London Corporation Pension Fund's service providers reported any items of fraud, non-compliance with laws and regulations or uncorrected misstatements which would affect the financial statements? If so, please provide further details	No
10. Can you provide details of other advisors consulted during the year and the issue on which they were consulted?	The Pension Fund has Mercer as its investment consultant. Mercer provide general advice around the investments of the fund, state of the market etc. Barnett Waddingham are the Pension Fund actuary
11. Have you considered and identified assets for which expected credit loss provisions may be required under IFRS 9, such as debtors (including loans) and investments? If so, please provide further details	Assessment of expected credit losses are made on all non-statutory account debtors as per the requirements. Provision are made based on backward and forward looking factors

Fraud

Matters in relation to fraud

ISA (UK) 240 covers auditors responsibilities relating to fraud in an audit of financial statements.

The primary responsibility to prevent and detect fraud rests with both the Audit Committee and management. Management, with the oversight of the Audit Committee, needs to ensure a strong emphasis on fraud prevention and deterrence and encourage a culture of honest and ethical behaviour. As part of its oversight, the Audit Committee should consider the potential for override of controls and inappropriate influence over the financial reporting process.

As City of London Corporation Pension Fund's external auditor, we are responsible for obtaining reasonable assurance that the financial statements are free from material misstatement due to fraud or error. We are required to maintain professional scepticism throughout the audit, considering the potential for management override of controls.

As part of our audit risk assessment procedures we are required to consider risks of fraud. This includes considering the arrangements management has put in place with regard to fraud risks including:

- assessment that the financial statements could be materially misstated due to fraud,
- process for identifying and responding to risks of fraud, including any identified specific risks,
- communication with the Audit Committee regarding its processes for identifying and responding to risks of fraud, and
- communication to employees regarding business practices and ethical behaviour.

We need to understand how the Audit Committee oversees the above processes. We are also required to make inquiries of both management and the Audit Committee as to their knowledge of any actual, suspected or alleged fraud. These areas have been set out in the fraud risk assessment questions below together with responses from City of London Corporation Pension Fund's management.

Fraud risk assessment

Question	Management response
1. Has City of London Corporation Pension Fund assessed the risk of material misstatement in the financial statements due to fraud? How has the process of identifying and responding to the risk of fraud been undertaken and what are the results of this process? How do the City of London Corporation Pension Fund's risk management processes link to financial reporting?	Reliance is placed on the controls in place to prevent fraud e.g. systems/processes/financial monitoring/procurement practice etc and any concerns would be flagged to the Chamberlain and Audit and Risk committee, which would be factored into the financial statements preparation. A fraud register is maintained of any actual or suspected fraud cases.
2. What have you determined to be the classes of accounts, transactions and disclosures most at risk to fraud?	See response to Question 5 below.
3. Are you aware of any instances of actual, suspected or alleged fraud, errors or other irregularities either within City of London Corporation Pension Fund as a whole, or within specific departments since 1 April 2021? If so, please provide details	No

Fraud risk assessment

Question	Management response
4. As a management team, how do you communicate risk issues (including fraud) to those charged with governance?	Biannual counter fraud and investigation reports delivered to the Audit & Risk Management Committee. Corporate risk report as standard item at each meeting of the Audit & Risk Management Committee.
5. Have you identified any specific fraud risks? If so, please provide details Do you have any concerns there are areas that are at risk of fraud? Are there particular locations within City of London Corporation Pension Fund where fraud is more likely to occur?	Yes – those areas where there is an inherent risk of fraud, despite having a sound control framework, the risks of human fraud or error can still exist • Continued payment of pensions following death • Over payment of pensions • Scammers targeting scheme members to persuade them to transfer their benefits to other arrangements that may be unusual or high risk or allow the scammers to steal the funds outright. No
6. What processes do City of London Corporation Pension Fund have in place to identify and respond to risks of fraud?	Fraud risks are considered as part of each internal audit assignment, with appropriate testing undertaken to assess the scale of the fraud risks in that service. Internal Audit's counter fraud team consider fraud risks as part of corporate fraud investigation activity and these are reported as appropriate to management, with recommendations made as appropriate to improve the control framework.

Fraud risk assessment

Question	Management response
7. How do you assess the overall control environment for City of London Corporation Pension Fund including: • the existence of internal controls, including segregation of duties; and • the process for reviewing the effectiveness the system of internal control? If internal controls are not in place or not effective where are the risk areas and what mitigating actions have been taken? What other controls are in place to help prevent, deter or detect fraud? Are there any areas where there is a potential for override of controls or inappropriate influence over the financial reporting process (for example because of undue pressure to achieve financial targets)? If so, please provide details	Delivery of a programme of Internal Audit work, this incorporates assurance work reviewing controls within key financial systems as well as a risk based programme of activity (the approach to the latter still focusses on the adequacy of the Internal Control environment). Segregation of duties is built into many of our existing processes, often driven/enforced by the design and implementation of our IT systems. The review of the effectiveness of the system of internal control is based upon review and analysis of completed Internal Audit work and other relevant information that the Head of Internal Audit becomes aware of, this is a judgement/opinion based assessment so does not follow a specific process. Refer to Head of Internal Audit Annual Opinion report to Audit and Risk Management Committee to identify risk areas from absent/weak internal controls. Mitigating actions are usually to implement /improve the controls identified as weak. There is always the potential for override or inappropriate influence, some of the City Corporation's financial arrangements are complicated, that said, Internal Audit work has not identified any specific instances
8. Are there any areas where there is potential for misreporting? If so, please provide details	Not to our knowledge

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Fraud risk assessment

Question	Management response
9. How does City of London Corporation Pension Fund communicate and encourage ethical behaviours and business processes of it's staff and contractors? How do you encourage staff to report their concerns about fraud? What concerns are staff expected to report about fraud? Have any significant issues been reported? If so, please provide details	Both the Corporate Anti-Fraud & Corruption Strategy and the Whistleblowing Policy provide confidential routes for staff to report any fraud concerns to the Internal Audit & Counter Fraud division for consideration of further investigation. A mandatory fraud awareness eLearning package is in place to raise staff awareness of fraud risks and acts as a reminder to staff about what risks they need to report. This eLearning is repeated periodically for staff employed in high fraud risk areas, such as housing, benefits, accounts payable etc. Staff are encouraged to report any concerns they may have, these are triaged by the Internal Audit & Counter Fraud division upon receipt with appropriate action taken.
10. From a fraud and corruption perspective, what are considered to be high-risk posts? How are the risks relating to these posts identified, assessed and managed?	Posts where there is an inherent risk of fraud through misappropriation of funds or the Pension Fund's assets. These include, pensions administration, cashiers and investments. Staff in high-risk posts are required to submit a declaration of interest return on an annual basis to their Chief Officer, any third-party interests are considered on the basis of the risks posed and appropriate safeguards put in place. The mandatory fraud awareness eLearning training is repeated periodically for staff employed in high fraud risk posts.
11. Are you aware of any related party relationships or transactions that could give rise to instances of fraud? If so, please provide details How do you mitigate the risks associated with fraud related to related party relationships and transactions?	No Self-declaration of conflicts of interests/ third party interests expected to be reported by officers and Members. The City utilises the NFI AppCheck as part of its recruitment checks to see if staff have a third-party interest (recorded within NFI data) that may impact their duties at CoL. Scope exists to use AppCheck periodically for high-risk posts, but not known if this is being done holistically at present.

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Fraud risk assessment

Question	Management response
12. What arrangements are in place to report fraud issues and risks to the Audit Committee? How does the Audit Committee exercise oversight over management's processes for identifying and responding to risks of fraud and breaches of internal control? What has been the outcome of these arrangements so far this year?	The Audit & Risk Management Committee receive an annual counter fraud & investigation report to its May committee and a half yearly report to its November committee. Regular updates on follow up work and have the power to hold officers to account, through calling management to committee to explain why recommendations not implemented Overall arrangement for reporting and responding to recs has been positive and not required further intervention by ARMC
13. Are you aware of any whistle blowing potential or complaints by potential whistle blowers? If so, what has been your response?	No
14. Have any reports been made under the Bribery Act? If so, please provide details	No

Law and regulations

Matters in relation to laws and regulations

ISA (UK) 250 requires us to consider the impact of laws and regulations in an audit of the financial statements.

Management, with the oversight of the Audit Committee, is responsible for ensuring that City of London Corporation Pension Fund’s operations are conducted in accordance with laws and regulations, including those that determine amounts in the financial statements.

As auditor, we are responsible for obtaining reasonable assurance that the financial statements are free from material misstatement due to fraud or error, taking into account the appropriate legal and regulatory framework. As part of our risk assessment procedures we are required to make inquiries of management and the Audit Committee as to whether the body is in compliance with laws and regulations. Where we become aware of non-compliance or suspected non-compliance we need to gain an understanding of the non-compliance and the possible effect on the financial statements.

Risk assessment questions have been set out below together with responses from management.

Impact of laws and regulations

Question	Management response
1. How does management gain assurance that all relevant laws and regulations have been complied with? What arrangements does City of London Corporation Pension Fund have in place to prevent and detect non-compliance with laws and regulations? Are you aware of any changes to the City of London Corporation Pension Fund's regulatory environment that may have a significant impact on the City of London Corporation Pension Fund's financial statements?	Various regulations are awaited from central government such as those around McCloud – these will affect the accounts for 2023/24 onwards. Keep relevant laws and regulations under review – focus on changes in liaison with Comptroller and City Solicitor's department. The Comptroller and City Solicitor, is responsible for providing all legal services required by the City of London. This includes providing legal advice to Committees, Departments of the City, to the Commissioner of Police for the City, and to other organisations for whom the Comptroller & City Solicitor is required to act as legal adviser (e.g. the Museum of London). No
2. How is the Audit Committee provided with assurance that all relevant laws and regulations have been complied with?	See corporate risk management procedure.
3. Have there been any instances of non-compliance or suspected non-compliance with laws and regulation since 1 April 2021 with an on-going impact on the 2021/22 financial statements? If so, please provide details	No
4. Are there any actual or potential litigation or claims that would affect the financial statements? If so, please provide details	No

Impact of laws and regulations

Question	Management response
5. What arrangements does City of London Corporation Pension Fund have in place to identify, evaluate and account for litigation or claims?	Management and insurance arrangements - see annual governance statement.
6. Have there been any reports from other regulatory bodies, such as HM Revenues and Customs, which indicate non-compliance? If so, please provide details	No, not that we are aware.

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Related Parties

Matters in relation to Related Parties

City of London Corporation Pension Fund are required to disclose transactions with bodies/individuals that would be classed as related parties. These may include:

- bodies that directly, or indirectly through one or more intermediaries, control, or are controlled by City of London Corporation Pension Fund;
- associates;
- joint ventures;
- a body that has an interest in the authority that gives it significant influence over the Pension Fund;
- key management personnel, and close members of the family of key management personnel, and
- post-employment benefit plans (pension fund) for the benefit of employees of the Pension Fund, or of any body that is a related party of the Pension Fund.

A disclosure is required if a transaction (or series of transactions) is material on either side, i.e. if a transaction is immaterial from the [type of body]'s perspective but material from a related party viewpoint then the Pension Fund must disclose it.

ISA (UK) 550 requires us to review your procedures for identifying related party transactions and obtain an understanding of the controls that you have established to identify such transactions. We will also carry out testing to ensure the related party transaction disclosures you make in the financial statements are complete and accurate.

Related Parties

Question	Management response
1. Have there been any changes in the related parties including those disclosed in City of London Corporation Pension Fund’s 2020/21 financial statements? If so please summarise: • the nature of the relationship between these related parties and City of London Corporation Pension Fund whether City of London Corporation Pension Fund has entered into or plans to enter into any transactions with these related parties the type and purpose of these transactions	Members have agreed to disclose all related party transactions of £10k to ensure transparency so our disclosures go above the strict accounting requirement. The disclosure in the accounts makes clear the movements from the previous year.
2. What controls does City of London Corporation Pension Fund have in place to identify, account for and disclose related party transactions and relationships?	Members are required to complete these disclosures as part of their role. Related parties linked to roles obtained through the Corporations are included by default.
3. What controls are in place to authorise and approve significant transactions and arrangements with related parties?	The Corporation does not operate single member decision making so all decisions are routed through the committee system. All procurement activity follows procurement rules which would usually result in a tender or approved framework being utilised with a transparent selection process.
4. What controls are in place to authorise and approve significant transactions outside of the normal course of business?	Whilst delegation limits are in place for Officers to action transactions most if not all significant transactions would be routed through a committee process. An audit trail of approvals will be required in order for payments to be processed.

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Going Concern

Matters in relation to Going Concern

The audit approach for going concern is based on the requirements of ISA (UK) 570, as interpreted by Practice Note 10: Audit of financial statements and regularity of public sector bodies in the United Kingdom (Revised 2020). It also takes into account the National Audit Office's Supplementary Guidance Note (SGN) 01: Going Concern – Auditors' responsibilities for local public bodies.

Practice Note 10 confirms that in many (but not all) public sector bodies, the use of the going concern basis of accounting is not a matter of significant focus of the auditor's time and resources because the applicable financial reporting frameworks envisage that the going concern basis for accounting will apply where the body's services will continue to be delivered by the public sector. In such cases, a material uncertainty related to going concern is unlikely to exist.

For this reason, a straightforward and standardised approach to compliance with ISA (UK) 570 will often be appropriate for public sector bodies. This will be a proportionate approach to going concern based on the body's circumstances and the applicable financial reporting framework. In line with Practice Note 10, the auditor's assessment of going concern should take account of the statutory nature of the body and the fact that the financial reporting framework for local government pension scheme bodies presume going concern in the event of anticipated continuation of provision of the services provided by the body. Therefore, the public sector auditor applies a 'continued provision of service approach', unless there is clear evidence to the contrary. This would also apply even where those services are planned to transfer to another body, as in such circumstances, the underlying services will continue.

For many public sector bodies, the financial sustainability of the body and the services it provides are more likely to be of significant public interest than the application of the going concern basis of accounting. Financial sustainability is a key component of value for money work and it is through such work that it will be considered.

Going Concern

Question	Management response
1. What processes and controls does management have in place to identify events and / or conditions which may indicate that the statutory services being provided by City of London Corporation Pension Fund will no longer continue?	The Pension Fund undergoes a triennial valuation to set the employer contribution rates for the following three years. Each year an IAS 19 is produced as are FRS102 (for some of the admitted bodies.
2. Are management aware of any factors which may mean for City of London Corporation Pension Fund that either statutory services will no longer be provided or that funding for statutory services will be discontinued? If so, what are they?	No
3. With regard to the statutory services currently provided by City of London Corporation Pension Fund, does City of London Corporation Pension Fund expect to continue to deliver them for the foreseeable future, or will they be delivered by related public authorities if there are any plans for City of London Corporation Pension Fund to cease to exist?	The City of London Pension Fund is a local government pension scheme and is governed by regulations. There are no plans for it to “cease to exist”. The administration of the pension fund will continue to be provided in house.
4. Are management satisfied that the financial reporting framework permits City of London Corporation Pension Fund to prepare its financial statements on a going concern basis? Are management satisfied that preparing financial statements on a going concern basis will provide a faithful representation of the items in the financial statements?	Yes

Accounting estimates

Matters in relation to accounting estimates

ISA (UK) 540 (Revised December 2018) requires auditors to understand and assess a body's internal controls over accounting estimates, including:

- The nature and extent of oversight and governance over management's financial reporting process relevant to accounting estimates;
- How management identifies the need for and applies specialised skills or knowledge related to accounting estimates;
- How the body's risk management process identifies and addresses risks relating to accounting estimates;
- The body's information system as it relates to accounting estimates;
- The body's control activities in relation to accounting estimates; and
- How management reviews the outcomes of previous accounting estimates.

As part of this process auditors also need to obtain an understanding of the role of those charged with governance, which is particularly important where the estimates have high estimation uncertainty, or require significant judgement.

Specifically do Audit Committee members:

- Understand the characteristics of the methods and models used to make the accounting estimates and the risks related to them;
- Oversee management's process for making accounting estimates, including the use of models, and the monitoring activities undertaken by management; and
- Evaluate how management made the accounting estimates?

We would ask the Audit Committee to satisfy itself that the arrangements for accounting estimates are adequate.

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Accounting Estimates - General Enquiries of Management

Question	Management response
1. What are the classes of transactions, events and conditions, that are significant to the financial statements that give rise to the need for, or changes in, accounting estimate and related disclosures?	These are disclosed in the notes to the accounts. Significant areas include the estimation of retirement benefits as well as valuations of private equity investments and infrastructure and pooled property.
2. How does the City of London Corporation Pension Fund's risk management process identify and address risks relating to accounting estimates?	This is disclosed in the accounts under Critical Judgements in apply accounting policies and Assumptions about other major sources of estimation uncertainty. The City of London Corporation is committed to ensuring risk management is utilised in every aspect of the organisation to drive efficiency, innovation and effectiveness in its overall decision-making process. The Corporate Risk Register contains the City Corporation's most significant risks and is reviewed by the Performance and Strategy Summit Group (chaired by the Town Clerk) before being reported to the Audit and Risk Management Committee on a periodic basis. Each department has a nominated Risk Coordinator who can provide support and guidance to officers and managers on risk management. The Risk Management Group, chaired by the Chamberlain's Corporate Risk Advisor, allows all the Risk Coordinators to jointly take a holistic view of the operational elements of risk management, including the review, development and engagement of managing risks within departments.
3. How does management identify the methods, assumptions or source data, and the need for changes in them, in relation to key accounting estimates?	This is mainly driven by technical reporting requirements (IAS19, IAS26 and FRS 102) which are undertaken by the actuary (Barnett Waddingham)
4. How do management review the outcomes of previous accounting estimates?	Many of these areas are constantly evolving and therefore these estimates only reflect a point in time. Previous years values form the starting point against current year estimates will be measured. See also Question 3 above.
5. Were any changes made to the estimation processes in 2021/22 and, if so, what was the reason for these?	No

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Accounting Estimates - General Enquiries of Management

Question	Management response
6. How does management identify the need for and apply specialised skills or knowledge related to accounting estimates?	These are largely focused on the key areas of estimation which are material to the accounts requiring specialist training in making assessment (e.g. property and actuarial valuations) or where access to specialist knowledge provides support and advice when linking into the estimations process (e.g. NNDR provisions) Actuarial valuations must be undertaken by an actuary – for the City of London Pension Fund, the actuary is Barnett Waddingham.
7. How does the City of London Corporation Pension Fund determine what control activities are needed for significant accounting estimates, including the controls at any service providers or management experts?	The pension valuations are largely formulaic, but we do ensure that significant movements between years are understood. At the triennial valuation, the draft valuation is subject to review and challenge by officers and a small group of Members.
8. How does management monitor the operation of control activities related to accounting estimates, including the key controls at any service providers or management experts?	See Question 7 above.
9. What is the nature and extent of oversight and governance over management's financial reporting process relevant to accounting estimates, including: - Management's process for making significant accounting estimates - The methods and models used - The resultant accounting estimates included in the financial statements.	See Question 7 above. Actuary Actuary Accounting policies

Accounting Estimates - General Enquiries of Management

Question	Management response
10. Are management aware of any transactions, events, conditions (or changes in these) that may give rise to recognition or disclosure of significant accounting estimates that require significant judgement (other than those in Appendix A)? If so, what are they?	No
11. Why are management satisfied that their arrangements for the accounting estimates, as detailed in Appendix A, are reasonable?	These are established processes which are supported by external advice adhering to professional standards
12. How is the Audit & Risk Committee provided with assurance that the arrangements for accounting estimates are adequate ?	The Audit & Risk Committee are aware of any prior audit issues raised with accounting and are informed of changes made to address these issues. Briefing sessions are held on the accounts prior to sign off which can enable Members (within and outside of the committee) to challenge the approach to any aspect of the accounts. Member appoint senior staff within Chamberlain's with appropriate skills and qualifications to provide the relevant assurance around the statement of accounts. The Audit & Risk committee also maintains 3 independent members with appropriate skills and experience to provide challenge to all element of the Audit & Risk Committee remit including the approval of the statement of accounts.

Appendix A Accounting Estimates

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Actuarial PV of Retirement Benefits	Estimation of the net liability to pay pensions depend on a number of complex judgements 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.	Underlying data is provided by CoL, estimates are reviewed and challenged once provided by Actuary.	Yes, Barnett Waddingham	There is a degree of uncertainty involved due to the long-term nature of pension liability.	No
Level 2 investments	The values of investments as shown in the net assets statement have been determined at fair value in accordance with the requirements of the Code and IFRS13. For the purposes of disclosing levels of fair value hierarchy, the Fund has adopted the classification guidelines recommended in Practical Guidance on Investment Disclosures (PRAG/Investment Association, 2016).	Underlying data provided by Fund Manager and Custodian. CoL challenge any variances between Custodian and Fund Managers values.	Fund Manager/Custodian	Degree of uncertainty is low as market values are provided by Fund Manager/Custodian, potential differences arise from different foreign exchange rates used (i.e. rounding of decimal places) and whether values have been taken as at MID pricing or BID pricing.	No
Level 3 investments	As above for Infrastructure (IFM) and Property. For Private Equity and Infrastructure (DIF), this is determined by using latest available data and calculated using the latest available market values (31 December, in most cases) and adjusted for cash flow and foreign exchange movements occurring during the period.	Underlying data provided by Fund Manager. The adjustments used for cashflows are reconciled on a quarterly basis.	Fund Manager/Custodian	There is a degree of uncertainty involved due to the adjustment for cash flow and foreign exchange movement.	No
Contribution Accruals	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.	N/A, no estimates used	No	Contributions are as per sent by employers/members per rates and adjustment certificates	No

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By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

Agenda Item 9

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By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

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Key updates from this quarter

- Close down for 2022/23 City Fund and Bridge House Estates is complete.
- Recruitment into key roles has continued, focusing on bringing in new talent as well as providing internal opportunities through lateral development and progression.
- Interims recruited and bought up to speed - to fill in the gaps until permanent positions are recruited to.
- Departmental Star Chamber meetings were completed ahead of the RASC away day which provided a better understanding on how cost pressures will be tackled during 2023/24, how outstanding permanent savings targets will be met as well as the opportunity to discuss risks and opportunities.
- Update on five-year medium term financial plan for the City Fund and City's Cash and new challenges identified at the Star Chamber meetings presented to Members at the RASC away day.
- Good progress made on the Operational Property Review including understanding the financial position which was also presented to Members at the RASC away day.
- Chamberlain's and City Surveyor's work on major projects funding strategy, first draft presented at RASC away day.
- Monthly financial reporting on major projects programme in place.
- City Fund audit 2020/21 and 2021/22 continues.
- Introduction of quarterly revenue monitoring – risk-based budgeting under development.
- ERP progressed to procurement stage.

Challenges faced over this quarter

- Continued delay to signing off City Fund accounts, 2020/21 and 2021/22, due to infrastructure issue has led to additional workload arising from outstanding audit, over and above closing 2022/23 accounts.
- Interim/new permanent appointments have needed time to get up to speed, particularly where permanent staff have moved on and there is a lack of handover/procedure notes.
- Recruitment challenges across finance sector - employees market where the interim market is more lucrative (shift from permanent to interim market).
- Inflationary pressures need careful monitoring and risk management accounting continues.

Plans for the next quarter (Q2)

- Financial Services Director continues to focus on 3 key priorities - 1) Well being of staff; 2) Recruitment; 3) Getting the basics done.
- Hand over to Assistant Director of Strategic Finance who joins the Financial Services Division at the end of July.
- Close down for 2022/23 City's Cash and Sundry Trusts.
- Continue Audit work for City Fund 2020/21, 2021/22, plus commencement of 2022/23 audit for City Fund, City's Cash and Sundry Trusts.
- Budget setting for 2024/25 commences.
- Continuation of recruitment campaign.
- Continued work on Operational Property Review and income generation.
- Chamberlain's and City Surveyor's work on major projects funding strategy continues to be developed.
- Appointment of ERP supplier and data cleansing strategy to be implemented.
- Forward plan, including transformation programme to be reviewed and reprioritised, including progress with H Drive migration to SharePoint.
- Continue work with Corporate Treasury and new CIO function (Stanhope) in developing a longer term robust cashflow.

Changes to our Business Plan priorities

- No changes to business plan priorities.

Key updates from this quarter

- Annual billing for Council Tax and Business Rates went well.
- Collection rates have increased for Council Tax and Business Rates.
- A credit audit is underway to review historic credit notes.
- All power and gas invoices have now been fully automated reducing manual processing.
- Energy Bill Support Scheme and Alternative Funding scheme delivered.

Challenges faced over this quarter

- Implementation of the 2023 valuations on business rates has gone well.
- Difficulty in extracting system information to enable the digitalisation of Housing Benefit paper files.
- New Housing Benefit System tender process completed.
- New Property Management System, Horizon is being tested.

Plans for the next quarter (Q2)

- Launch of third-party solution to automate more invoices.
- Implementation of a new Housing Benefit System rolling into the Capita Cloud and aligning with Revenues Systems.
- Digitalisation of Housing Benefit paper files.
- Launch of new online Charitable Relief application form.
- Replacement Income Manager system go live (October 2023).
- Council Tax and Business Rates E-billing and DD automation (AUDDIS) projects underway.

Changes to our Business Plan priorities

- No changes to business plan priorities.

Key updates from this quarter

- Continued testing in preparation of Member Self Service for the Pensions Administration system.
- Insurance renewals due June 2023 all successfully in place.
- Liaison with Civica consultants on the system configuration of the new Income Management system (CivicaPay).
- Testing on interfaces between Income Manager (PARIS) and the Property Management System (Horizon) following remediation work by MRI Consultants.
- Preparation of draft Pension Fund Annual Report and accounts; sundry trust accounts and relevant entries and disclosures for Bridge House Estates and City's Cash for the year ended 31 March 2023.

Challenges faced over this quarter

- Maintaining appropriate liquidity in light of the pace of potential spend on the major projects.
- Dealing with last minute additional audit queries around the 2021/22 accounts (City Fund).

Plans for the next quarter (Q2)

- Final user acceptance testing followed by the implementation and roll out of Member Self Service for the Pension Administration system.
- Production and distribution of the 2023 Annual Benefit Statements.
- Complete work on the Partial Exemption calculation for 2022/23.
- Progress H Drive migration to SharePoint and dealing with any issues which may arise from this.
- Commence exposure data collation for the December 2023 Insurance renewals.
- GL Testing to begin on the new Property Management system (Horizon) and begin user acceptance testing of the new Income Manager system (CivicaPay).
- Liaison with MRI Consultants on the configuration of interfaces between Horizon and CivicaPay.
- Continuing collaboration with Corporate Accountancy, Stanhope (CIO function) and 31Ten consultancy in developing a longer term robust cashflow in light of the spend on Major Projects.

Changes to our Business Plan priorities

- No changes to business plan priorities.

Internal Audit

Key updates from this quarter

- Internal Audit Apprentices made excellent progress.
- External validation (EQA) against the Public Sector Internal Audit Standards initiated, completion estimated at end of June.
- Recruitment campaign initiated for Principal Auditor and Senior Auditor posts.

Challenges faced over this quarter

- Capacity challenges following resignation of a team member.
- Completion of Corporate Risk Assurance reviews has been deferred to enable completion of other planned assurance work.
- High profile work has required significant time commitment from Head of Internal Audit.

Plans for the next quarter (Q2)

- Completion of recruitment.
- Implementation of K10 Vision (a new audit management application).
- Finalisation and launch of the 2nd generation PowerBI Internal Audit Dashboard.

Changes to our Business Plan priorities

- No changes to business plan priorities.

Chamberlain's Office

Key updates from this quarter

- Gross profit generated by the CHB Court shop has increased by 62% compared to Q1 2022/23.
- Number of freedom applications processed has increased from 434 in Q1 2022/23 to 449 in Q1 2023/24.
- Continuously received very positive feedback from guests and participants of freedom ceremonies (40 commendations).
- Produced a departmental communications plan to improve staff and stakeholder engagement.
- Launched the CHB Learning & Engagement Board to drive the department's learning objectives and improve the quality of training outcomes for staff.
- The Chamberlain's Department was identified by the Programme Director at the Digital Services Committee for making good progress with the H Drive migration project.

Challenges faced over this quarter

- The Chamberlain's Court continues to have capacity challenges to meet pressing deadlines and last minute stakeholder requests when staff are absent.
- Delay on freedom application system (Agenda) testing due to system build issues.
- The Chamberlain's Court are often chasing other departments for inter-departmental recharges (IDR), i.e. when a department wants to pay for someone's Freedom which has resulted delays in payment and a considerable loss of officer time.

Plans for the next quarter (Q2)

- Further testing on the freedoms applications system to ensure that it is fit for purpose prior to its switch on in October.
- Produce an ED&I action plan 2023/24 and agree priorities for 2024/25 in consultation with the CHB ED&I Group.
- Continue progress of the department's H Drive migration project.
- Improve the efficiency of the IDR (inter-departmental recharges) process to ensure that payments by departments for freedom ceremonies are promptly made.
- Continue to progress and monitor the Values and Behaviours action plan to support the Chamberlain's Transformation project.
- CHB Business Planning 2024/25 commences in consultation with key stakeholders.

Changes to our Business Plan priorities

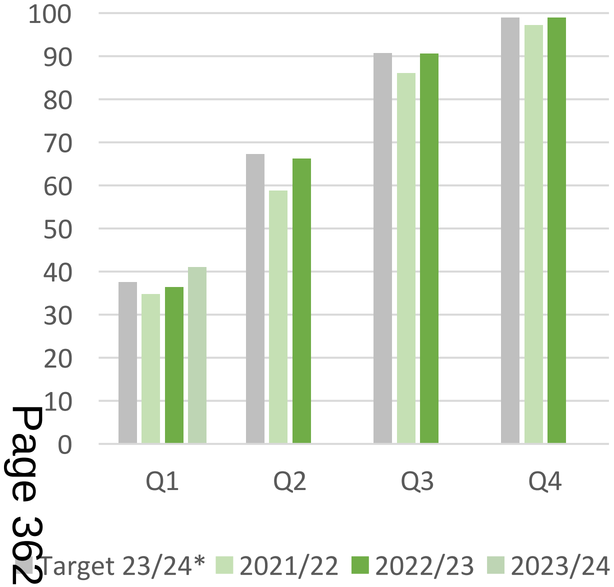
- No changes to business plan priorities.

Chamberlain's 2023/24 Business Plan

Page 362

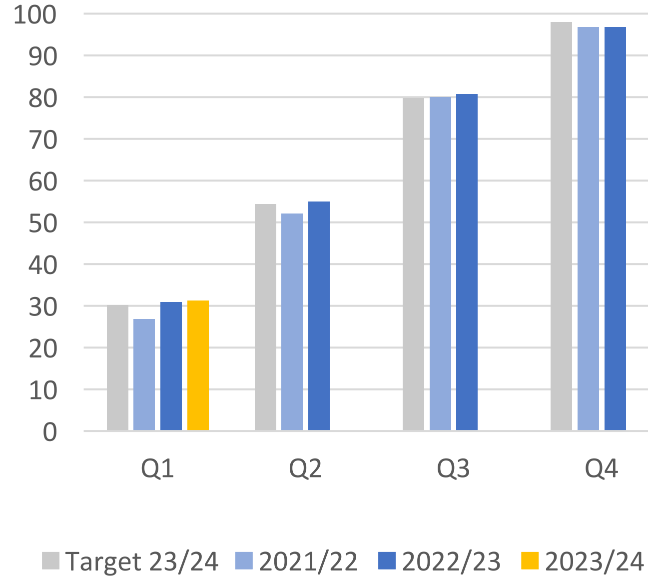
Key Performance Indicators

Business rates in year collection 23-24
% collected

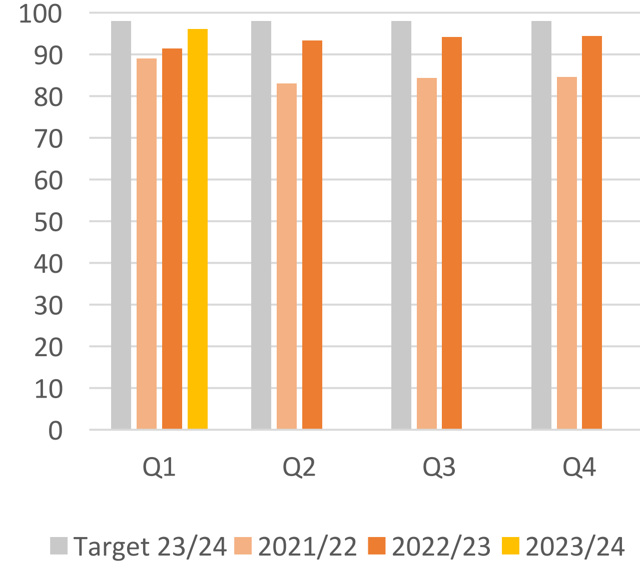


The target in the 23/24 business plan agreed by Members was 98%, however, following the 22/23 outturn a stretch target of 99% has been set .

Council tax in year collection 23-24
% collected



Commercial rent collection 23-24
% collected



Publication of the Draft City Fund Accounts within Statutory Deadline of 31st May. The authority has been unable to comply with this requirement due to the additional workload from the delayed audit of 2020/21 and 2021/22 statements. This is partly due to a national issue on the accounting for infrastructure assets, and also due to the pensions triennial valuations impacting 2021/22 accounts. Draft City Fund accounts were published on 12th July.

Publication of City Fund Audited accounts on 30th September. **Impacted by the above and delay to auditing of accounts with three years now outstanding.**

Publication of draft BHE Accounts end of July and Publication of draft City's Cash Accounts end of August.

ON TRACK FOR THE END OF AUGUST

IN PROGRESS

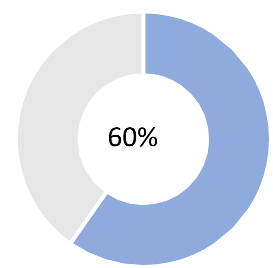
Effective financial management: expenditure against departmental local risk budgets (Target < 1%)

IN PROGRESS FOR 24/25

Delivery of a balanced budget and Medium-Term Financial Plan for City Fund, approved by Court of Common Council by 31 March

Appendix 1

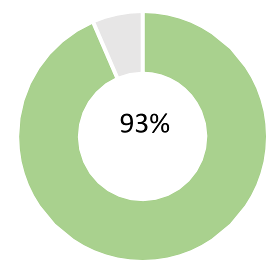
Invoices paid to SMEs within 10 days Q1 23-24



Target 88%

10 Day SME transactions 7711, paid on time 4307 & 2904 paid after 10 days

Invoices paid within 30 days Q1 23-24



Target 97%
15,437 transactions & 1070 paid after 30 days

MOORE Stephens

Moore Stephens Audit and Assurance (Guernsey) Limited
P O Box 146, Level 2
Park Place, St Peter Port
Guernsey, Channel Islands GY1 3HZ

T +44 (0) 1481 811700
E ms@msgsy.com

www.moorestephensci.com

Company Number: 65985

Your Ref:

Our Ref: 2010/0205

4 July 2023

The Directors
City Re Ltd
PO Box 155
Mill Court
La Charroterie
St Peter Port
GY1 4ET

Dear Directors,

CITY RE LIMITED (THE 'COMPANY')
MANAGEMENT AND GOVERNANCE REPORT FOR THE YEAR ENDED 31 MARCH 2023

The purpose of this letter is to provide the directors with constructive observations arising from the audit process. We set out below details of any expected modifications to our audit report, details of any uncorrected misstatements in the financial statements (except any misstatements which are clearly trivial) including the effect of uncorrected misstatements related to prior periods on the current period, any material weaknesses in systems we have identified during the course of our audit work and our views about the quality of accounting practices and financial reporting procedures, and any other relevant matters.

Our procedures are carried out solely for the purpose of our audit so that we can form and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Our audit does not necessarily disclose every weakness and for this reason the matters referred to below may not be the only shortcomings which exist.

We take this opportunity to remind you that:

- This report has been prepared for the sole use of City Re Limited
- No responsibility is assumed by us to any other person who may choose to rely on it for his or her own purposes.

Independence

The engagement team and the firm have complied with relevant ethical requirements regarding independence. There are no relationships between the firm, network firms and the Company that may reasonably be thought to affect our independence.

Expected modifications to the audit report

We do not expect to make any modifications to our audit report. However, our responsibilities with regard to the audit report extend up to the date on which it is signed and we will advise you of any changes to this position if necessary.

Unadjusted misstatements

There were no unadjusted misstatements noted during the audit, excluding those that we consider to be trivial.

Qualitative aspects of accounting practice and financial reporting

During the course of our audit, we consider the qualitative aspect of the financial reporting process, including items that have a significant impact on the relevance, reliability, comparability, understandability and materiality of the information provided by the financial statements. We have discussed with you the following observations:

- The appropriateness of the accounting policies to the particular circumstances of the company;
- The timing of transactions and the period in which they are recorded;
- The appropriateness of accounting estimates and judgements, (for example, in relation to the IBNR), including the consistency of assumptions and degree of prudence reflected in the accounting records;
- The potential effect on the financial statements of any uncertainties including significant risks and disclosures, such as pending litigation that are required to be disclosed in the financial statements.
- Material uncertainties, if any, related to events and conditions that may cast significant doubt on the company's ability to continue as a going concern;
- The extent to which the financial statements are affected by any unusual transactions during the period, if any, and the extent to which such transactions are separately disclosed in the financial statements;
- Apparent misstatements in the directors' report, if any, or material inconsistencies with the audited financial statements, if any;
- Disagreements about matters that, individually or in aggregate, could be significant to the company's financial statements or the auditor's report, if any. These communications include consideration of whether the matters, if any, have or have not been resolved and the significance of the matters.
- Significant matters, if any, arising from the audit that we discussed, or subject to correspondence with management; and written representations the auditor is requesting from management.

Accounting system and internal controls

During the course of our audit of the financial statements for the above year we examined the principal internal controls which the directors have established to enable them to ensure, as far as possible, the accuracy and reliability of the company's accounting records and to safeguard the company's assets.

We are pleased to report that there are no significant weaknesses in control which came to our notice during the audit.

Concluding remarks

We shall be pleased to supply you with any further information you may require.

Yours faithfully,

[redacted]

[redacted] **Audit and Assurance (Guernsey) Ltd**

CITY RE LIMITED

Directors' Report and Financial Statements

For the year ended 31 March 2023

CONTENTS

CORPORATE INFORMATION

DIRECTORS:	Mr G A Hollingsworth Mr S A Le Prevost Ms C Al-Beyerty Mr H N A Colthurst (Appointed 28 September 2022) Mr J Ingham-Clarke (Resigned 5 July 2022)
INSURANCE MANAGER:	Marsh Management Services Guernsey Limited Mill Court La Charroterie St Peter Port Guernsey GY1 4ET
SECRETARY:	Marsh Management Services Guernsey Limited Mill Court La Charroterie St Peter Port Guernsey GY1 4ET
REGISTERED OFFICE:	PO Box 155 Mill Court La Charroterie St Peter Port Guernsey GY1 4ET
AUDITOR:	Moore Stephens Audit and Assurance (Guernsey) Limited Level 2, Park Place Park Street St Peter Port Guernsey GY1 3HZ

CITY RE LIMITED

DIRECTORS' REPORT

The directors present their report and the audited financial statements for the year ended 31 March 2023.

INCORPORATION

The Company was incorporated in Guernsey, Channel Islands on 20 December 2010 with registered number 52816. It operates in accordance with the provisions of The Companies (Guernsey) Law, 2008 and The Insurance Business (Bailiwick of Guernsey) Law, 2002 to carry out general insurance business, excluding domestic business.

ACTIVITIES

The principal activity of the Company during the year was to provide re-insurance protection to the RSA Group on the risks associated with material damage and loss of rent for the City of London's property portfolio.

RESULTS

The results for the year are shown on page 9.

DIVIDENDS

During the year a dividend was proposed and paid in the sum of £500,000 (2022: £1,000,000).

DIRECTORS

The directors of the Company who held office during the period are detailed on page 3.

DISCLOSURE OF INFORMATION TO AUDITOR

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's Auditor is unaware; and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Company's Auditor is aware of that information.

AUDITOR

The Auditor, Moore Stephens, has indicated its willingness to continue in office and offers itself for re-appointment at the forthcoming Annual General Meeting.

GOING CONCERN

The directors have, at the time of approving the financial statements, a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. of the Company. Therefore they continue to adopt the going concern basis of accounting in preparing the financial statements.

Approved by the Board of Directors and signed on behalf of the Board

[redacted]

Director:

Date: 4 July 2023

[redacted]

Director:

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Director's Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" and Financial Reporting Standard 103 "Insurance Contracts". Under company law, the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of the affairs of the company and the profit or loss of the company for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies (Guernsey) Law, 2008. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CITY RE LIMITED

Opinion

We have audited the financial statements of City Re Limited ("the Company") for year ended 31 March 2023, which comprise the Statement of Income, the Statement of Financial Position, the Statement of Changes in Equity, the Statement of Cash Flows, and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" and Financial Reporting Standard 103 "insurance Contracts" (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2023 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of The Companies (Guernsey) Law, 2008 and The Insurance Business (Bailiwick of Guernsey) Law, 2002.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ('ISAs (UK')). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Guernsey, including the Financial Reporting Council's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised or issued.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The Directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies (Guernsey) Law, 2008 requires us to report to you if, in our opinion:

- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by the law are not made; or
- we have not received all the information and explanations we require for our audit.

Matters on which we are required to report by exception (continued)
We have nothing to report in respect of the following matters where The Insurance Business (Bailiwick of Guernsey) Law, 2002 requires us to report to you if, in our opinion:

- the information given in the annual return prepared pursuant to section 33 is consistent with the financial statements; or
- there is any transaction outside of business which resulted in the statement of financial position showing a situation materially different from that of which would otherwise have obtained, and which is not adequately disclosed in the financial statements.

Responsibilities of directors
As explained more fully in the Statement of Directors' responsibilities, the Directors are responsible for the preparation of financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free of material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud
The objectives of our audit in respect of fraud are; to identify and assess the risks of material misstatement of the financial statements due to fraud; to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud, through designing and implementing appropriate responses to those assessed risks; and to respond appropriately to instances of fraud or suspected fraud identified during the audit. However, the primary responsibility for the prevention and detection of fraud rests with both management and those charged with governance of the company.

Our approach was as follows:

- We obtained an understanding of the legal and regulatory requirements applicable to the company and considered that the most significant are UK Generally Accepted Accounting Practice, The Companies (Guernsey) Law, 2008, and The Insurance Business (Bailiwick of Guernsey) Law, 2002.
- We obtained an understanding of how the company complies with these requirements by discussions with management and examination of various statutory documentation such as the minutes and compliance reports.
- We assessed the risk of material misstatement of the financial statements, including the risk of material misstatement due to fraud and how it might occur, by holding discussions with management.
- We inquired of management as to any known instances of non-compliance or suspected non-compliance with laws and regulations and examined correspondence with the GFSC and legal advisors.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CITY RE LIMITED (Continued)

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud (continued)

- We assessed the information to be submitted to the GFSC together with the audited financial statements on the annual Insurer's Return such as the Regulatory and Solvency Assessment and confirmed that the information was appropriate and materially correct.

Based on this understanding, we designed specific appropriate audit procedures to identify instances of non-compliance with laws and regulations. This included making enquiries of management and obtaining additional corroborative evidence as required.

A further description of the auditor's responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Section 36 of the Insurance Business (Bailiwick of Guernsey) Law, 2002. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

[redacted]

MOORE STEPHENS AUDIT AND ASSURANCE (GUERNSEY) LIMITED
Level 2 , Park Place
Park Street
St Peter Port
Guernsey, GY1 3HZ

Date 4 July 2023

CITY RE LIMITED

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2023

CONTINUING OPERATIONS	*Notes*	31 Mar 2023 £	31 Mar 2022 £
REVENUE			
Gross premiums written	2	2,629,637	2,299,729
Change in unearned premium provision	2	(223,818)	302,561
Premium earned for the year		**2,405,819**	**2,602,290**
UNDERWRITING EXPENSES			
Claims charge	2	(2,564,883)	(1,819,285)
Claims reserve movement - outstanding loss reserves	2	293,464	(370,087)
IBNR reserve movement		(125,000)	-
Commission	2	(72,174)	(78,079)
Total underwriting expenses		**(2,468,593)**	**(2,267,451)**
UNDERWRITING RESULT FOR THE YEAR		**(62,774)**	**334,839**
Interest income	2	80,522	5,194
Administrative expenses	6	(78,178)	(77,419)
(LOSS)/PROFIT BEFORE TAXATION AND COMMISSION		**(60,430)**	**262,614**
Profit commission payable	2	-	(3,939)
(LOSS) /PROFIT BEFORE TAXATION		**(60,430)**	**258,675**
Taxation	5	-	-
RETAINED (LOSS)/ PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**(60,430)**	**258,675**

The notes on pages 13 to 20 form part of these financial statements.

CITY RE LIMITED

STATEMENT OF FINANCIAL POSITION
AT 31 MARCH 2023

	Notes	31 Mar 2023 £	31 Mar 2022 £
CURRENT ASSETS			
Deferred commission		57,803	51,091
Insurance receivables		96,711	-
Prepaid expenses		7,176	8,928
Cash and cash equivalents		6,072,208	6,782,407
TOTAL ASSETS		**6,233,898**	**6,842,426**
EQUITY AND LIABILITIES			
Issued capital	7	750,000	750,000
Retained earnings		109,912	670,342
TOTAL EQUITY		**859,912**	**1,420,342**
LIABILITIES			
Trade and other payables	8	279,372	382,824
TECHNICAL RESERVES			
Unearned premium reserve	2	1,926,761	1,702,943
Claims reserves	9	3,167,853	3,336,317
TOTAL EQUITY AND LIABILITIES		**6,233,898**	**6,842,426**

These financial statements were approved by the Board of Directors at a meeting on 4 July 2023

Signed on behalf of the Board of Directors

[redacted]

Director [redacted]

Director

The notes on pages 13 to 20 form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2023

	Share Capital	Retained Earnings £	Total £
Balance at the 1 April 2021	**750,000**	**1,411,667**	**2,161,667**
Dividend paid during the year	-	(1,000,000)	(1,000,000)
Total comprehensive income	-	258,675	258,675
Balance at the 31 March 2022	**750,000**	**670,342**	**1,420,342**
Dividend paid during the year	-	(500,000)	(500,000)
Total comprehensive loss	-	(60,430)	(60,430)
Balance at the 31 March 2023	**750,000**	**109,912**	**859,912**

The notes on pages 13 to 20 form part of these financial statements.

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2023

	31 Mar 2023	31 Mar 2022
	£	£
CASH FLOW FROM OPERATING ACTIVITIES		
(Loss) /profit for the year	(60,430)	258,675
Less interest income	(80,522)	(5,194)
Increase /(decrease) in unearned premiums	223,818	(302,561)
(Increase)/decrease in insurance receivables	(96,711)	5,291
Decrease in prepaid expenses	1,752	6,923
(Decrease)/Increase in trade and other payables	(103,452)	162,994
(Decrease)/increase in claims reserves	(168,464)	370,087
(Increase)/decrease in deferred income	(6,712)	9,074
Net cash (outflow)/ inflow from operating activities	**(290,721)**	**505,289**
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	80,522	5,194
Net cash inflow from investing activities	**80,522**	**5,194**
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividend paid during the year	(500,000)	(1,000,000)
Net cash outflow from financing activities	**(500,000)**	**(1,000,000)**
Net decrease in cash and cash equivalents	**(710,199)**	**(489,517)**
Cash and cash equivalents brought forward	**6,782,407**	**7,271,924**
Cash and cash equivalents carried forward	**6,072,208**	**6,782,407**

The notes on pages 13 to 20 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023

1. BASIS OF PREPARATION

The company is a limited company, limited by shares and is incorporated in Guernsey. The address of its registered office is PO Box 155, Mill Court, La Charroterie, St Peter Port, Guernsey, GY1 4ET.

The principal activity of the company is to provide reinsurance protection to the RSA Group on the risks associated with the material damage and loss of rent insurance programmes of the City of London property investment portfolio.

The financial statements have been prepared in accordance with The Insurance Business (Bailiwick of Guernsey) Law, 2002, FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" and FRS 103 "Insurance Contracts".

2. PRINCIPAL ACCOUNTING POLICIES

These financial statements are prepared under the historical cost convention.

The preparation of financial statements in compliance with FRS102 and FRS103 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the accounting policies.

(a) Going concern

The directors have, at the time of approving the financial statements, a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Therefore they continue to adopt the going concern basis of accounting in preparing the financial statements.

(b) Gross premiums written

Gross premiums written is in respect of the provision of reinsurance protection to RSA Insurance Group Plc on the risks associated with material damage and loss of rent insurance programmes of the City of London portfolio.

(c) Unearned premiums

Unearned premium represents the proportion of premium which has been pre-paid for the following financial period.

(d) Claims

Claims are accounted for on an accruals basis. Provisions made for the cost of outstanding claims reported at the reporting date are included in the outstanding loss reserve. The estimate for the cost of claims incurred but not reported ("IBNR") is included in the IBNR reserve. The current IBNR is in the sum of £250,000 (2022: £125,000) is determined by the Board of Directors using both historical data and any data available up to the approval of the financial statements, in relation to the provision of new claims and deterioration of existing claims.

(e) Commission

Fronting fees calculated as 3% of gross premiums written is payable to RSA Insurance Group Plc and are earned over the related policy period.

Profit commission calculated as 1.5% of the profit before tax in the financial period is payable to Marsh Management Services Guernsey Limited.

(f) Interest income

Interest income is accounted for on an accruals basis.

(g) Cash and cash equivalents

Cash and cash equivalents comprise bank balances, short term fixed deposits and short term notice accounts.

NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 MARCH 2023

3. FINANCIAL INSTRUMENTS

Financial Assets
Basic financial assets, including debtors and cash and cash equivalents, are initially recognised at transaction price, and are subsequently carried at amortised cost.

Debtors arising out of insurance operations
Debtors arising out of insurance operations consist of balances due from the insurer in respect of outstanding premiums.

At the end of each reporting period financial assets measured at amortised cost are assessed for objective evidence of impairment. None of the financial assets at the year end are deemed to be impaired.

Financial assets are derecognised when (a) the contractual rights to the cash flows from the asset expire or are settled, or (b) substantially all the risks and rewards of the ownership of the asset are transferred to another party or (c) control of the asset has been transferred to another party who has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions.

Financial liabilities
All financial liabilities are initially recognised at transaction price and are subsequently carried at amortised cost.

Financial liabilities are derecognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires.

The Company does not hold or issue derivative financial instruments.

Creditors arising out of insurance operations
Creditors arising out of insurance operations consist of balances due to the insurer in respect of outstanding claims payable.

Offsetting
Financial assets and liabilities are not offset in the accounts and the gross amounts are shown in the financial statements.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Company accounting policies, which are described in note 2, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the critical judgements, apart from those involving estimations (which are dealt with separately below), that the directors have made in the process of the applying the Company's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

The estimation of the ultimate liability arising from claims made under insurance contracts is the Company's most critical accounting estimate.

NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 MARCH 2023

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

The most significant assumptions made relate to the level of future claims, the level of future claims settlements and the legal interpretation of insurance policies. Whilst the directors consider that the gross provision for claims are fairly stated on the basis of the information currently available to them, the ultimate liability will vary as a result of subsequent information and events and may result in significant adjustments to the amount provided. Adjustments to the amounts of provision are reflected in the financial statements for the period in which the adjustments are made.

Outstanding loss reserves.

The carrying amount of the reserve is £2,917,853 (2022: £3,211,317). There are several sources of uncertainty that need to be considered in the estimate of the liability that the Company will ultimately pay for such claims. The level of provision has been set on the basis of the information that is currently available, including potential outstanding loss advices, experience of development of similar claims and on the advice of expert loss adjusters where appropriate.

IBNR

The current IBNR is in the sum of £250,000 (2022: £125,000) is determined by the Board of Directors using both historical data and any data available up to the date of approval of the financial statements, in relation to the provision of new claims and deterioration of existing claims.

5. TAXATION

The Company is taxed at the standard rate of income tax for Guernsey companies of 0%.

6. ADMINISTRATIVE EXPENSES

	31 Mar 2023 £	31 Mar 2022 £
Management fees (note 14)	51,793	51,975
Audit fees	6,900	6,100
Directors' fees (note 14)	7,500	7,521
Company registration fees	6,823	6,873
Directors and officers insurance premium	4,370	4,400
Sundry expenses	792	550
	78,178	77,419

7. SHARE CAPITAL

	31 Mar 2023 £	31 Mar 2022 £
ISSUED SHARE CAPITAL		
750,000 GBP1 Ordinary Shares	**750,000**	750,000

Dividends

Shareholders of ordinary shares are entitled to receive dividends declared by the Company.

Capital

On winding up of the assets of the Company, the holder of ordinary shares is entitled to repayment of the nominal amount paid thereon. Any surplus is attributable to holders of ordinary shares pro rata in proportion to the number of ordinary shares.

Voting rights

Ordinary shares carry one vote per shareholder at general meetings.

NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 MARCH 2023

8. TRADE AND OTHER PAYABLES	31 Mar 2023	31 Mar 2022
	£	£
Claims payable	256,607	243,030
Profit commission	-	14,332
Audit fees	6,450	6,000
Insurance balances payable	-	102,965
Management fees (note 14)	14,240	14,422
Directors' fees	2,075	2,075
	279,372	382,824

9. CLAIMS RESERVES	31 Mar 2023	31 Mar 2022
	£	£
IBNR reserve	250,000	125,000
Outstanding loss reserves	2,917,853	3,211,317
	3,167,853	3,336,317

10. FINANCIAL RISK MANAGEMENT

The Company is exposed to a range of financial risks through its financial assets, financial liabilities and policyholder liabilities. The most important components of these financial risks are market risk (interest rate risk), credit risk, currency risk and liquidity risk. The risk management policies employed by the Company to manage these risks are discussed below.

a) Credit Risk
Credit risk is the risk that a counterparty will be unable to pay amounts in full when due. The Company manages the levels of credit risk it accepts by limiting its exposure to a single counterparty, or groups of counterparty. Such risks are subject to regular review by the Board of Directors.

The assets bearing credit risk and their associated S&P credit ratings are shown below:

	31 Mar 2023	31 Mar 2022
	£	£
Assets bearing credit risk		
Cash and cash equivalents	**6,072,208**	6,782,407
By Rating		
A+ rated	**6,072,208**	6,782,407

No financial assets are past due or impaired at the reporting date and management expects no significant losses from non-performance by these counterparties.

b) Liquidity risk
Liquidity risk is the risk that the company cannot meet its obligations associated with financial liabilities as they fall due. The company has adopted an appropriate liquidity risk management framework for the management of the company's liquidity requirements. The company manages liquidity risk by maintaining banking facilities and monitoring premiums due and by continuously monitoring the forecast and actual cash flows and matching the maturity profiles of assets and liabilities. The company is exposed to liquidity risk arising from its insurance activities. Liquidity management ensures that the company has sufficient access to funds necessary to cover insurance liabilities and expenses. All financial liabilities are due to be settled within the next twelve months.

There were no significant changes to the company's liquidity risk exposure in the financial year nor the objectives, policies and processes for managing liquidity risk.

10. FINANCIAL RISK MANAGEMENT (Continued)

c) Interest rate risk

The Company is exposed to risks associated with the effects of fluctuations in the prevailing levels of market interest rates on its bank deposits, cash and cash equivalents and cash flows. At 31 March 2022 the Company had various interest bearing accounts bearing interest rates ranging from 0.45% to 3.85% (2022: 0.10% to 0.45%).

During the year to 31 March 2023, if Bank of England interest rates had been 50 basis points higher with all other variables held constant, the loss for the year would have decreased by £30,361 (2022: Profit increased by £33,912), as a result of interest received on cash and cash equivalents. However if Bank of England interest rates had been 50 basis points lower with all other variables held constant, no interest would have been received therefore a increase to the loss for the year by £30,164 (2022: Decrease to the profit of £5,194).

The following are the underlying assumptions made in the model used to calculate the effect on profits and other components of equity:

- The bank balances at 31 March 2023 formed the basis of the calculation.

- A 50 basis point charge on these principal balances reflects the absolute increase or decrease in profit that could arise with such an interest rate movement. The directors have chosen the estimate of 50 basis points as this reflects the directors best estimate of the change in interest rates which could reasonably be expected to occur.

d) Currency risk

The company manages their foreign exchange risk by currently ensuring all commercial transactions or recognised assets and liabilities are denominated in its functional currency.

e) Concentration risk

Concentration risk arises when a number of counterparties are engaged in similar business activities or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. The Board does not feel that the company is exposed to significant concentration risk at the current time.

11. MANAGEMENT OF INSURANCE RISK

The principal risk that the Company faces under its insurance contracts is that the actual claims are significantly different to the amounts included in the technical reserves. This could occur because the frequency or severity of claims and benefits are greater or lower than estimated. Insurance events are fortuitous and the actual number and amounts of claims may vary from year to year from the estimate established.

The Company provides re-insurance protection to the RSA Insurance Group Plc on the risks associated with material damage and loss of rent for the City of London's property portfolio. The re-insurance protection is limited to a maximum liability of £250,000 for each and every loss with an aggregate limit equal to £250,000 in excess of net written premium.

All risks covered under the insurance policy are within the United Kingdom.

Claims development tables

The claims development table that follows shows claims reported per underwriting year which remain open in the respective policy year.

NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 MARCH 2023

11. MANAGEMENT OF INSURANCE RISK (Continued)

Claims development table at 31 March 2023

Underwriting year	2015	2016	2017	2018	2019	2020	2021	2022	Total
accounting period end	188,840	233,724	837,927	495,995	189,228	360,520	502,866	173,399	2,982,499
one year later	1,543,888	1,436,816	2,172,013	1,511,546	1,897,176	2,330,911	2,498,002	-	13,390,352
two years later	1,643,108	1,603,168	2,240,475	1,431,278	1,871,543	2,770,148	-	-	11,559,720
three years later	1,858,804	1,525,342	2,281,671	1,400,675	1,796,195	-	-	-	8,862,687
four years later	2,085,243	1,531,492	2,224,412	1,390,470	-	-	-	-	7,231,617
five years later	1,906,249	1,405,066	2,223,612	-	-	-	-	-	5,534,927
six years later	1,906,249	1,405,066	-	-	-	-	-	-	3,311,315
seven years later	1,906,249	-	-	-	-	-	-	-	1,906,249
Current estimate of cumulative claims	1,906,249	1,405,066	2,223,612	1,390,470	1,796,195	2,770,148	2,498,002	173,399	14,163,141
Cumulative payments to	(1,906,249)	(1,312,331)	(1,595,824)	(1,383,077)	(1,698,209)	(1,965,164)	(1,134,434)	-	(10,995,288)
Statement of Financial Position Reserves	**-**	**92,735**	**627,788**	**7,393**	**97,986**	**804,984**	**1,363,568**	**173,399**	**3,167,853**

The Company has currently provided for an Incurred but not Reported Reserve in the sum of £250,000 (2022: £125,000) which has been agreed by the Board.

NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 MARCH 2023

12. CAPITAL MANAGEMENT

The Company defines capital in accordance with regulations prescribed by the Guernsey Financial Services Commission ("GFSC"). The Company's capital consists of:-

	31 Mar 2023	31 Mar 2022
	£	£
Share Capital	750,000	750,000
Retained earnings	109,912	670,342
Capital to meet Minimum Capital Requirements	859,912	1,420,342
Adjustments	-	-
Capital to meet Prescribed Capital Requirements	**859,912**	1,420,342

Its objectives when managing capital are:

i) to comply with legal and statutory obligations and maintain capital resources commensurate with the nature, scale and risk profile of its business;
ii) to provide a framework for monitoring the financial and capital position of the Company, including the procedures to be followed during periods of general financial distress, either due to internal or external events; and
iii) to safeguard the Company's ability to continue as a going concern.

Under the rules prescribed by the GFSC, the Company must at all times maintain assets of a value sufficient to cover its liabilities, including liabilities arising under or in connection with contracts of insurance and that there is a suitable matching of assets and liabilities.

Under the current regulations, the GFSC rules require the Company to maintain a surplus of admissible assets over its liabilities which is at all times at least higher than both its MCR and PCR. The MCR represents the point at which the regulator would invoke the strongest action, while the PCR is the level of capital above which no action is required, with varying degree of action required if capital lies between MCR and PCR.

As at 31 March 2023, the Company held a surplus of £248,558 above its MCR requirement of £611,354 and a surplus of £14,219 above its PCR requirement of £845,693.

Management information to monitor the Company's capital requirements and solvency position is produced and presented to the Board on a regular basis ensuring that the Company meets its capital requirements at all times.

13. TECHNICAL PROVISIONS

Technical provisions arising from insurance contracts are included in these financial statements as follows:

	31 Mar 2023	31 Mar 2022
	£	£
Gross		
Unearned premium reserve	1,926,761	1,702,943
IBNR provision	250,000	125,000
Outstanding loss reserves	2,917,853	3,211,317
Total technical provisions, gross	**5,094,614**	5,039,260

Provisions for claims reported are estimated using the latest available information which comprises up to date reports from the claims handlers, loss adjusters and fronting insurers, on that basis there are no significant assumptions impacting on the level of the claims other than the assumption that the information used is complete and accurate.

NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 MARCH 2023

14. RELATED PARTY DISCLOSURE

The parent Company and ultimate controlling party which has interests in 100% (2022: 100%) of the issued share capital of the company is the City of London Corporation, the municipal body of the City of London, acting in its City's Cash capacity.

Key management personnel of the company

Key management personnel include all directors who together have authority and responsibility for planning, directing and controlling the activities of the company. The total compensation paid to key management personnel for services provided to the company was £7,500 (2022: £7,521).

For the year ended 31 March 2023, management fees of £51,973 (2022: £51,975) were charged by Marsh Management Services Guernsey Limited, of which £14,240 (2022: £14,422) was outstanding as at 31 March 2023.

15. LETTER OF CREDIT

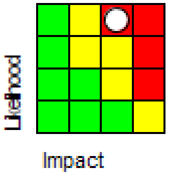
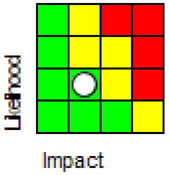
The City of London Corporation as the parent Company have arranged a Letter of Credit on behalf of the Company in favour of Royal Sun Alliance Insurance Limited in the sum of £2,955,000 for the policy period to 24 December 2023 (2022 Policy Period: £1,875,000).

Appendix 1 - Departmental Risk Register

CHB Corporate and departmental risks - detailed report EXCLUDING COMPLETED ACTIONS

Report Author: Leah Woodlock
Generated on: 17 August 2023

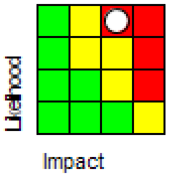
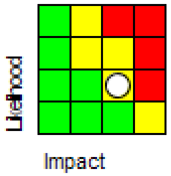
Rows are sorted by Risk Score

Risk no, title, creation date, owner	Risk Description (Cause, Event, Impact)	Current Risk Rating & Score		Risk Update and date of update	Target Risk Rating & Score		Target Date/Risk Approach	Current Risk score change indicator
CHB 001 Chamberlain's department transformation and knowledge transfer	**Cause:** The TOM changes are insufficient or implementation of radical change fails. The flexible retirement scheme has been taken up by many long term colleagues who will all be leaving the corporation by March 2022. The TOM is also creating anxiety which in turn could cause colleagues to find roles elsewhere. **Event:** Culture change is insufficient. Corporate memory is lost. The Chamberlain's Department is not fit for the future. **Effect:** Chamberlain's Department fails to deliver its objectives.		**16**	Three of the four teams within Chamberlain's are now fully resourced and the CIO function commenced in January. A key risk remains but is reducing within Financial Services. Recruitment is underway where vacancies have been held, with key roles being prioritised. A number of key roles have been appointed too. Management is deploying temps and external expertise where there are significant gaps to support the current team until permanent positions are filled. There is considerable pressure on existing staff and risk of not meeting key deadlines.		**4**	31-Mar-2024	

12-Nov-2021 Caroline Al-Beyerty				Following a series of workshops teams are now working on implementation of transformation action plans. **29 Aug 2023**			Reduce	Constant

Action no	Action description	Latest Note	Action owner	Latest Note Date	Due Date
CHB001b	Colleagues are provided with the training they need to fulfil their role.	The departmental Learning & Engagement Board was re-launched on 21 June with a renewed vision, terms of reference and refined learning objectives. The sponsor is a member of SLT to drive the priority of improving learning outcomes for all Chamberlain's staff . The Board are currently in the process of identifying its key workstreams for 2023/24.	Phil Black	30-June-2023	17-August-2023
CHB001c	Chamberlain's TOM structure design and culture is fit for purpose.	A culture and values workshop was held in November 22 for all staff to allow colleagues across Chamberlain's the opportunity to shape the departmental culture. An action plan was subsequently produced in response to the feedback provided and progress was reported at the all staff call in July 23 and the action plan published on the departmental SharePoint. The annual update will be presented to staff in November 23. The final part of the Chamberlain's Departmental Vision has been finalised as a result based on discussions held at the all staff event which includes the behaviours we want to see exhibited by colleagues across the team. This vision will be used within the corporate appraisal process to ensure a continuation of the golden thread. This information was shared with all colleagues at the March all staff call and has been shared on our Departmental intranet.	Anna Flashman	30-June-2023	31-Mar-2024
CHB001d	The corporate recruitment moratorium has lead to a significant number of vacancies being held across the department leaving gaps in capacity.	Vacancies across Chamberlain's have now been filled with the exception of a number remaining in the Financial Services team. A multiagency recruitment campaign took place during April to fill 5 critical vacancies. There still remains 7 permanent positions to recruit to (including the Chief Accountant role), plus Trainee Graduates and Apprentices (underway). - It is an employee's market and inducements are being offered by other employers with higher rates and working from home flexibility. Market Forces Supplement (MFS) – has now been considered, an update was taken to this committee in April. Resignation of the Assistant Director and Chief Accountant positions moved the risk rating to red, placing a considerable amount of pressure on existing staff and adding further risk of not meeting key deadlines on transformation. An interim Assistant Director has been appointed.	Sonia Virdee	11-Jul-2023	31-Mar-2024

		The Permanent Assistant Director commenced on 31 July. The Chief Accountant permanent position is now advertised with applications due by 18 September. This role is currently being covered by an interim Chief Accountant, to ensure consistency of approach during accounts preparation and to refocus efforts on other vacant positions. A renewed focus is taking place on 'training our own' through a wider apprenticeship programme and graduate trainee recruitment.			
CHB001e	Following the resignation of the Assistant Director the team are now required to reprioritise to focus on core financial work including statutory deadlines, due to the capacity gap that this vacancy creates along with those already existing within the team.	A plan has been drawn up by the team to ensure the most pressing work is covered, which will lead to some work being deprioritised in the interim and a possible shift in target completion dates. An update on FSD was taken to this committee in April with 3 key priorities focusing on 1) well being of staff; 2) recruitment 3) getting the basics done. Further updates are included in the FSD update paper to this committee.	Sonia Virdee	11-Jul-2023	31-Mar-2024
CHB001f	Ensure procedure notes are in place, accurate and current. To avoid loss of critical knowledge and best practice approaches to departmental tasks and responsibilities.	A project was commissioned in July by the Chamberlain's Senior Leadership team to identify the current procedure notes available and gaps across the department. The project proposes to review the quality, accuracy and validity of the procedure notes.	Leah Woodlock	27-Jul-2023	31-Dec-2023

Risk no, title, creation date, owner	Risk Description (Cause, Event, Impact)	Current Risk Rating & Score		Risk Update and date of update	Target Risk Rating & Score		Target Date/Risk Approach	Current Risk score change indicator
CR38 Unsustainable Medium Term Finances - City's Cash 31-Oct-2022 Caroline Al-Beyerty	**Causes:** High inflation –Office for Budget Responsibility forecasting peak in Autumn 2022 and although predicted to fall over the next two years, embedded increases. Construction inflation running at 5% for 2023/24. Contraction in key income streams and increase in bad debts following post pandemic change in working practices still continues into 2023. **Event:** Inability to contain financial pressures within year (2022/23) and deliver sustainable savings already baked in and/or increase income generation not realised requiring further draw down on Reserves. Inability to contain construction inflation or inability to rescope capital schemes within budgets. **Effects:** Additional savings over and above those identified to meet this challenge are required, reserves are utilised and/or services stopped. The City Corporation's reputation is damaged due to failure to meet financial objectives or the need to reduce services / service levels to business and community. Inability to deliver capital programme and major projects within affordability parameters. Spend is not aligned to Corporate Plan outcomes resulting in suboptimal use of resources and/or poor performance. Stakeholders experiencing reduced services and service closures.		**16**	The five year financial plan provides recommendations for one-off cost pressures and on-going pressures, now approved via the carry forward process on 30 June, this also included approval of £3.5m central contingency to support unforeseen inflationary pressures An officer Star Chamber took place during May/June to review savings yet to be delivered during 2023/24 and was presented to RASC sub away day. **28 Aug 2023**		**8**	31-Mar-2023 Reduce	 Constant

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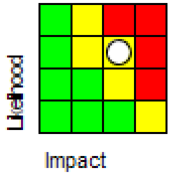
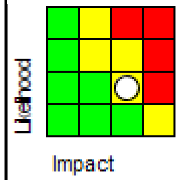
Action no	Action description	Latest Note	Action owner	Latest Note Date	Due Date
CR38a	Impact of inflation • Rising inflationary pressures on energy costs • Rising inflationary pressures on construction and labour costs	The five year financial plan was approved by Court of Common Council on 9 March: 2023/24 base budgets include 2% uplift plus increase in base to support the July 2022 pay award. Mitigations approved by CoCo in March 2023 include: central contingencies held to support new pay pressures; carry forwards from 2022/23 underspends to support one-off pressures; transformation funding held centrally to support Resource Prioritisation Refresh workstreams	Sonia Virdee	11-Jul-2023	31-Mar-2024

		and the culture shift. Additional funding allocated to support the backlog of urgent Cyclical Works Programme. £3m contingency ringfenced for urgent health and safety works under capital programme. An update on the five year financial plan was presented to RASC away day, with recommendations on 2024/25 budget setting.			
CR38b	Impact of construction inflation on capital programme: • Major projects • Business as usual capital programme Remain within the financial envelopes approved for major projects	Refer to CR35c.	Sonia Virdee	11-Jul-2023	31-Mar-2024
CR38e	A reduction in key income streams and increase in bad Debt *Triggers:* *Increase in loss of property investment portfolio income over £5m p.a.*	This is being monitored monthly, with action being taken to reduce spend where possible. Budget forecast for 22/23 included reduced income, with recovery profiled across the medium term. In addition, Chief Officers continue to work with tenants on a payment plan to mitigate potential issues and this continues to prove effective.	Phil Black; Sonia Virdee	22-Aug-2023	30-Jun-2024
CR38f	Achievement of current Savings Programme – includes flight path savings (Fundamental Review) and securing permanent year on year savings (12%).	The five year financial plan provides recommendations for one-off cost pressures and on-going pressures. An officer Star Chamber was held during June which was to review savings yet to be delivered during 2023/24 and was presented to RASC sub away day.	Sonia Virdee	11-Jul-2023	31-Mar-2024

Risk no, title, creation date, owner	Risk Description (Cause, Event, Impact)	Current Risk Rating & Score		Risk Update and date of update	Target Risk Rating & Score		Target Date/Risk Approach	Current Risk score change indicator
CR35 Unsustainable Medium Term Finances - City Fund 15-Jun-2020 Caroline Al-Beyerty	**Causes:** High inflation – Office for Budget Responsibility forecasting peak reached Autumn 2022 and although predicted to fall over the next two years, embedded increases. Construction inflation running at 5% for 2023/24. Contraction in key income streams and increase in bad debts following post pandemic change in working practices still continues into 2023/24. Police Transform programme fails to realise the budget mitigations anticipated within the MTFP. Anticipated decline in public sector funding (local government and Police), increasing demands (revenue and capital) and an ambitious programme of major project delivery threaten our ability to continue to deliver a vibrant and thriving Square Mile. **Event:** Inability to contain financial pressures within year (2023/24) and deliver sustainable savings already baked in and/or increase income generation to meet the Corporation's forecast medium term financial deficit will not be realised. Inability to contain construction inflation or inability to rescope capital schemes within budgets. **Effects:** Additional savings over and above those identified to meet this challenge are required, reserves are utilised and/or services stopped. The City Corporation's reputation is damaged due to failure to meet financial objectives or the need to reduce services / service levels to business and community. Being unable to set a balanced budget which is a statutory requirement for City Fund. Inability to deliver capital programme and major projects within affordability parameters. Spend is not aligned to Corporate Plan outcomes resulting in suboptimal use of resources and/or poor performance. Stakeholders experiencing reduced services and service closures.		**12**	Retail Price Index rose by 13.7% and Consumer Price Index rose by 8.7% in 12 months to May 2023. Inflation is predicted to fall 6.1% in 2023, however increases are feared to be embedded creating pressures on service/departmental 2023/24 budgets to make further savings. Construction inflation is forecast at 5% for 2023/24 The Bank of England base rate rose to 5.0% on 22 June 2023 and is expected to rise further to 6%. The risk has reduced, the medium term financial plan was approved by Court of Common Council on 9 March, which includes contingency measures to support 2023/24 pressures. **28 Aug 2023**		**8**	31-Mar-2024 Reduce	Constant

Action no	Action description	Latest Note	Action owner	Latest Note Date	Due Date
CR35a	Impact of inflation • Rising inflationary pressures on energy costs • Rising inflationary pressures on construction and labour costs	2023/24 base budgets include 2% uplift plus increase in base to support July 2022 pay award. Mitigations approved by CoCo in March 2023 include: increase in Business Rate Premium; rise in core Council Tax and Adult Social Care; rise in HRA rents; central contingencies held to support new pay pressures; carry forwards from 2022/23 underspends to support one-off pressures; transformation funding held centrally to support Resource Prioritisation Refresh workstreams and the culture shift. Identified inflationary pressures are well within the contingencies held, in addition, interest rates are giving a welcome boost to City Fund finances. The £30m ringfenced reserves released to support the backlog of urgent Cyclical Works Programme. £3m contingency ringfenced for urgent health and safety works under capital programme. An update on the medium term financial plan was presented to RASC away day, with recommendations on 2024/25 budget setting.	Sonia Virdee	11-Jul-2023	31-Mar-2024
CR35b	• Capital schemes forecast to exceed budget. • Review of HRA commissioned and due to report at the end of November 2022. • Need to monitor identified expenditure risks around recovery of leaseholder contributions following the decision not to allow the Appeal of the Great Arthur Cladding case. • Housing 30 year financial projects have been completed.	Close monitoring of capital schemes is required during 2023/24. Regular reporting of capital forecasts is now planned into the forward plan. Review of HRA commissioned from Savills reported to Finance in May. Housing are now looking at detailed options following up on the report, to come back to Committee for agreement in the autumn. A separate review has been commissioned by the Town Clerk Need to continue to monitor identified expenditure risks around recovery of leaseholder contributions following the decision not to allow the Appeal of the Great Arthur case. The latest five year financial projections show the revenue funding position remains precarious and vulnerable to revenue overspends or significantly rising capital costs (leading to higher loan repayments and interest charges)	Mark Jarvis; Paul Murtagh	11-Jul-2023	31-Mar-2024
CR35c	Remain within the financial envelopes approved for major projects	For Major Projects – Capital Buildings Board monitors delivery within the revised budget envelopes. Monthly updates on the cash flow requirements on the major projects are provided to Policy and Resources Committee, Investment Board and Finance Committee to understand the investment/asset disposal strategy. Regular reporting on the major projects programmes will be presented to Capital Buildings Board, Finance Committee, and Policy and Resources Committee monthly and draw down requirements to the Investment Committee. Capital financing options was presented to RASC sub away day, further discussions with RASC will take place on 5th September.	Sonia Virdee	29-Aug-2023	31-Mar-2024

CR35f	Achievement of current Savings Programme – includes flight path savings (Fundamental Review) and securing permanent year on year savings (12%).	Biggest risk relates to Police - £12m+ p.a. cumulative savings included in MTFP, including £4.6m savings for 23/24 onwards. There remains a continuing risk to sustaining the delivery of savings of this scale, alongside delivering against the National Officer Uplift programme. Increase in Business Rates Premium approved by CoCo in March 2023 helps mitigate future Police deficits. The medium term plan provides recommendations for one-off cost pressures and on-going pressures, now approved via the carry forward process on 30 June, this also included approval of £10.2m central contingency to support unforeseen inflationary pressures. An officer star chamber was held during June to review savings yet to be delivered during 2023/24 and was presented to RASC sub away day.	Alistair Cook; Sonia Virdee	29-Aug-2023	30-Sep-2023

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Agenda Item 25

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