Public Document Pack

Audit and Risk Management Committee

Date: TUESDAY, 3 NOVEMBER 2015

Time: 1.45 pm

Venue: COMMITTEE ROOMS, 2ND FLOOR, WEST WING, GUILDHALL

Members:
Alderman Nick Anstee (Chairman)
Nigel Challis (Deputy Chairman)
Sheriff & Alderman Charles Bowman
Roger Chadwick (Ex-Officio Member)
Henry Colthurst (Ex-Officio Member)
Hilary Daniels (External Member)
Revd Dr Martin Dudley
Deputy Jamie Ingham Clark
Oliver Lodge
Alderman Timothy Hailes
Alderman Ian Luder
Kenneth Ludlam (External Member)
Caroline Mawhood (External Member)
Jeremy Mayhew (Ex-Officio Member)
Graeme Smith

Enquiries: **Julie Mayer**
tel. no.: 020 7332 1410
julie.mayer@cityoflondon.gov.uk

Lunch will be served in Guildhall Club at 1PM
NB: Part of this meeting could be the subject of audio or video recording

John Barradell
Town Clerk and Chief Executive

AGENDA

Part 1 - Public Agenda

1. **APOLOGIES**

2. **MEMBERS' DECLARATIONS UNDER THE CODE OF CONDUCT IN RESPECT OF ITEMS ON THE AGENDA**

3. **MINUTES OF THE PREVIOUS MEETING**
   To agree the public minutes of the meeting held on 17th September 2015.

   For Decision
   (Pages 1 - 6)

4. **OUTSTANDING ACTIONS OF THE COMMITTEE**
   Members are asked to note the Committee's Outstanding Actions List.

   For Information
   (Pages 7 - 8)

5. **COMMITTEE WORK PROGRAMME**
   Members are asked to note the Committee's Work Programme.

   For Information
   (Pages 9 - 10)

6. **CORPORATE RISK REGISTER REVIEW**
   Report of the Chamberlain.

   For Decision
   (Pages 11 - 34)

7. **CITY'S CASH FINANCIAL STATEMENTS 2014/15**
   Report of the Chamberlain.

   For Decision
   (Pages 35 - 124)

8. **DELOITTE'S FINAL REPORTS ON THE AUDITS OF THE CITY FUND AND CITY OF LONDON PENSION FUND**
   Report of the Chamberlain.

   For Information
   (Pages 125 - 184)

9. **DECISIONS TAKEN UNDER DELEGATED AUTHORITY OR URGENCY PROCEDURES - AUDITED 2014/15 CITY FUND AND PENSION FUND FINANCIAL STATEMENTS**
   Report of the Town Clerk

   For Information
   (Pages 185 - 186)

10. **QUESTIONS ON MATTERS RELATING TO THE WORK OF THE COMMITTEE**

11. **ANY OTHER BUSINESS THAT THE CHAIRMAN CONSIDERS URGENT**

12. **EXCLUSION OF THE PUBLIC**

MOTION - That under Section 100(A) of the Local Government Act 1972, the public be excluded from the meeting for the following items on the grounds that they involve the likely disclosure of exempt information as defined in Part I of Schedule 12A of the Local Government Act.

For Decision

Part 2 - Non-Public Agenda

13. **NON-PUBLIC QUESTIONS ON MATTERS RELATING TO THE WORK OF THE COMMITTEE**

14. **ANY OTHER BUSINESS THAT THE CHAIRMAN CONSIDERS URGENT AND WHICH THE COMMITTEE AGREE SHOULD BE CONSIDERED WHILST THE PUBLIC ARE EXCLUDED**

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AUDIT AND RISK MANAGEMENT COMMITTEE

Thursday, 17 September 2015

Minutes of the meeting of the Audit and Risk Management Committee held at Guildhall, EC2 on Thursday, 17 September 2015 at 1.45 pm

Present

Members:
Alderman Nick Anstee (Chairman)
Nigel Challis (Deputy Chairman)
Alderman Charles Bowman
Revd. Dr Martin Dudley
Deputy Jamie Ingham Clark
Oliver Lodge
Graeme Smith
Kenneth Ludlam (External Member)
Caroline Mawhood (External Member)
Jeremy Mayhew
Henry Colthurst

Officers:
Simon Murrells – Assistant Town Clerk
Jacqui Daniels – Town Clerk's Department
Peter Kane - Chamberlain
Paul Dudley - Chamberlain's Department
Chris Harris - Chamberlain's Department
Chris Keesing - Chamberlain's Department
Michael Cogher – Comptroller and City Solicitor

1. **APOLOGIES**
   There were apologies for absence from Roger Chadwick, Hilary Daniels, Alderman Timothy Hailes and Alderman Ian Luder.

2. **MEMBERS' DECLARATIONS UNDER THE CODE OF CONDUCT IN RESPECT OF ITEMS ON THE AGENDA**
   There were no declarations.

3. **MINUTES OF THE PREVIOUS MEETING**
   The public minutes and non-public summary of the meeting held on 20 July 2015 were approved.

   Matters Arising – Audited 2014/15 City Fund and Pension Fund Financial Statements (page 3)
   The Chamberlain referred to Deloitte's challenge of the City of London Corporation's treatment of the proceeds from long leasehold disposals as capital receipts. Deloitte maintain that the lease premiums should be apportioned between land and buildings and the land element be treated as an operating lease. The receipt becomes deferred income and released to revenue over the length of the lease. Members noted that the impact was a

roughly 50/50 split in the receipts. The Chamberlain also explained the implications of the deferral of income upon the financing of the £200m commitment to Crossrail and advised that the matter would be discussed with the new Auditors shortly.

4. **OUTSTANDING ACTIONS OF THE COMMITTEE**

The Committee received its outstanding actions list.

The Chamberlain referred to the Corporate Risk Register Review, set out at number 4 on the schedule and explained that copies of a report on Risk Management, previously emailed to Members, had been tabled for the Committee's information. The report sought to give further assurance in respect of the robustness and effectiveness of the City of London Corporation's risk management systems.

Following detailed discussions, Members noted that changes and/or updates to the Register, recommended by officers, may be made subject to prior review, monitoring and oversight of the Audit and Risk Management Committee, as set out in the Committee's Terms of Reference.

RESOLVED – That:

1) Changes and/or updates to the register, recommended by officers, may be made, subject to prior review, monitoring and oversight of the Audit and Risk Management Committee, as set out in the Committee's Terms of Reference.

2) The Committee receive regular reports on the output of the work of the Chief Officers Risk Management Group (CORMG).

3) The Committee review, at least annually, whether further steps should be taken to strengthen the robustness of the risk management framework.

5. **COMMITTEE WORK PROGRAMME**

The Committee received its latest work programme.

It was noted that:-

The Investigations Update report, due to be submitted on 3 November, was on today's agenda and therefore it should be removed from November's workplan.

The risk challenge session in November would consist of an informal introduction by the new Director of the Built Environment, with a 15 minute focus on areas she has identified as the largest risks to the Department. This would be followed by a 30 minute session with the Comptroller and City Solicitor focusing on his department's local risks.

Finally, Internal Audit Planning 2016/17 would now be considered at the January 2016 meeting.

6. **INTERNAL AUDIT UPDATE REPORT**

The Committee received a report of the Head of Internal Audit and Risk Management, providing an update on activity since the Committee's last meeting. He reported that no 'red' audit reports had been issued since the Committee's last meeting and outstanding recommendations were being implemented. He added that the Audit Plan was largely on target to be completed by 31 March 2016.

In answer to Members questions, he explained the parameters for issuing 'red' audit reports and confirmed that areas of work were added from time to time, as necessary, but they would be reported to the Committee within the agreed timescales.

RESOLVED – that, the report be noted.

7. **CORPORATE RISK REGISTER UPDATE**

Members considered a report of the Chamberlain on the outcome of the corporate risk identification review, an update on 'deep dive' reviews of corporate risks and the provision of detailed risk information, which had been referred to the Chief Officer's Risk Management Group (CORMG) in June 2015. It was noted that there were currently nine corporate risks and there were two additional risks being considered relating to road safety and air quality.

During the discussion it was:-

- confirmed that short reports could be provided on the 'deep dive' reviews;

- noted that the Air Quality Strategy had been approved by the Port Health and Environmental Services Committee and would be considered by the Health and Wellbeing Board the following day;

- noted that there had been little significant movement on the risk levels since the last review, although there was an improving trend and officers would be concentrating on getting a sharper focus on the information provided to Members;

- considered that the information concerning the progress on top red departmental risks was useful and Members asked if they could have sight of this information annually;

- suggested that any Member wishing to attend the Member Development training session on 1 October 2015 should inform the Town Clerk's Committee and Member Services Team; and

- the title of the Code 'CR02' on the first page of Appendix A to the report (page 27 of the papers) should read 'Loss of Business Support for the City'.

RESOLVED – That:

1) the outcome of corporate risk identification review by the CORMG on 25 June 2015 be noted, together with the subsequent agreement of the Summit group to the changes to the corporate risk register;

2) it be noted that two new risks (Road Safety and Air Quality) were being prepared and were likely to be included in the risk update report to be submitted to the Committee in November 2015; and

3) it be agreed that 'deep dive' corporate risk reviews be reinstated as outlined in paragraph 3.3 of the report.

8. **ANTI-FRAUD & INVESTIGATIONS UP-DATE REPORT**

The Committee received a report of the Chamberlain, providing information on anti-fraud and investigation activity and analysis of the cases investigated to date during 2015/16.

RESOLVED – that, the report be noted.

9. **CYBER SECURITY RISKS**

The Committee received a report of the Chamberlain which advised Members that cyber security and associated risks presented a current and continuously evolving risk to the City of London Corporation and the City of London Police. It was noted that the City Corporation had strengthened its audit activity in this area and was drawing on appropriate internal and external expertise as appropriate.

In answer to Members' questions, the Chamberlain provided details of the steps being taken to prevent access to the Corporation's systems, controls on the access to the Public Service Network and information on the staff training being undertaken.

It was noted that the next steps would be to test the systems in place. Members expressed concern about the current practice of emailing non-public information to Members' private email addresses which were likely to have different security protection and the Chamberlain undertook to look further into this matter and to report thereon in accordance with the usual procedures regarding risk concerns.

RESOLVED – that, the report be noted.

10. **HMIC INSPECTION UPDATE**

The Committee received a report of the Commissioner of the City of London Police providing an overview of the City Police's response to HM Inspectorate of Constabulary's (HMIC) continuing programme of inspections and published reports and providing assurances that the recommendations from the reports were being addressed by the force.

The Commissioner introduced the report and explained the process for implementing the recommendations from the HMIC. It was noted that Kenneth Ludlam served on both this Committee and the Police Performance Committee and therefore provided a valuable link between the two bodies.

RESOLVED – that, the report be noted.

11. **RE-APPOINTMENT OF AN EXTERNAL MEMBER**

The Committee considered a report of the Town Clerk advising that Hilary Daniels, one of the Committee's three External Members had indicated her willingness to serve for a further term of three years, once her current term expired in March 2016.

It was noted that, ideally two terms of three years be served by External Members, although it was noted that exceptions could be made.

RESOLVED – That Hilary Daniels be re-appointed as an External Member of the Audit and Risk Management Committee for a further term of three years, from March 2016, expiring in March 2019.

12. **QUESTIONS ON MATTERS RELATING TO THE WORK OF THE COMMITTEE**

There were no questions.

13. **ANY OTHER BUSINESS THAT THE CHAIRMAN CONSIDERS URGENT**

There were no urgent items.

The meeting ended at 3pm

Chairman

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AUDIT AND RISK MANAGEMENT COMMITTEE - Outstanding Actions- October 2015 update

	Item	Action	Officer responsible	Progress updates/target
1	**Committee Satisfaction Survey** **(added 4.11.14)**	One of the Members offered to provide a pro-forma used within their place of business and Members agreed that input into future questions would be helpful.	Neil Davies	The next survey would take place next at the beginning of 2016 - the Committee will receive a further report on the method and style of the questionnaire at the January 2016 meeting
2	**Head of Internal Audit – Annual Opinion** **(added 2.6.15)**	1. Members asked if future reports could provide a comparison with the previous years' performance and give greater visibility to improvements, - ie the regular inclusion of risk management reports on all Grand Committee agendas and the implementation of the Risk Challenge sessions. 2. Peer Review - As this had not been progressed across other authorities, officer would need to look at alternative benchmarking and report back to the Committee in due course.	Chris Harris/ Anna Simmonds/ Paul Dudley	1. On-going. 2. Members noted that, as a number of organisations were undertaking mock external reviews, this might be an option.
3	**Cyber Security Risks** **(added 17.9.15)**	Possible security risks in sending emails to Members' non-City of London email addresses, given they might have different levels of security protection.	Peter Kane/Chris Keesing/ Paul Dudley	Chamberlain to investigate further and report as part of the risk register

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Audit and Risk Management Work Programme 2015/16

Date	Items
26 January 2016	• Moore Stephens - annual audit plan for the Non Local Authority Funds • Internal Audit Progress, Recommendations and follow up • Internal Audit Planning 2016/17 • Risk Management Update • *BDO's Annual Audit Plans for the City Fund and Pension Fund* • *Committee Effectiveness Review* • *Composition and Terms of Reference (ahead of preparations for April Court 2016 and the White Paper)* **Risk Challenge Sessions:** • **Boys' School** • **Girls' School** • **City of London Freemens' School**
8th March 2016	Investigations Update Results of Committee Effectiveness Survey Annual Governance Statement Methodology **Risk Challenge Sessions:** • **Culture, Heritage and Libraries** • **Mansion House**
14th June 2016	**Risk Challenge Session:** • **Chamberlain**

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Committee:	Date:
Audit and Risk Management	3rd November 2015
Subject: Corporate Risk Register Review	**Public**
Report of: Chamberlain	**For Decision**

Summary

This report provides Members with details of two new risks, MCP – Air Quality and DBE Road Safety which were considered by the Summit Group at their meeting on 22 October 2015 and subsequently provisionally accepted on to the corporate risk register.

It also contains details of the existing nine corporate and 12 top departmental red risks (as at 21 September 2015) and a brief update on the member development session on Risk Management, which was held on 1 October 2015.

Recommendations

Members are asked to:

1) Confirm the inclusion of the following new two risks on to the corporate risk register (which will increase the total number of corporate risks to 11):

- MCP – Air quality
- DBE – Road Safety

2) Note that there are no substantive changes to the existing nine corporate risks since the last risk update to Audit and Risk Management Committee in September 2015.

1.0 Background

1.1 The corporate risk register was most recently reviewed by the Chief Officer Risk Management Group (CORMG) on 30 September 2015 and the Summit Group on the 22 October 2015. The Audit and Risk Management Committee last reviewed the corporate risk register on 17 September 2015.

1.2 In accordance with the established risk framework, each risk has been reviewed (and where appropriate risk descriptions revised) by the responsible risk owner.

1.3 The corporate risk register is attached as appendix 1 and the top red departmental risk register as appendix 2. Both risk registers provide details of each risk, a brief update, where appropriate a target risk date and mitigations. (Note: Target date is the date by when the target risk score should be achieved).

2.0 **Corporate risk register**

2.1 Subject to confirmation by the Audit and Risk Management Committee of the two new risks (see para 2.4 below), there will be a total of 11 corporate risks. It should be noted that the risk title for CR02 has been amended from "Supporting the Business City" to "Loss of Business Support for the City'.

2.2 The Audit and Risk Management Committee (17 September 2015) noted that "*that there had been little significant movement on the risk levels since the last review, although there was an improving trend and officers would be concentrating on getting a sharper focus on the information provided to Members*". CORMG considered this issue on 30 September 2015, and asked for the Reporting of Risk Information to Committees guidance to be revised ensuring that detailed risk information (including the mitigations) was in future reported to Committees. This work is now underway.

2.3 Table 1 below – List of corporate risks as at 21 September 2015 (Risk score order)

Risk no	**Risk title**	**Risk rating**	**Risk score**
CR11	Hampstead Heath Ponds	Red	16
CR 19	IT Service Provision – Police and Corporation IT Service	Red	16
CR09	Health and Safety Risk	Amber	12
CR01	Resilience Risk	Amber	8
CR02	Loss of Business Support for the City	Amber	8
CR10	Adverse Political Developments	Amber	8
CR17	Safeguarding	Amber	8
CR14	Funding Reduction	Amber	6
CR16	Information Security	Amber	4

Two new corporate risks

2.4 CORMG (30 September 2015) recommended two new risks to the Summit Group (22 October 2015), for inclusion on to the corporate risk register. A third risk was considered for recommendation to the Summit Group, CHB Contract Management. It was agreed that this risk required further work pending the outcome of the FM/Contract Management Cross Cutting Reviews. The Summit Group provisionally accepted these two new risks on to the corporate risk register.

a) **DBE Road Safety**. This risk was originally considered by Summit Group on 13 July 2015 which requested that the risk wording be reviewed. This has resulted in a new risk being drafted and this is set out below in the cause, event, effect format:

Cause: Limited space on the City's medieval road network to cope with the increased use of the highway by vehicles and pedestrians / cyclists within the City of London. Interventions & legal processes take time to deliver.

Event: The number of casualties occurring in the City rises instead of reducing.

Effect: City's reputation and credibility is adversely impacted with businesses and/or the public considering that the Corporation is not taking sufficient action to protect vulnerable road users; adverse coverage on national and local media.

b) **MCP Air Quality**. This risk has previously been discussed at both Summit Group and the Audit and Risk Management Committee. It was suggested by the Committee that the risk should focus on the health impacts of poor air quality as opposed to the possible fine from the EU to the UK for exceeding air quality limits. Essentially a new risk has been drafted and is set out below in the cause, event and effect format.

Cause: Small particulate pollution has chronic health impacts from long term exposure at very low concentrations and is in evidence within the City and central London. There is also a health impact associated with long term and short term exposure to nitrogen dioxide.

Event: Under certain atmospheric conditions there is a higher probability of poor air quality within the City and it is more likely that residents, workers and visitors would suffer the acute consequences.

Effect: The consequences, both acute and chronic, may include:

- an increase in hospital referrals placed upon both emergency services and the NHS for those already suffering from respiratory or cardiovascular conditions. (It may also place a strain on City social services).
- an increase in deaths, particularly of those already suffering from respiratory or cardiovascular conditions (both residents and workers)
- Economic costs such as acting as a deterrent of businesses coming to London or staying and financial penalties for non-compliance with air quality limits.
- Persistent poor air quality may affect the longer term health of the City population.

Appendix 3 contains further details of both risks. If confirmed as corporate risks, by the Audit and Risk Management Committee, they will be entered on to the Covalent Risk Management Information System.

Top departmental red risks

2.5 There are currently 12 top departmental red risks. CORMG reviewed these risks. One risk, no GSMD EF 001 (Failure to Secure Lease Renewal of Sundial Court in 2020), required the target date to be amended from 5 April 2016 to 5 April 2017. The top red departmental risk register is attached as appendix 2.

3.0 Member development session – Risk Management

3.1 A one hour member development session on Risk Management was held on 1 October 2015 with a total of seven members attending. The session focused on the Corporation's Risk Management strategy and the role of members when reviewing risk reports to Grand Committees. Overall the session received positive feedback from those members present as well as eliciting a number of suggestions for improvements in communicating risk information to members and embedding Risk Management further within the Corporation.

4.0 Conclusion

4.1 The Corporate risk register continues to be actively reviewed and updated by risk owners in line with the requirements stipulated by the Risk Management Strategy. CORMG provides additional assurance to the Summit Group, COG and the Audit and Risk Management Committee that corporate risks are appropriate and being actively managed.

Appendices:

APPENDIX 1 - Corporate risk register as at 21 September 2015
APPENDIX 2 - Top Red departmental risk register as at 21 September 2015
APPENDIX 3 - Two new corporate risks (accepted by Summit Group on 22 October 2015)

Contact:
Paul.Dudley **|** *Paul.Dudley@cityoflondon.gov.uk* **|** *02073321297*

Corporate risk register

Report Author: Paul Dudley
Generated on: 21 September 2015

Summit Group 12 October 2015 - Appendix 1

Rows are sorted by Risk Score

Code & Title: CR Corporate Risk Register
9

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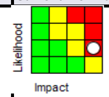
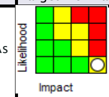
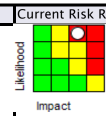
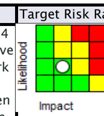
Risk No. & Title	Risk Description (Cause, Event, Impact)	Risk Owner	Current Risk Rating & Score	Risk Update	Target Risk Rating & Score	Target Date	Risk Trend
CR11 Hampstead Heath Ponds - overtopping leading to dam failure	**Cause:** The earth dams on Hampstead Heath are vulnerable to erosion caused by overtopping **Event:** Severe rainfall event which causes erosion which results in breach, leading to failure of one or more dams **Impact:** Loss of life within the downstream community and disruption to property and infrastructure - including Kings Cross station and the Royal Free Hospital. A major emergency response would need to be initiated by Camden Council and the police at a time when they are likely to already be dealing with significant surface water flooding. Damage to downstream buildings and infrastructure would result in significant re-build costs. The City's reputation would be damaged. An inquiry and legal action could be launched against the City. The Ponds Project has been initiated to mitigate this risk as the current interim mitigations of telemetry, weather monitoring, an on-site emergency action plan do not address the issue of the dam's vulnerability to overtopping	Sue Ireland; Paul Monaghan	 16	The "Ponds Project" has been initiated to address the vulnerability of the dams to overtopping and the associated erosion. As this project is the ultimate mitigation of this risk and all other feasible mitigations are already in place, the issues reported related principally to the successful and timely completion of the Ponds Project. **Potential for land ownership issues to cause delays-** The various adjoining landowners have been engaged with and there is no concern currently that this will impact on project progression. **Potential for protest -** Officers have engaged with Met Police, Camden and specialist contractors to ensure that we are in a position to respond to any protest which occurs. A "Gold Strategic Intent" document has been drafted. This sets out the principles of accommodating protest which is safe, peaceful and non-disruptive. **Health & Safety** - The Heath is a public open space and therefore the interaction between people, dogs and construction plant must be managed. All construction vehicles will be escorted and move at walking pace. **Cost increases** - The budget is managed by the Project Board. A separate risk contingency has been established. **Further challenge -** Although much reduced following the JR and planning decision, some local groups are continuing to lobby government to prevent the project.	 8	31-Oct-16	

Action Code & Title	Action Description	Action Owner	Due Date	Action Update
CR11 a Project Director to review budget monthly with Project Board - specific consideration of use of risk contingency	Regular monitoring of budget and risk provisions	Paul Monaghan	31-Mar-16	Project Director continues to monitor the budget closely with the project officer.
CR11 b Agreement of methords of working with utilites	Agreement of methods of working with utilities	Paul Monaghan	31-Aug-15	Engineers and Contractor have been meeting regularly with utilities
CR11 c Site supervision by DBE and OS to ensure appropriate H&S procedures	Regular review of H&S and working practices - in particular movement of vehicles	Paul Monaghan	31-Mar-16	Weekly meetings to review practices being undertaken
CR11 d Liaison Officer to engage proactively through site notices, media, electronic communications, PPSG and CWG	Liaison officer role defined by planning conditions in respect of CWG, but will undertake broader community engagement role as previously	Paul Monaghan	31-Mar-16	CWG continues to meet regularly alongside a programme of walks
CR11 e New on-site plan to be agreed by Core Group and Project Board	A revised on-site plan is required for the construction period.	Paul Monaghan	31-Aug-15	New plan was agreed by the core group subject to approval by the panel engineer. Project officer to follow up with Atkins on this approval
CR11 f Daily ecological monitoring by BAM and Heath staff to check for nesting birds	As per planning consent and conditions	Paul Monaghan	31-Oct-16	Daily monitoring will take place until the conclusion of the works.
CR11 g Weekly site meetings to secure clear communication between OS, DBE and BAM	To secure clear understand of impact on the Heath, resolution of any issues, discussion of complaints	Paul Monaghan	31-Oct-16	Meeting continue to progress well

CR11 h Resolution of issues with adjoining land owners	There are 4 different adjoining landowners who the City is engaging with. The land ownership will be resolved according to the specifics of each case - via transfer, access agreements or registration as co-undertakers with the EA.	Paul Monaghan	31-Aug-15	Negotiations ongoing
CR11 i Approval of designs for Highgate 1	The design approved for Highgate 1 impacts on another landowner. Discussions as to an acceptable alternative have been progressing. Any change will require planning permission.	Paul Monaghan	31-Aug-15	Further discussions with landowner required

Risk No. & Title	Risk Description (Cause, Event, Impact)	Risk Owner	Current Risk Rating & Score		Risk Update	Target Risk Rating & Score		Target Date	Risk Trend
CR19 IT Service Provision	**Cause**: The whole Police IT Estate and parts of the Corporation are in need of further investment. **Event**: For the Corporation, poor performance of IT Service and for the Police critical failure of the Police IT Service. **Effect**: Loss of communications or operational effectiveness (including service performance, reliability and weakening DR capabilities). reputational damage. Possible failure of critical Corporation and Policing activities.	Graham Bell		16	The Agilisys Service take on from Dec 2014 has 8 mandatory projects design to improve the Police IT Infrastructure. A Joint Network Refresh has also been initiated to update and renew the Police network both between and within Buildings. Taken together these two project will greatly improve the IT service and reduce the risk to an acceptable level.		4	31-Dec-15	

Action Code & Title	Action Description	Action Owner	Due Date	Action Update
CR19a COLP Agilisys managed services contract.	Agilisys managed services contract will bring additional resource and a resilient data centre solution to the Police IT estate.	Graham Bell	31-Dec-15	ACTION COMPLETED. The Agilisys service take-on commenced in December 2014. With the exception of the major storage, failure in late June the service take-on has been smooth, improved service reliability and there are significantly improved resources, process and procedure in place. The 8 mandatory projects are progressing well and to plan and Agilisys are considering further actions which may mitigate the risks in the short-term pending completion of the projects.
CR19b JOINT Network refresh programme.	Joint network refresh programme to resolve issues around network resilience and ensure we have diverse routes for network traffic, avoiding single points of failure.	Graham Bell	31-Dec-15	A Gateway 3 has been approved by Force Change Board and Capital Programme Board within CoLP, and will be presented to Project Sub Committee for approval. GYE is now operating with a new local area network and the Police Telephony system has completed an upgrade to improve resiliency, there is provision within the Gateway 3 Paper to return for urgent items which need to be resolved quickly while the longer term solution is implemented for other Police Buildings For the Corporation the existing LAN is supported by an IBM Support contract and is operating satisfactorily, however equipment is end of life there is a risk of failure and must be replaced under the JNRP.
CR19c JOINT End User Device Renewal	Investment in any retained IT infrastructure to ensure that this meets the same standards of resilience and continuity as delivered by the IaaS infrastructure.	Graham Bell	31-Mar-16	For the Police this work has already been completed and the end user device estate has been renewed. For the Corporation a Gateway 2 Report has been prepared to replace the 60% of devices now more than 4 years old, as well as making improvements to supporting infrastructure and systems. If approved this should be completed by Mar 2016
CR19d CoLP Investment in any retained IT infrastructure	Investment in any retained IT infrastructure to ensure that this meets the same standards of resilience and continuity as delivered by the IaaS infrastructure	Graham Bell	31-Dec-15	A gateway 1/ 2; has been approved for the refreshment of the retained IL4 infrastructure for CoLP.
CR19e CoLP Progress review scheduled for May 2015.	Investment in any retained IT infrastructure to ensure that this meets the same standards of resilience and continuity as delivered by the IaaS infrastructure.	Graham Bell	31-May-15	ACTION COMPLETED. Review has been completed and although projects are progressing to plan. We are working with Agilisys to seek early mitigation of some areas of risk.
CR19f JOINT Migration of servers to dual data centre.	Staff available out of hours to cover any issues.	Graham Bell	31-May-15	ACTION COMPLETED. IAAS Project - Migration of servers to dual data centre.
CR19g CoLP Staff availability.	Staff available out of hours to cover any issues.	Graham Bell	12-Mar-15	ACTION COMPLETED. Agilisys now have a resourced team in place to support the Police and ensure support is available 24 / 7.

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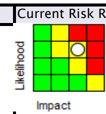
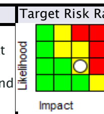
CR19h DR Capabilities	There are DR capabilities which mean any critical failures can be recovered from, although should be noted that limitations within these capabilities might mean that systems may not be restored within recovery time objectives.		12-Mar-15	ACTION COMPLETED. Improved procedure and processes are now in place and there is capability available to recovery from problems as quickly as the current infrastructure allows.
CR19i CoLP Recovery activity documentation.	Documentation in place to support recovery activity.	Graham Bell	12-Mar-15	ACTION COMPLETED. Improved procedure and processes are now in place and there is capability available to recovery from problems as quickly as the current infrastructure allows. Additionally, as new IaaS infrastructure is deployed procedures will be enhanced.
CR19j CoLP Transition plan.	Transition plan in place to deliver sustainable and resilient DR capabilities.	Graham Bell	12-Mar-15	ACTION COMPLETED. The 8 Mandatory Agilisys projects are planned, resourced and managed

Risk No. & Title	Risk Description (Cause, Event, Impact)	Risk Owner	Current Risk Rating & Score	Risk Update	Target Risk Rating & Score	Target Date	Risk Trend
CR09 Health and Safety Risk	**Cause** – Safety is treated as a low priority by the organisation, lack of training of staff and managers, management complacency, poor supervision and management **Event** – Statutory regulations and internal procedures relating to Health and Safety breached and/or not complied with. **Effect** – Possible enforcement action/ fine/prosecution by HSE, Employees/visitors/contractors may be harmed/injured, Possible civil insurance claim, Costs to the Corporation, Adverse publicity /damage to reputation, Rectification costs	Chrissie Morgan	 **12**	The risk was reviewed by the SMT on 20/08/15, no change to the assessment at this time External accreditation of the CoL Health and Safety Management System is due to take place in November The Top X risk assessment approach is being repackage to bring the process in line with the Covalent risk management software	 **8**	31-Mar-16	

Action Code & Title	Action Description	Action Owner	Due Date	Action Update
CR09A External Verification	External verification of the CoL's safety management system	Oliver Sanandres	30-Nov-15	Action added 240615, currently selecting appropriate review organisation
CR09B Compliance Audits	Rolling programme of departmental compliance audits conducted by the Corporate Health and Safety Unit	Oliver Sanandres	31-Mar-16	Work for this financial year started April 1 2015, 2 audits currently completed, programme for the rest of the year has been set and is on target

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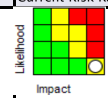
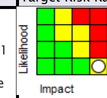
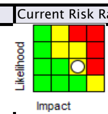
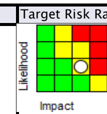
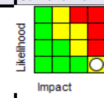
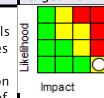
Risk No. & Title	Risk Description (Cause, Event, Impact)	Risk Owner	Current Risk Rating & Score	Risk Update	Target Risk Rating & Score	Target Date	Risk Trend
CR01 Resilience Risk	**Cause** – Lack of appropriate planning, leadership and coordination **Event** – Emergency situation related to terrorism or other serious event/major incident is not managed effectively **Effect** – Major disruption to City business, failure to support the community, assist in business recovery	John Barradell	 **8**	This risk was review by the SMT and the assessment score is rated as unchanged Exercise Allovus was conducted on June 11 successfully. The exercise included the emergency services. The findings from the exercise will be reported to the Summit Group on July 13	 **8**	31-Mar-16	

Action Code & Title	Action Description	Action Owner	Due Date	Action Update
CR01A Emergency Exercise	Full exercise (Allovus) to test the emergency and business continuity plans across the organisation. The exercise will involve the emergency services	Gary Locker	11-Jun-15	The exercise was completed as planned
CR01B Exercise Allovus - review report to Senior Management	Prepare and complete a review report for the Summit Group, actions leading from Exercise Allovus	Gary Locker	31-Oct-15	Report was originally planned to be complete in July 2015, but further work was required and the report will now be submitted to Senior Management by the end of October 2015

Risk No. & Title	Risk Description (Cause, Event, Impact)	Risk Owner	Current Risk Rating & Score	Risk Update	Target Risk Rating & Score	Target Date	Risk Trend
CR02 Supporting the Business City	**Cause** - The City Corporation's actions to promote and support the competitiveness of the business City do not succeed. **Event** - The City's position as the world leader in international financial services is adversely affected **Effect** - The City loses its ability to attract and retain high value global business activity, both as a physical location and in mediating financial and trade flows; the City Corporation's business remit is damaged and its perceived relevance is diminished.	John Barradell	 **8**	Following review the risk assessment/scoring is unchanged The Corporation and the International Regulatory Strategy Group ensure we engage on the key regulatory issues that affect the financial and professional services industry, informing our engagement with policy makers, regulators and the media. ED office is engaged in a programme of work to support, defend and enhance the business city, in accordance with ED Business Plan.	 **8**	31-Mar-16	

Action Code & Title	Action Description	Action Owner	Due Date	Action Update
CR02A Special Representative of the City to the EU	Appointment of former Foreign Office Minister, Jeremy Browne, to new position to enhance our engagement with EU policy makers.	Giles French	01-Sep-15	Appointment Commences on 1 September 2015 - 3 year appointment
CR02B Restructure of the team working on financial and professional services	City, EU and International Affairs teams have been restructured into City Competitiveness and Regulatory Affairs teams to remove geographical boundaries and provide greater policy focus to work. Job descriptions have been reviewed for same purpose.	Giles French	01-Sep-15	New structure and roles go live on 1 September 2015

Risk No. & Title	Risk Description (Cause, Event, Impact)	Risk Owner	Current Risk Rating & Score	Risk Update	Target Risk Rating & Score	Target Date	Risk Trend
CR10 Adverse Political Developments	**Cause:** Financial services issues that make the City Corporation vulnerable to political criticism; local government devolution proposals that call into question the justification for the separate administration of the Square Mile. **Event:** Functions of City Corporation and boundaries of the City adversely affected. **Impact:** The future of the City of London Corporation as an independent body could be undermined.	Paul Double	 8	There has been close engagement with those responsible for developing proposals to enable the devolution of responsibilities while safeguarding the City. Constant attention is given to the form of legislation affecting the City. Continued promotion of the good work of the City Corporation among opinion-formers particularly in Parliament and Central Government so that the City Corporation is seen to remain relevant and "doing a good job" for London and the nation .	 8		

Action Code & Title	Action Description	Action Owner	Due Date	Action Update
CR10a Government and stakeholder engagement	Monitoring of Government legislation and proposed regulatory changes. Provision of information to Parliament and Government on issues of importance to the City. Engagement with key opinion informers in Parliament and elsewhere. Programme of work to monitor and respond to issues affecting the reputation of the City Corporation.	Paul Double	31-Mar-16	Relevant Bills in the Government's legislative programme have been identified and City Corporation departments alerted to issues of potential significance. Briefing has been provided for Parliamentary debates on air quality, immigration, the creative industry, trade and investment, Fintech and broadband. There has been continuing engagement on devolution in London and liaison with London Councils and Central London Forward on the application of devolution to the London boroughs and the City, either directly from central Government or the Mayor.

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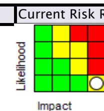
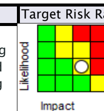
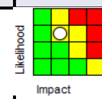
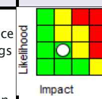
Risk No. & Title	Risk Description (Cause, Event, Impact)	Risk Owner	Current Risk Rating & Score	Risk Update	Target Risk Rating & Score	Target Date	Risk Trend
CR17 Safeguarding	**Cause:** Not providing appropriate training to staff, not providing effective management and supervision, poor case management **Event:** Failure to deliver actions under the City of London' safeguarding policy. Social workers and other staff not taking appropriate action if notified of a safeguarding issue **Effect:** Physical or mental harm suffered by a child or adult at risk, damage to the City of London's reputation, possible legal action, investigation by CQC and or Ofsted	Ade Adetosoye	 8	Work is ongoing to raise awareness of safeguarding, through e-learning, briefing sessions and working with partners. Good progress has been made on implementing the actions to mitigate this risk.	 8	31-Mar-16	

Action Code & Title	Action Description	Action Owner	Due Date	Action Update
CR17b Work with HR to develop training and programmes to support staff	Develop safeguarding e-learning modules and enable staff to access advice and assistance	Chris Pelham	30-Sep-15	The majority of staff have undertaken the e-learning modules. Outstanding training will be completed by end of August
CR17c Safeguarding Awareness Sessions for DCCS Staff	3 raising awareness sessions will be delivered to Community and Children's Services staff. These sessions will cover updated Child Sexual Exploitation and Children Missing from home, Education and or Care protocols and referral process which have been updated and circulated to all professionals. A Multi Agency Sexual Exploitation group is now fully functioning.	Chris Pelham	31-Jul-15	Completed - All sessions have now been delivered to staff.

CR17d Raising awareness of Private Fostering, role of Local Authority Designated Officer (LADO)	A Multi Agency Briefing Event will be held with over 60 partners attending to launch the new referral process, to highlight the role of the Local Authority Designated Officer and raise awareness Private Fostering and the City of London Thresholds document.	Chris Pelham	30-Sep-15	Completed - the briefing session took place on 6 July 2015. Partners welcomed the event and feedback was positive.
CR17e Prevent agenda - new guidance	New guidance on the Prevent agenda is being circulated to the City family of schools including the City of London Academies. A leaflet has been produced for parents and carers regarding the Prevent agenda.	Chris Pelham	10-Jul-15	Completed - this work has now been completed and the new guidance on the Prevent agenda has been sent to the City of London Family of Schools and the new leaflet has been circulated to parents and carers.
CR17f Review of City of London Safeguarding Policy	A review of the City of London Safeguarding Policy will be undertaken with the involvement of the Departmental Safeguarding Champions	Chris Pelham	31-Dec-15	Target date for completion 31 December 2015
CR17g Preparation for Inspection of Children's Services and Ofsted Inspection Framework	Work is ongoing to prepare for an Ofsted Inspection of Children's Services. Concerns have been raised by The Society of Local Authority Chief Executives (SOLACE), Local Government Association (GLA) and Association of Directors of Children's Services (ADCS) about the current Ofsted inspection framework regarding the lack of flexibility and understanding of local demographics and service needs. No Local Authority has been assessed as outstanding since the inspection framework was revised almost 2 years ago.	Chris Pelham	31-Mar-16	An update on the Corporate Safeguarding Policy will be presented to the Safeguarding sub committee on 25 September 2015

Risk No. & Title	Risk Description (Cause, Event, Impact)	Risk Owner	Current Risk Rating & Score		Risk Update	Target Risk Rating & Score		Target Date	Risk Trend
CR14 Funding Reduction	**Cause**: Reduced funding from Central Government. **Event**: Reduced funding available to the City Corporation. **Effect**:City Corporation will be unable to maintain a balanced budget and healthy reserves in City Fund, significantly impacting on service delivery levels.	Peter Kane		**6**	The financial strategy already addresses this risk for City Fund. Following the service based review and inclusion of these savings in budget estimates, the City Fund (non-Police) remains in balance or close to breakeven across the period. Savings begin to be reflected in the budget for 2015/16, approved by the Court, with full impact by or before 2017/18. There are risks around the implementation of the saving proposals and the achievement of savings will be monitored by the Efficiency and Performance Sub Committee on a regular basis. As savings proposals are implemented, this risk will ultimately reduce further to GREEN. The MTFP currently anticipates the Revenue Support Grant will reduce to £2m by 2019/2020. In the summer budget, the Chancellor announced overall reductions that are less steep than forecast in the March budget. We do not yet know how this affects us until after the comprehensive spending review in the autumn, but we know the deficit reduction programme is over a longer period and the squeeze has eased a little. Further significant cuts are likely to Home Office Funding for Police services over the next four years as a result of the Spending Review. The separate review of Police Funding Formula may result in a further reduction. The medium term financial strategy is being updated to address these likely reductions but cannot be finalised		**4**	31-Mar-18	

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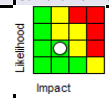
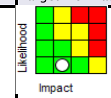
Action Code & Title	Action Description	Action Owner	Due Date	Action Update
CR14a Scrutiny by the Officer SBR Steering Group and Efficiency and Performance Sub-Committee.	Scrutiny of the achievement of savings by the Officer SBR Steering Group and Efficiency and Performance Sub-Committee.	Caroline Al-Beyerty	31-Mar-16	Second SBR Monitoring report to be provided to 15 September ESPC. Quarterly cycle of reporting agreed for remainder of 2015/16.
CR14b SBR implementation.	SBR implementation continues with cross departmental workstreams to identify further efficiencies in strategic asset management, income generation, and reviews of grants and hospitality.	Caroline Al-Beyerty	31-Mar-16	Progress is monitored by EPSC in full. Grants review is complete, now moving to implement recommendations made. Corporate Finance is liaising closely with Police finance team.
CR14c Police Savings proposals.	Police Savings proposals to be quantified and validated by September 2015.	Caroline Al-Beyerty	30-Sep-15	
CR14d SBR - Savings proposals.	SBR implementation in progress- savings proposals identified that restore the budget to a balanced position across the medium term.	Caroline Al-Beyerty	12-Mar-15	ACTION COMPLETED.
CR14e Robust financial planning.	Robust financial planning.	Caroline Al-Beyerty	12-Mar-15	ACTION COMPLETED.
CR14f Monitoring of delivery of savings.	Robust monitoring of delivery of savings proposals - undertaken by Head of Finance, Projects.	Paul Nagle	31-Mar-16	Second round of monitoring complete, third round to commence October 2015.
CR14g Scrutiny by the Efficiency Board and Efficiency and Performance Sub-Committee.	Scrutiny by the Efficiency Board and Efficiency and Performance Sub-Committee.	Caroline Al-Beyerty	12-Mar-15	ACTION COMPLETED.

Risk No. & Title	Risk Description (Cause, Event, Impact)	Risk Owner	Current Risk Rating & Score	Risk Update	Target Risk Rating & Score	Target Date	Risk Trend
CR16 Information Security	**Cause**: Breach of IT Systems resulting in unauthorised access to data by internal or external sources. Officer/ Member mishandling of information. **Event**: Cyber security attack - unauthorised access to COL IT systems. Loss or mishandling of personal or commercial information. **Effect**: Failure of all or part of the IT Infrastructure, with associated business systems failures. Harm to individuals, a breach of legislation such as the Data Protection Act 1988. Incur a monetary penalty of up to £500,000. Compliance enforcement action. Corruption of data. Significant reputational damage.	Graham Bell	 **4**	Mandatory training programme now complete. Structure of policies and guidelines due to be signed off by the IT Steering Group on 1 September 2015.	 **2**	31-Jan-16	

Action Code & Title	Action Description	Action Owner	Due Date	Action Update
CR16a Review and refresh policy	Review and refresh existing policy around cybersecurity and technology infrastructure risk in partnership with Agilisys.	Christine Brown	30-Sep-15	Final version to be agreed at IT Steering group on 1 September 2015, and then Summit Group.
CR16b Promote Data Security training	Actively promote Data Security training and Responsible for Information training plan to be developed and deployed.	Christine Brown; Daniel Mckee	30-Sep-15	Campaign to ensure colleagues complete mandatory Data Protection Act 1998 and responsible for information courses by end of April 2015. Next steps: Ensure HR inform managers that these courses are mandatory for all new joiners, and that completion should be monitored.
CR16c Central monitoring and guidance.	Ensuring departments comply with the DPA and FOIA, within a corporate policy and compliance framework, via an Access to Information Network (AIN); that guidance is provided, and compliance is monitored.	Michael Gasson	12-Mar-15	ACTION COMPLETED. Draft Internal Audit report states compliance level 'Substantial'.
CR16d Data Protection awareness raising.	Biannual awareness raising campaigns, including posters, screensavers, tables talkers, and key guidance emails to all staff. (May and November)	Daniel Mckee	12-Mar-15	ACTION COMPLETED.
CR16e Mandatory online training and Data Protection presentations to staff	Mandatory online training for all staff and rolling program of tailored DPA training presentations for all staff, and to Members on request.	Daniel Mckee	12-Jul-15	ACTION COMPLETED.
CR16f Technical Solutions Officer.	Appointment of Technical Solutions Officer.	Gary Griffin	12-Mar-15	ACTION CLOSED. There are currently no plans to recruit to this post.
CR16g Investigations process.	Investigations process in place.	Graham Bell	12-Mar-15	ACTION COMPLETED.

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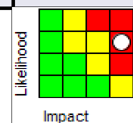
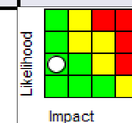
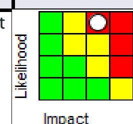
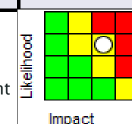
Top Red Departmental
Risk Register summary

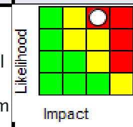
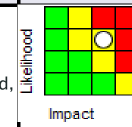
Generated on: 21 September 2015

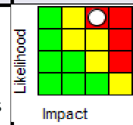
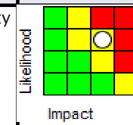
Summit Group 12 October 2015 - Appendix 2

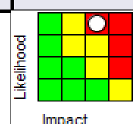
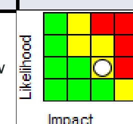
Risk Traffic Light: Red 12

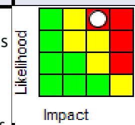
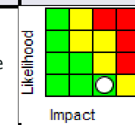
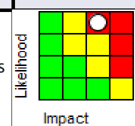
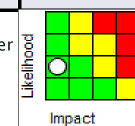
Risk No, Title, Department, Risk creation date	Description (Cause, Event, Effect)	Current Risk Score		Risk Owner	Risk update	Target Risk Score		Target date	Risk Trend
DCCS PE 002 **Failure to deliver expansion of Sir John Cass Foundation Primary School to 2 form entry in September 2016** Department of Community & Children's Services Creation Date 11-Jun-15	**Cause** Expansion not delivered **Event** Building project not completed **Effect** Lack of first choice school places for City children		24	Ade Adetosoye	Attempts to achieve the target are ongoing.		2	18-Aug-15	

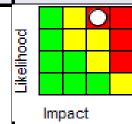
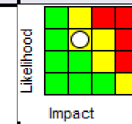
Risk No, Title, Department, Risk creation date	Description (Cause, Event, Effect)	Current Risk Score		Risk Owner	Risk update	Target Risk Score		Target date	Risk Trend
GSMD EF 001 **Failure to Secure Lease Renewal of Sundial Court in 2020** Guildhall School of Music and Drama Creation Date 09-Jul-15	**Cause**: Sundial Court , (the School's student accommodation), is owned by a private landlord, who currently leases the building to the School. Lease expires in 2020. **Event**: Landlord may not want to renew the lease to the School as there may be better development potential elsewhere. Alternative specialist music student accommodation might not be found. **Impact:** Loss of on-campus student accommodation for 177 students. Loss of student services and offices. Loss of student union facility and rehearsal room. Risk of reduced interest in students choosing GSMD if there is no onsite accommodation available.		16	Michael Dick	Legal opinion on lease renewal terms obtained. Alignment of repairs and maintenance regime with lease terms. Contact and dialogue with landlord's agent on issues relating to lease renewal. Engagement with City Surveyors on action plan. Student accommodation strategy in development.		12	05-Apr-17	

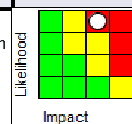
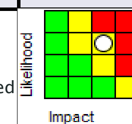
Risk No, Title, Department, Risk creation date	Description (Cause, Event, Effect)	Current Risk Score		Risk Owner	Risk update	Target Risk Score		Target date	Risk Trend
GSMD FN 001 **Ability to Deliver a Balanced and Sustainable Model over the School's Business Cycle** Guildhall School of Music and Drama Creation Date 12-Mar-15	**Cause:** Substantial drop in income. Pressures on expenditure. Service Based Review funding cuts of £1m in 17/18. Local risk funding to the School is planned to reduce from over £8m in 2013/14 to £5.3m in 2017/18. Failure to gain additional funding from HEFCE. **Event**: If no action is taken, the School's annual deficit will rise to £3.2m by 2017/18. **Impact:** This is not a sustainable position and the Higher Education Funding Council for England (HEFCE) have been made aware.		16	Barry Ife	Risk 5.2 on Departmental Risk Register The School and the CoL are in direct discussions with HEFCE. Up to date communication and reporting to the Board, CoL and HEFCE. Ongoing discussion and negotiation to effect funding model. Continual review and management of the School's business model. On current funding levels, the School's longterm financial model is unsustainable. This has been materially exacerbated by the City's Service Based Review (SBR) target, reducing City funding to the School by £1m in 2017/18. Over the last year the School has engaged with both HEFCE and the City to determine a strategy that will re-balance the model. Although a number of options have been discussed, these discussions with teh School's primary funders are crucial in determining future strategy. Discussions have been initiated with HEFCE concerning the possibility of increased public funding as part or its review of institution-specific targeted allocations (RISTA) scheduled for 2015/16. in the interim the School is working to ensure that the quality of its teaching and the strength of its brand holds within the current volatile environment. The School has put together a plan of action for investing in its capabilities to ensure that it retains its leading position in a competitive environment.		12	31-Jan-16	

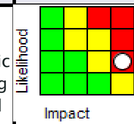
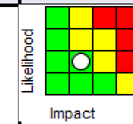
Risk No, Title, Department, Risk creation date	Description (Cause, Event, Effect)	Current Risk Score		Risk Owner	Risk update	Target Risk Score		Target date	Risk Trend
MCP-EH 001 **Air Quality** Department of Markets and Consumer Protection Creation Date 24-Feb-15	**Cause:** Poor air quality in the city caused predominantly by traffic pollution. (Air Quality Limit values are legally binding EU parameters that must not be exceeded. Limit values are set for individual pollutants and are made up of a concentration value, an averaging time over which it is to be measured.) **Event**: Failure to meet Air Quality limit values in the City by the prescribed dates set by the EU. **Effect:** A fine of unknown amount and the associated reputational damage to the City of London. Poor air quality is also a significant public health issue for the City of London as a small number of the population are more vulnerable to the effects of air pollution where exposure to pollution can exacerbate existing health conditions including cardiovascular and respiratory disease. This can lead to restricted activity, hospital admissions and even premature mortality.		16	Jon Averns	The current systems in place allow the City to demonstrate that it is taking sufficient effective action to help the government and the GLA to meet air quality Limit Values		12	01-Jan-18	

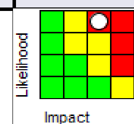
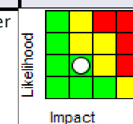
Risk No, Title, Department, Risk creation date	Description (Cause, Event, Effect)	Current Risk Score		Risk Owner	Risk update	Target Risk Score		Target date	Risk Trend
MCP-NS 001 **Workplace Traffic Management** Department of Markets and Consumer Protection Creation Date 24-Feb-15	**Cause:** Over 200 forklift trucks operate on the New Spitalfields Market site. **Event**: There is a serious risk of injury or death of a pedestrian if vehicle movements in this constrained space are not appropriately managed and controlled. **Effect:** An accident involving a pedestrian and a vehicle which resulted in a serious injury or fatality could result in prosecution, a fine, reputational damage for the City and have an adverse impact on the operation and sustainability of the service.		16	Sidney Brewer	A traffic management plan is currently in place. The market constabulary monitor fork lift operator behaviours and withdraw permits when required. They also issue penalty points and an accumulation of points will lead to a suspension or cancellation of the permit to operate on the common parts.		8	02-Jan-17	

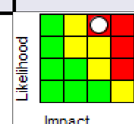
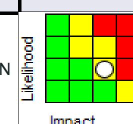
Risk No, Title, Department, Risk creation date	Description (Cause, Event, Effect)	Current Risk Score		Risk Owner	Risk update	Target Risk Score		Target date	Risk Trend
MCP-SM 001 **HGV Unloading Operations** Department of Markets and Consumer Protection Creation Date 24-Feb-15	**Cause**: A lack of suitable and sufficient training and adequate management controls in relation to Heavy Goods Vehicle banksman activities undertaken by staff employed by Smithfield Market tenants. **Event:** Serious or fatal injury to members of the public, market staff and other service users caused by uncontrolled or unguided reversing vehicles. **Effect:** Realisation of this risk could result in a prosecution, fine and reputational damage for the City.		16	Robert Wilson	The market constabulary are currently monitoring these areas as part of their routine patrols and are halting any unsafe acts they observe.		4	31-Dec-15	
OSD 003 **Delivering the Departmental Road Map Projects and Programmes** Director of Open Spaces Creation Date 10-Mar-15	**Causes:** Lack of appropriate skill sets to deliver projects; cultural resistance; initial scoping of project outcomes and timescales inaccurate **Event:** Department is unable to deliver its roadmap projects and programmes in agreed timescales or achieve agreed outcomes **Impact:** Alternative savings undertaken which may not be consistent with achieving cultural change or improving outcomes.		16	Sue Ireland	Initial Project and Programme training completed. Further training on stakeholder management in development.		2	01-Apr-16	

Risk No, Title, Department, Risk creation date	Description (Cause, Event, Effect)	Current Risk Score		Risk Owner	Risk update	Target Risk Score		Target date	Risk Trend
OSD 005 **Animal, Plant and Tree Disease** Director of Open Spaces Creation Date 10-Mar-15	**Causes:** Inadequate biosecurity, buying of infected trees, plants or cattle, spread of windblown Oak Processionary Moth (OPM) from adjacent sites **Event:** Sites become infected by animal, plant or tree diseases **Impact:** Public access to sites restricted, animal culls, tree decline, reputational damage, cost of control of invasive species, risk to human health from OPM or other invasives		16	Sue Ireland	OPM has now been confirmed at Hampstead Heath. Officers continue to work with the Forestry Commission to control OPM.		6	01-Apr-16	

Risk No, Title, Department, Risk creation date	Description (Cause, Event, Effect)	Current Risk Score		Risk Owner	Risk update	Target Risk Score		Target date	Risk Trend
OSD EF 008 **Invasive Non Native Species (INNS)** Director of Open Spaces Creation Date 19-Aug-15	Causes: Lack of adequate controls on international trade encourages transmission of invasive non-native species; inadequate site biosecurity often through conscious public release of INNS within Forest Event: Sites become occupied by INNS which can lead to the decline, hybridisation or loss of key native species due to out-competition/disease transmission. Some INNs have health protection issues particularly moths producing urticating hairs.and terrapins carrying *Salmonella* (DT 191a) Impact: loss or decline of key species; temporary site closures; increased costs of monitoring and control. Threat to existing conservation status of sites.		16	Paul Thomson	Lackey/Brown Tail/Oak Processionary/Gypsy Moth monitoring programme in place Pilot treatments of Horse Chestnut infected with Leaf Miner Moth.		12	31-Mar-16	

Risk No, Title, Department, Risk creation date	Description (Cause, Event, Effect)	Current Risk Score		Risk Owner	Risk update	Target Risk Score		Target date	Risk Trend
OSD NLOS 007 **Hampstead Heath Bathing Ponds** Director of Open Spaces Creation Date 10-Aug-15	**Cause:** Lack of suitably experienced and qualified lifeguarding staff at Hampstead Heath Bathing Ponds. Members of the public swimming in unauthorised areas. Swimming outside of designated zones. Swimmers fail to pay attention to acclimatisation requirements. **Event:** Unable to effect safe rescue of swimmers. Death or serious injury of swimmers in ponds. **Impact:** Death or injury to members of the public or staff who enter water. Possible legal challenge. Emotional impact on staff. Reputational risk.		16	Bob Warnock	National Water Safety Programme Management training module will be delivered to relevant staff. Qualified lifeguards at pond facilities train on a regular basis. Signage available at three levels, this includes information signs, at entrances, Nag signs and safety points are visible at the ponds. Social media reminds users of safety. Meetings with user forums sharing relevant information.		4	01-Apr-16	

Risk No, Title, Department, Risk creation date	Description (Cause, Event, Effect)	Current Risk Score		Risk Owner	Risk update	Target Risk Score		Target date	Risk Trend
SUR SMT 005 **Recruitment and retention of property professionals** City Surveyor's Creation Date 17-Mar-15	**Cause:** A strong property and construction market **Event:** Increasingly attractive remuneration packages offered elsewhere **Impact:** Increased vacancies, objectives unachieved or delivered late, reduced customer satisfaction		16	Peter Bennett	This risk identifies the continuing turnover of staff as a result of the strong property market. The department is developing strategies specific to the department that have a particular focus on talent management, reward and retention. There is also a focus on identify projects or work where value can be added by outsourcing. The department now has an action plan in place which includes the introduction of career grading and individual reward packages.		4	31-Mar-16	

Risk No, Title, Department, Risk creation date	Description (Cause, Event, Effect)	Current Risk Score		Risk Owner	Risk update	Target Risk Score		Target date	Risk Trend
SUR SMT 009 **Failure of implementation and management of the Oracle Property Management System** City Surveyor's Creation Date 03-Mar-15	**Cause:** Implementation and subsequent management of Oracle Property module to meet business needs **Event**: Inappropriate technological solution or unsuccessful project management or failure to implement an appropriate management framework **Impact**: Unable to manage property portfolio / loss of income and poor property maintenance		16	Nicholas Gill	Open issues have been progressed. However there are still some unresolved issues on service Charge Solution and OPN reports. The five elements that are being finalised include 1) Defects Resolution, 2) Service Charge, 3) Argus Interface, 4) Archibus Interface and 5) OPN Reports. The programme is due to be completed mid-September 2015.		8	30-Sep-15	

Department: Built Environment RISK TITLE: Road Safety **Appendix 3**

Risk No.	Risk	Risk Owner	Existing Controls	Current Risk				Planned Action(s)	Target Risk		
				Likelihood	Impact	Rating	Direction		Likelihood	Impact	Rating
DRAFT CR-20	**Cause:** Limited space on the City's medieval road network to cope with the increased use of the highway by vehicles and pedestrians / cyclists within the City of London. Interventions & legal processes take time to deliver **Event:** The number of casualties occurring in the City rises instead of reducing. **Effect:** City's reputation and credibility is adversely impacted with businesses and/or the public considering that the Corporation is not taking sufficient action to protect vulnerable road users; adverse coverage on national and local media,	Carolyn Dwyer - Director of the Built Environment		Likely	Major	**R**	↔	In addition to the actions already being implemented which include: • Delivery of the Road Danger Reduction Plan • Partnership Working • Annual Road Safety Education, Training Publicity Programme We have, since the fatality at Bank Junction in June 2015, agreed to: • Implement a joint City of London Corporation & City of London Police Road Safety/Safer Transport Team • Work to redesign Bank Junction in a shorter timescale • Undertake, in the short term, temporary experimental works at Bank Junction • Work with PRO to deliver a Road Safety Communications Strategy • Explore embedding vehicle and driver safety in all City contracts	Possible	Serious	**A**

Additional Actions

Action Description	Desired Outcome (What will the action achieve?)	Original Due Date	Due Date	Planned Start Date	Actual Start Date	Action Owner (staff member responsible for this action)
Implement a joint City of London Corporation & City of London Police Road Safety/Safer Transport Team	A comprehensive programme of measures to improve road safety and change behaviour through education and enforcement.	November 2015	November 2015	July 2015	Jul y 2015	Doug Wilkinson
Work to redesign Bank junction	Safer junction and improved sense of place	Build commencement Autumn 2018-duration dependant on agreed scheme	Viability of bringing the scheme forward being reviewed with TfL	December 2013	December 2013	Iain Simmons
Work with TfL to explore and, where practicable, deliver short term design/operational improvements to Bank Junction	Working with TfL to explore and then deliver short term design/operational measures that will reduce road danger at the bank Junction thereby achieving improved safety for vulnerable road users.	Delivery of identified improvements asap Committee report reviewing progress February 2016	Delivery of identified improvements asap Committee report reviewing progress February 2016	September 2015	September 2015	Steve Presland
Work with the Corporation's Public Relations Office to deliver a Road Safety Communications Strategy	To make businesses and public better aware of the activities of the RDR partnership and build City reputation for successful and innovative RDR delivery	31 October 2015	31 October 2015	September 2015	September 2015	Iain Simmons
Explore embedding vehicle and driver safety in all City contracts	All fleet operating businesses contracting with the City would be at least bronze members of TfL's Fleet Operators Recognition Scheme (FORS). This would mean emphasis on safer vehicles and drivers well trained in cycle safety.	April 2016	April 2016	August 2015	August 2015	Steve Presland

Department: Markets and Consumer Protection
Risk Title: Air Quality (health) – working title

Appendix 3

26 August 2015

Risk No.	Risk	Risk Owner	Current Risk				Risk update (Overview of how the risk is being managed)	Target Risk		
			Likelihood	Impact	Rating	Direction		Likelihood	Impact	Rating
CR (No to be allocated)	**Cause:** Small particulate pollution has chronic health impacts from long term exposure at very low concentrations and is in evidence within the City and central London. There is also a health impact associated with long term and short term exposure to nitrogen dioxide. **Event:** Under certain atmospheric conditions there is a higher probability of poor air quality within the City and it is more likely that residents, workers and visitors would suffer the acute consequences. **Effect:** The consequences, both acute and chronic, may include: • an increase in hospital referrals placed upon both emergency services and the NHS	Jon Averns	Possible	Major	**R**	↑	**NOTE:** The actions that are in place /being planned should be added in the table below - Actions) Improving air quality in the Square Mile is the joint responsibility of the UK Government, the Mayor of London and the City Corporation. The City Corporation has been taking action to improve air quality for a number of years. Despite fulfilling the statutory obligation to take action, air pollution remains a problem in the Square Mile. This is largely due to the increase in the use of diesel nationally, the failure of vehicle emission standards designed to reduce pollution over time and the City being located at the heart of London. This means that much of the pollution in the City originates outside its boundaries. The City Corporation is considered to be a lead authority in taking action to improve air quality across London. Examples are numerous but include initiating ground breaking research with London's Universities, lobbying the government and the Mayor of London, providing the chair for	Possible	Serious	**A**

Page 32	for those already suffering from respiratory or cardiovascular conditions. (It may also place a strain on City social services). • an increase in deaths, particularly of those already suffering from respiratory or cardiovascular conditions (both residents and workers) • Economic costs such as acting as a deterrent of businesses coming to London or staying and financial penalties for non-compliance with air quality limits. • Persistent poor air quality may affect the longer term health of the City population						the London air quality steering group and working closely with City businesses. The air quality and business model, pioneered by the City, has been rolled out across London. Further information can be found in the City Air Quality Strategy.			

Department: Markets and Consumer Protection **26 August 2015**
Risk Title: Air Quality (health) – working title

No	Action Description	Existing/ New action *(Insert existing or new as appropriate)*	Due Date (Completion date)	Action Owner (staff member responsible for this action)
1	Implement the policies contained in the City of London Air Quality Strategy 2015 – 2020. www.cityoflondon.gov.uk/air The strategy contains 10 policy areas with 60 specific actions. An annual report will be produced demonstrating progress with each action.	New	**April 16** and each after that - Ongoing action, with progress reports produced in April each year. Actions are renewed and updated each April and reported on in subsequent years	Ruth Calderwood
2	Review and assess air quality in line with statutory obligations of the Environment Act 1995. Submit all relevant statutory reports. Approval of all reports by Defra and the GLA will demonstrate compliance with statutory obligations.	Existing	**April 16** and each year after that - Ongoing. Compliance reports submitted April each year. These are subject to audit by both Defra and the Greater London Authority	Ruth Calderwood
3	Ensure the City Corporation becomes a Mayor of London Exemplar Borough for air quality. (*To become a Cleaner Air for London Borough the authority will have to pledge (at cabinet level) to take significant action to improve local air quality and sign up to specific delivery targets.* · *This includes having an up-to-date air quality action plan, fully incorporated into LIP funding and core strategies*.) This will demonstrate that all action required by the Mayor of London to improve is being taken by the City Corporation.	New	2017	Ruth Calderwood
4	Develop and implement a robust communications strategy to ensure people have sufficient information to reduce their exposure on days of 'high' air pollution. Days of 'high' air pollution occur on a few days throughout the year and are caused by changes in weather conditions. The City Corporation has very little influence over these high air pollution days but will notify the public when they occur so they can take any relevant action to avoid any impact on their health.	New	Mid 2016	Ruth Calderwood

Department: Markets and Consumer Protection **26 August 2015**

Risk Title: Air Quality (health) – working title

5	Develop and implement a plan for reducing the impact of diesel vehicles on air pollution in the Square Mile. This is to complement the work being undertaken by the Mayor of London to reduce air pollution in the central zone through the implementation of the Ultra Low Emission Zone. (***Note the development of this plan will involve following a complex process - obtaining funding, consultation with all stakeholders, integrated impact assessment, options and approval)***	New	Plan produced by 2018	Ruth Calderwood

Agenda Item 7

Committee:	Date:
Audit and Risk Management Committee Finance Committee	3 November 2015 17 November 2015
Subject: City's Cash Financial Statements 2014/15	**Public**
Report of: The Chamberlain	**For Decision**

Summary

The Annual Report and Financial Statements for City's Cash for the year ended 31 March 2015 are attached at Annex 1 for approval.

Annex 2 sets out Moore Stephens LLP's Audit Management Report for consideration.

The key points are:

- the Income and Expenditure Account indicates a net surplus of £59.3m was achieved in the year which includes a gain in fair value on non-property investments of £70.6m ***(these figures can be seen in the Income and Expenditure Account on page 15)***;

- total City's Cash net assets of £2,074.8m, an increase of £214.5m (11.5%) since last year. This favourable movement is largely due to the net surplus of £59.3m above and net gains on property investments of £194.4, partially offset by £41.1m being the City's Cash share of the actuarial loss on the pension fund ***(the £214.5m is shown in the Consolidated Statement of Total Recognised Gains and Losses on page 18)***;

- the potential contribution of £50m from City's Cash towards the Crossrail Project has been disclosed as a financial commitment in both the annual report ***(page 9)*** and the notes to the financial statements ***(page 57);*** and

- a premium of £20m received for a 150 year 'operating' lease has been treated as deferred income, to be released to revenue over the life of the lease. This aspect is consistent with the treatment in City Fund. However, unlike City Fund, City's Cash is not bound by the code of practice on local authority accounting or the Government's capital control arrangements and the funds can therefore be used for any purpose ***(paras 7-9 of this report)***.

Recommendations

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

a) consider the contents of Moore Stephens LLP's Audit Management Report; and

b) recommend approval of the City's Cash Financial Statements for the year ended 31 March 2015 to the Finance Committee.

The **Finance Committee** is requested to:

a) consider the contents of Moore Stephens LLP's Audit Management Report;

b) approve the City's Cash Financial Statements for the year ended 31 March 2015 taking account of any observations from the Audit and Risk Management Committee; and

c) agree that the Financial Statements are signed by the Chairman and Deputy Chairman of the Finance Committee on behalf of the Court of Common Council.

<u>Main Report</u>

Introduction

1. The 2014/15 Financial Statements for City's Cash are attached at Annex 1. The statements are prepared in accordance with United Kingdom Generally Accepted Accounting Practice (UKGAAP).

2. The external auditor, Moore Stephens LLP intends to give an unqualified opinion on the City's Cash Financial Statements and has issued the audit management report set out in Annex 2. The audit management report will be distributed to all Members of the Court of Common Council for information. Representatives from Moore Stephens LLP will be in attendance at the Audit and Risk Management Committee to present their report and to clarify any points or issues.

3. The Audit Review Panel of the Chamberlain's and Bridgemasters' Accounts met on 13 October 2015 to review the processes adopted by Moore Stephens LLP and the Panel intends to certify that those processes were in accordance with the prescribed auditing standards.

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

4. As explained in last year's report, four of the six equity funds transferred to pooled investment vehicles on 1 February 2014. Consequently, income generated by those funds remained within those funds to be reinvested, with City's Cash drawing down income as required. As a consequence, incoming

resources within the Income and Expenditure Account now include the gain or loss in fair value of most non-property investments rather than the dividend income.

5. In 2013/14 this change had a part year effect:

- for the period prior to the accounting change, from 1 April 2013 to 31 January 2014, the Income and Expenditure Account recorded dividend income of £15.4m within incoming resources and, as part of other recognised gains and losses, a net gain on non-property investments of £34.4m; and
- for the period following the accounting change from 1 February 2014 to 31 March 2014, the Income and Expenditure Account recorded an overall gain in fair value of £1.5m within incoming resources.

6. For 2014/15, this change has a full year effect. The Income and Expenditure Account records a gain in fair value on non-property investments of £70.6m (which is the main reason for the net operating position increasing from a deficit of £10.7m in 2013/14 to a surplus of £44.9m). This accounting change has led to even relatively small movements in the markets from one year to the next producing significant volatility in the amounts to be reported as operating gains or losses in the Income and Expenditure Account.

Treatment of Premiums Received for Long Leases

7. During the year, the City received a £20m premium for a 150 year lease. As the existing buildings on the site are to be demolished to make way for a new development, the whole of the lease premium has been attributed to land. As land generally has an indefinite life (i.e. the risks and rewards of ownership are shared with the City as lessor) it has been classified as an operating lease and, in accordance with accounting standards, the premium has been treated as deferred income to be released to revenue over the 150 year length of the lease – even though the cash has already been received. The principal here is that although the premium is paid up front, it is 'earned' over the life of the lease. In previous years, such premiums have been treated as capital receipts and have not been deferred.

8. Long leases of buildings would normally be treated as finance leases as substantially all the risks and rewards of ownership have usually passed to the lessee. Premiums for such leases would not therefore be deferred.

9. For the City Fund, premiums received for operating leases are required to be treated as unusable reserves as set out in the code of practice on local authority accounting and in accordance with the Government's capital control arrangements. Although the cash can be used to fund expenditure, doing so incurs ongoing capital financing charges in the revenue account. However, the City's Cash financial statements are prepared on the basis of UKGAAP (rather than the local authority code) and are not bound by the Government's capital control arrangements. Consequently the cash can be used without incurring any capital financing costs. The accounting implications of selling leaseholds

instead of freeholds are therefore more significant for City Fund than for City's Cash.

Consolidated Income and Expenditure Account

Comparison with Previous Year

10. The Consolidated Income and Expenditure Account for the year ending 31 March 2015 shows a net surplus of £59.3m as summarised in the table below. This represents a positive movement of £65.4m compared to the net deficit of £6.1m in the prior year.

	31/3/15 £m	**31/3/14 £m**
Net operating deficit before non-property investment gains / income and profits on the sales of fixed assets	(27.7)	(27.6)
Gain in fair value of managed investments (part year impact in 2013/14)	70.6	1.5
Managed investment income (part year impact in 2013/14)	2.0	15.4
Net operating surplus / (deficit)	44.9	(10.7)
Profit on sale of fixed assets	14.3	7.0
Net financing income / (costs) attributable to the pension scheme	0.1	(2.4)
Surplus / (deficit) for the year	**59.3**	**(6.1)**

11. Whilst the net operating deficit before non-property investment gains / income and profits on the sale of fixed assets marginally increased by £0.1m to £27.7m (first line in the above table), there were several movements within this net figure:

- an increase of £4.9m in net income from the property investment estate due to a combination of additional rent and lower operating costs;

partly offset by:

- net expenditure on education increased by £2.2m mainly due to a depreciation charge for the Guildhall School's Milton Court facilities; contributions towards projects in the City Academies and Ridriff Primary School; and the development of the City's Education Strategy;

- a net expenditure increase of £1.2m on 'grants and other activities' mainly due to a £0.5m contribution to City Fund towards the refurbishment of the Central Criminal Court and £0.5m towards the establishment and development of 'New FinTech UK' a not-for-profit organisation which aims to promote and support the financial technology sector;

- an increase in non-property investment fund manager fees, which are performance related, of £0.6m due to the greater return from investments during the year; and

- an increase of £0.5m in net expenditure on city representation due to hosting three visiting heads of state during the year, military events marking the 350th anniversary of the Royal Marines and the end of UK combat operations in Afghanistan, and increased repairs and maintenance work at the Mansion House.

Comparison with Budget

12. The financial statements and the budget are not directly comparable due to differences in the way in which the two documents are constructed. However, compared to a budgeted net deficit of £0.7m, the outturn on a like for like basis is a net surplus of £18.2m, a favourable movement of £18.9m. As indicated in the table below, half of this movement relates to properties being sold in 2014/15 that were forecast to be sold in 2015/16.

City's Cash Outturn 2014/15				
		Budget	**Outturn**	**Variation (Better)/Worse**
		£m	**£m**	**£m**
1	Net expenditure on services	71.5	65.3	(6.2)
2	Supplementary revenue projects	3.5	2.0	(1.5)
3	Estate rent income	(43.1)	(44.5)	(1.4)
4	Non-property investment income (net)	(19.6)	(19.6)	0.0
5	Interest on balances	(0.2)	(0.5)	(0.3)
6	**Operating Deficit**	**12.1**	**2.7**	**(9.4)**
7	Profit on asset sales	(11.4)	(20.9)	(9.5)
8	**Deficit (Surplus) from (to) reserves**	**0.7**	**(18.2)**	**(18.9)**

13. The budget and outturn can also be analysed on a Committee basis as follows:

2014/15 Budget v Outturn - City's Cash Summary by Committee					
Net Expenditure (Income)	**Budget Net**	**Outturn**	**Variation (Better)/Worse**		
			Total	**Local Risk**	**Central Risk/ Support Services**
	£m	**£m**	**£m**	**£m**	**£m**
Culture, Heritage & Libraries	0.1	0.0	(0.1)	(0.2)	0.1
Education Board	0.7	0.6	(0.1)	0.0	(0.1)
Finance	(15.7)	(29.7)	(14.0)	(0.4)	(13.6)
G. P. Committee of Aldermen	3.3	3.2	(0.1)	(0.1)	0.0
Guildhall School of Music and Drama	10.6	11.1	0.5	0.1	0.4
Markets	1.8	0.7	(1.1)	(0.7)	(0.4)
Open Spaces :-					
Open Spaces Directorate	0.0	0.0	0.0	0.0	0.0
Epping Forest and Commons	7.6	7.5	(0.1)	(0.1)	0.0
Hampstead, Queen's Park and Highgate	7.8	7.1	(0.7)	(0.9)	0.2
Bunhill Fields	0.3	0.2	(0.1)	(0.1)	0.0
West Ham Park	1.0	1.0	0.0	0.0	0.0
Planning and Transportation	0.0	0.0	0.0	0.0	0.0
Policy and Resources	12.2	11.4	(0.8)	0.0	(0.8)
Port Health and Environmental Services	0.0	0.0	0.0	(0.1)	0.1
Property Investment Board	(34.2)	(36.3)	(2.1)	(0.2)	(1.9)
Schools :-					
City of London School	1.6	1.6	0.0	0.1	(0.1)
City of London Freemen's School	2.4	2.3	(0.1)	0.0	(0.1)
City of London School for Girls	1.2	1.1	(0.1)	0.0	(0.1)
Deficit (Surplus) from (to) reserves	**0.7**	**(18.2)**	**(18.9)**	**(2.6)**	**(16.3)**

14. The main variations were:

- Finance Committee, £14m better:
    - £9.5m profits on the sale of assets – the budget assumed £11.4m profit on the sale of assets whereas the outturn was £20.9m. The increase mainly relates to the sale of a property in 2014/15 that was forecast to be sold in 2015/16 and the sale of another property which was the subject of an earlier than anticipated compulsory purchase order;
    - £1.5m slippage/rephasing of major revenue repairs, maintenance and improvement projects - mainly relating to Guildhall School and Investment Property schemes;
    - £0.9m central support services – a combination of reduced expenditure and the redistributional impact of the latest apportionments;
    - £0.5m increase in contributions received towards capital projects;
    - £0.5m central contingencies and provisions not required;
    - £0.3m increased income from interest earnings due to the average interest rate being higher than anticipated (0.89% compared to 0.75%) and a more beneficial cash flow;
    - £0.3m rebates and lower than anticipated fees on corporate contracts.

- Property Investment Board, £2.1m better – Primarily relates to increased rent income from the City's Cash Property Investment Estate but also a combination of increased income from charges for services and reduced costs.
- Markets Committee, £1.1m better - Savings on employees, repairs and maintenance, energy, and water; projects deferred to 2015/16; and additional income from parking.
- Policy and Resources Committee, £0.8m better – an uncommitted balance on the Policy Initiatives Fund which has been carried forward to 2015/16 and the rephasing of project expenditure.
- Hampstead Heath, Queens Park and Highgate Wood Committee, £0.7m better – some of the projects in the City Surveyor's additional works programme will be completed in 2015/16.

15. In accordance with the City's budget management arrangements, requests for the carry forward of City's Cash resources totalling £3.1m have been agreed by the Chamberlain in consultation with the Chairman and Deputy Chairman of the Resource Allocation Sub-Committee. In addition, £3.3m of projects and works programmes have slipped and/or been rephased to 2014/15. These carry forwards and rephased projects, together with the £9.5m profits on the sales of assets which were received earlier than anticipated, will increase the call on City's Cash reserves in 2015/16.

Consolidated Statement of Total Recognised Gains and losses

16. As set out in the table below, the recognised gains for the year total £214.5m (31/3/13 – gains of £199.9m).

	31/3/15 £m	**31/3/14 £m**
Surplus / (deficit) for the financial year	59.3	(6.1)
Unrealised gains:		
Gain on revaluation of property investments	194.4	196.1
Gain on revaluation of non-property investments	1.9	34.4
Gain/(loss) on defined benefit pension scheme	(41.1)	(24.5)
Net increase in funds	**214.5**	**199.9**

Consolidated Balance Sheet

17. City's Cash net assets total £2,074.8m at 31 March 2015 compared to £1,860.3m a year earlier reflecting the £214.5m total gains recognised for the year as set out above.

Contribution to Crossrail

18. The potential contribution of £50m from City's Cash towards the Crossrail Project has been disclosed as a financial commitment in both the annual report and the notes to the financial statements. The reason for this treatment, rather than the inclusion of a long term liability on the balance sheet, is that the arrangement with Crossrail is considered to be an executory contract (i.e. a contract made by two parties in which the terms are set to be fulfilled at a later date - both sides still have duties to perform before it becomes fully executed). Subject to completion of the works, the contributions could be made in two instalments of £25m in 2018 and 2019.

Signing of the Financial Statements

19. The Chairman and Deputy Chairman of the Finance Committee will be requested to sign the financial statements.

Contact:
Steve Telling 020 7332 1284
Chief Accountant Steve.telling@cityoflondon.gov.uk

ANNEX 1

CITY'S CASH

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015

CONTENTS

Annual Report

1. Introduction

City's Cash is a fund of the City of London Corporation that can be traced back to the 15th century and has built up from a combination of properties, land, bequests and transfers under statute since that time. Investments in properties, stocks and shares are managed to provide a total return that:

- allows the City to use the income for the provision of services (detailed in section 4), at no cost to the public, that are of importance to Greater London as well as to the City and the whole UK; and
- maintains the asset base so that income will also be available to fund services for the benefit of future generations.

The financial statements have been prepared on the basis of United Kingdom Generally Accepted Accounting Practice (UK GAAP). Whilst not obliged to do so, the City of London Corporation publishes the City's Cash Annual Report and Financial Statements and a 'City's Cash Overview' every year to provide further transparency on its activities.

2. Administrative Details

Registered Address	Guildhall, London, EC2P 2EJ
Chief Executive	The Town Clerk of the City of London
Treasurer	The Chamberlain of London
Solicitor	The Comptroller and City Solicitor
Bank	Lloyds TSB Bank plc
Discretionary Fund Managers	Artemis Investment Management; Carnegie Asset Management; GMO (UK) Ltd; M&G Investment Management Ltd; Pyrford International Ruffer LLP; Southeastern Asset Management Inc.; Standard Life Investments Ltd; Veritas Asset Management LLP; and Wellington Management Co LLP.
Chartered Accountants and Statutory Auditor	Moore Stephens LLP.

3. Other City of London Corporation Funds

This annual report and the financial statements only cover City's Cash: this is one of three funds from which the City Corporation pays for its services. The others are City Fund and Bridge House Estates.

City Fund covers the City's activities as a local authority, police authority, and port health authority. The financial statements are published separately.
Bridge House Estates is a registered charity. It was originally set up from bridge taxes, rent and private bequests to deal with the upkeep of London Bridge. The charity now funds the maintenance of Tower, London, Southwark, Millennium and Blackfriars Bridges. As the funds have been managed effectively over the centuries, BHE now also helps charitable causes across London through the City Bridge Trust with grants between £15m and £20m every year. The annual report and financial statements for this fund are also published separately including a list of grants awarded.

4. Activities of City's Cash

Returns from investments allow the City Corporation to provide services that:

- are of national benefit through its core objective to promote UK-based financial services, and related professional services, at home and abroad; and
- are of importance to Greater London and its environs as well as to the City itself, for example, work in surrounding boroughs supporting education, training and employment opportunities; numerous green spaces, wholesale markets providing fish (Billingsgate) and meat (Smithfield), schools (City of London School, City of London School for Girls, City of London Freemen's School and the Guildhall School of Music & Drama).

Education

Gross Expenditure £70.0m, Gross Income £55.7m, Net Expenditure £14.3m

The City Corporation maintains three fee paying schools – City of London School, City of London School for Girls (both in the Square Mile), and the City of London Freemen's School (in Surrey). They regularly feature among the UK's top performing schools. In each of these institutions, the City of London Corporation provides scholarships and academic bursaries, including match funding monies raised externally by the schools, to support able students from disadvantaged backgrounds. Over 300 students currently receive support.

The Guildhall School of Music & Drama is owned, funded and managed by the City Corporation. It is an internationally-renowned conservatoire; based in the Barbican, it has over 800 full-time music and drama students and is regulated by the Higher Education Funding Council for England in-line with other higher education institutions.

The City of London Corporation's Education Board was constituted at the meeting of the Court of Common Council on 1 May 2014. The Board is responsible for reviewing the strategy and making recommendations to Committees and the Court as appropriate on the delivery of the City Corporation's vision and strategic objectives in this area. The Board has responsibility for distributing funds allocated to it for educational purposes. In addition it is responsible for the City academy schools and the City Corporation's role as a school sponsor.

Markets

Gross Expenditure £11.8m, Gross Income £10.9m, Net Expenditure £0.9m

The City Corporation runs three wholesale food markets two of which, Billingsgate and Smithfield, are funded by City's Cash. New Spitalfields Market is accounted for in the City Fund. Market tenants pay rent and service charges, which are calculated on a commercial basis. These charges cover the costs of operation, administration and those repairs which are attributable to the tenants. Billingsgate allows buyers to choose from the largest selection of fish in the UK, with an annual turnover of some 22,000 tonnes. Meat has been bought and sold at Smithfield for over 800 years; its magnificent Grade II* listed surroundings see around 120,000 tonnes of meat pass through each year.

Open Spaces

Gross Expenditure £21.2m, Gross Income £4.5m, Net Expenditure £16.7m

The City Corporation looks after almost 11,000 acres of open spaces across London and beyond, including Hampstead Heath and Epping Forest. Some of the sites have been owned and managed since as far back as 1870, protecting them from development and preserving them as a natural resource. They include important wildlife habitats, Sites of Special Scientific Interest, National Nature Reserves and outdoor space for sport, recreation and enjoyment for the public. Annual visits to the open spaces are estimated at over 23 million.

City Representation

Gross Expenditure £12.2m, Gross Income £0.7m, Net Expenditure £11.5m

This expenditure supports the City Corporation's core objective to promote UK-based financial services, and related professional services, at home and abroad. The Lord Mayor's overseas visits programme, amounting to around 90 days abroad each year, fosters trade and makes links at the highest levels of government and industry. The Chairman of the Policy and Resources Committee also visits a number of major global financial centres each year, including New York, Beijing and Mumbai. High profile government and industry delegations are welcomed to Mansion House and Guildhall, often on behalf of the UK government. Events hosted range from small receptions to major national occasions, such as State or Guest of Government visits. The City's diplomatic relationships are also strengthened through the London Diplomatic Corps.

Mansion House is the official residence of the Lord Mayor as the head of the City Corporation and the base for Mayoral activities. City's Cash funds official receptions, banquets, meetings and general hospitality carried out by the City Corporation (as well as the overall running costs of Mansion House and the team based there).

Other important responsibilities include: support for the City Corporation's many and varied civic activities; maintaining the Mayoralty's close ties with livery companies and supporting corporate social responsibility and charitable organisations. The Sheriffs support Lord Mayors during their year of office and Her Majesty's Judges sitting at the Central Criminal Court.

The Remembrancer is one of the City's four Law Officers and the Office is responsible for the maintenance and protection of the City's constitution. He is the City's Parliamentary Agent and the Parliamentary Agent for the Honourable the Irish Society, and the City's Chief of Protocol. The Office acts as a channel of communication between Parliament and the City. In the contemporary context, this means day to day examination of Parliamentary business including examination of and briefing on proposed legislation and amendments to it, regular liaison with the Select Committees of both Houses and contact with officials in Government departments dealing with Parliamentary Bills. Liaison is also maintained with the City Office in Brussels and other Member States' permanent representations in relation to draft EU legislation.

The Remembrancer's Office also organises much of the hospitality referred to above including responsibility for the Lord Mayor's Banquet and elements of the Lord Mayor's Day at Guildhall and the Royal Courts of Justice.

Income is generated from lettings at the Mansion House and charges by the Remembrancer to other City Corporation funds for parliamentary work.

Economic Development

Gross Expenditure £3.3m, Gross Income £0.4m, Net Expenditure £2.9m

Economic development work is dedicated to supporting and promoting the City's competitiveness. One of its main aims is to increase the capacity of the wider London community and especially our neighbouring boroughs. This work ranges from encouraging corporate responsibility in City firms to assisting in regeneration work, education, training, skills development and promoting entrepreneurship. The City Corporation also works to establish the best market conditions in which enterprise and innovation can flourish. The City Corporation's Office in Brussels helps to shape legislation that affects UK business and the City's message is put across to decision makers in Westminster and Whitehall. The City leads business delegations on overseas visits and high level inward visits are hosted by the Lord Mayor and Chairman of the Policy and Resources Committee.

Management and Administration

Gross Expenditure £8.0m, Gross Income £nil, Net Expenditure £8.0m

These costs primarily relate to support provided to Members by both central and service departments including an apportionment of Guildhall Complex premises expenses; City's Cash external audit fees; treasury management; and depreciation charges in respect of the City's Cash share of capital projects relating to the Guildhall Complex, information systems and other corporate priorities.

Grants and Other Activities

Gross Expenditure £6.3m, Gross Income £1.0m, Net Expenditure £5.3m

A number of grants are made from City's Cash each year, usually where organisations have a strong City connection or are involved in a special nationwide activity, including charity and educational activities. The grants can encourage companies to become more involved in their community; assist, support and advise policy makers on health issues affecting the capital; and support organisations that promote our work at home and abroad. In addition grants are made to emergency organisations to assist with the relief of national and international disasters.

The City Corporation owns and maintains the Monument. This 202ft high building attracts over 230,000 visitors a year, braving its 311 steps to enjoy breath-taking views of the City and beyond. It was built in 1671-7 and was designed by Sir Christopher Wren and Robert Hooke to commemorate the Great Fire of London.

5. Governance Arrangements

City's Cash is managed by committees of the City of London Corporation, membership of which is drawn from the Court of Aldermen and the Court of Common Council. Members of the Court of Aldermen and Court of Common Council are elected by registered voters (both residents and workers) within the City of London. In determining appointments to committees, the Court of Aldermen and Court of Common Council will take into consideration any particular expertise and knowledge of the Aldermen and Members.

The decision making processes and financial stewardship of the City of London Corporation are set out in Standing Orders and Financial Regulations respectively. The Standing Orders and Financial Regulations are available on the City Corporation's website at www.cityoflondon.gov.uk.

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

The Audit and Risk Management Committee monitors and oversees the City's Risk Management Strategy which aligns the key principles of ISO31000: Risk Management Principles and Guidelines, and BS 31100: Risk Management Code of Practice, and defines clearly the roles and responsibilities of officers, senior management and Members. The Strategy emphasises risk management as a key element within the City's systems of corporate governance and establishes a clear system for the evaluation of risk and escalation of emerging issues to the appropriate scrutiny level.

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

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

An Audit Review Panel of senior representatives from medium to large audit firms reviews the processes adopted by the incumbent auditor and provides independent confirmation that the audit has been conducted in accordance with International Standards on Auditing (UK and Ireland).

6. Financial Review

As set out in the following table, the Consolidated Income and Expenditure Account records a surplus for the year of £59.3m (2013/14: deficit of £6.1m) on expenditure of £154.4m (2013/14: £149.2m). This surplus is after benefitting from a £14.3m profit on the sale of fixed assets, without which the underlying position would have been a reduced surplus of £45.0m (2013/14: underlying deficit of £13.1m after adjusting for the benefit of £7.0m from profits on sale of fixed assets).

Income and Expenditure for the year ended 31 March 2015:

	2015 Income	**2015 Expend - iture**	**2015 Net income / (cost)**	2014 Income	2014 Expend - iture	2014 Net income / (cost)
	£m	**£m**	**£m**	£m	£m	£m
Service / activity						
Property Investment Estate	**53.5**	**15.4**	**38.1**	49.5	16.3	33.2
Non-Property Investments	**72.6**	**3.6**	**69.0**	16.9	3.0	13.9
Education	**55.7**	**70.0**	**(14.3)**	53.0	65.1	(12.1)
Markets	**10.9**	**11.8**	**(0.9)**	10.6	11.1	(0.5)
Open Spaces	**4.5**	**21.2**	**(16.7)**	6.7	23.1	(16.4)
City Representation	**0.7**	**12.2**	**(11.5)**	0.7	11.7	(11.0)
Economic Development	**0.4**	**3.3**	**(2.9)**	0.4	3.3	(2.9)
Management & Administration	**-**	**8.0**	**(8.0)**	-	8.5	(8.5)
Grants and other activities	**1.0**	**6.3**	**(5.3)**	0.7	4.8	(4.1)
Net Pension Scheme Costs	**-**	**2.6**	**(2.6)**	-	2.3	(2.3)
	199.3	**154.4**		138.5	149.2	
Operating surplus / (deficit)			**44.9**			(10.7)
Profit on Sale of Fixed Assets			**14.3**			7.0
Net financing income / (costs) attributable to the pension scheme			**0.1**			(2.4)
Deficit before taxation			**59.3**			(6.1)
Taxation			**-**			-
Surplus / (deficit) for the year			**59.3**			(6.1)

The favourable movement in the operating position of £55.6m, from a deficit of £10.7m in 2013/14 to a surplus of £44.9m in 2014/15, is largely due to:

- net income from non-property investments (including recognised but unrealised gains) increasing by £55.1m, from £13.9m in 2013/14 to £69.0m in 2014/15. This is mainly the result of managed investment equity funds being transitioned on 31 January 2014 to pooled investment vehicles and, as a consequence, incoming resources now including the gain or loss in fair value for most non-property investments rather than the dividend income. Income generated from these funds since the transition remains within the fund to be reinvested, with City's Cash drawing down income (realising gains) as required;

- an increase of £4.9m in net income from the property investment estate due to a combination of additional rent and lower operating costs;

  Partly offset by:

- net expenditure on education increasing by £2.2m mainly due to a depreciation charge for the Guildhall School's new Milton Court facilities. Through the provision of a concert hall, a theatre and other studio uses, this development aims to ensure that the Guildhall School maintains its status as a world class conservatoire of music and performing arts. The higher net expenditure also includes a contribution of £0.5m towards projects in the City Academies and Ridriff Primary School and development of the City's Education Strategy;

- a net expenditure increase of £1.2m on 'grants and other activities' mainly due to a £0.5m contribution to the refurbishment of the Central Criminal Court and £0.5m towards the establishment and development of 'New FinTech UK' a not-for-profit organisation which aims to promote and support the financial technology sector. This is a key growth area, one which has the potential not only to support economic growth, competitiveness and job creation, but also to generate wider public benefit through deploying the innovative technologies developed in the public sector;

- an increase of £0.5m in net expenditure on city representation due to hosting three visiting heads of state during the year, military events marking the 350th anniversary of the Royal Marines and the end of UK combat operations in Afghanistan, and increased repairs and maintenance work at the Mansion House.

Recognised but unrealised gains on investment properties and investments with fund managers were £194.4m and £1.9m respectively (2013/14: gains of £196.1m and £34.4m). These gains were partly offset by an actuarial loss on the defined benefit pension scheme of £41.1m (2013/14: loss of £24.5m). When taken together with the surplus for the year of £59.3m, reserves have increased by £214.5m from £1,860.3m to £2,074.8m (2013/14: increase in reserves of £199.9m).

Volatility in Surplus / (Deficit) for the Financial Year

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

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

This accounting change has led to even relatively small movements in the markets from one year to the next producing large volatility in the operating surplus or deficit in the Income and Expenditure Account. The following table illustrates this point:

Income and Expenditure Account	2015 £m	2014 £m
Opertaing Surplus / (Deficit)	**44.9**	(10.7)
Deduct:		
Gain in fair value of managed investments (part year impact in 2013/14)	**(70.6)**	(1.5)
Managed investment income (part year impact in 2013/14)	**(2.0)**	(15.4)
Operating deficit before managed investment gains / income and profits on the sales of fixed assets	**(27.7)**	**(27.6)**

The removal of managed investment gains and income from the 'Operating Surplus/(Deficit)' reduces the movement (volatility) between the years from £55.6m (surplus of £44.9m in 2014/15 compared to the deficit of £10.7m in 2013/14) to £0.1m (£27.7m deficit in 2014/15 less the deficit of £27.6m in 2013/14) which is more reflective of the underlying position on operations.

City of London Pension Scheme
The estimated share of the net liability in the City of London Pension Scheme is included in the City's Cash accounts. The City's Cash share of the deficit is 48% which equates to £240.3m at 31 March 2015 (£196.7m at 31 March 2014)

Prior to 2013/14 this had not been included in the balance sheet as the estimated net deficit in the Pension Scheme is the responsibility of the City of London as a whole, as one employer, rather than the specific responsibility of any of its three main funds. Thus City's Cash does not have an exclusive relationship with the City of London Pension Fund and the proportion of the Pension Fund relating to City of London employee members engaged on City's Cash activities is not separately identifiable. Consequently, in accordance with FRS17, the pension arrangements had been treated as a defined contribution scheme in the City's Cash accounts. This meant that only the employer's contributions to the scheme have previously been included in the accounts as they become payable.

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

Further details of the City of London Pension Scheme can be found in Note 16 to the financial statements.

Non-property investments – change in accounting treatment
On 31 January 2014, four of the six equity funds transferred to pooled investment vehicles. A further transfer of segregated funds to pooled investments was made on 3 December 2014. Consequently, income generated by these pooled funds remains within those funds to be reinvested, with City's Cash drawing down income as required. As a consequence, incoming resources within the Income and Expenditure Account now includes the gain or loss in fair value of most non-property investments rather than the dividend income.

The non-property investment portfolio is divided between the following fund managers. All funds are invested in pooled investment vehicles with the exception of funds managed by Ruffer LLP which are held in segregated investments:

Equity	Multi Asset
Artemis Investment Management LLP	Ruffer LLP
Carnegie Asset Management	Pyrford International
GMO (U.K) Ltd	Standard Life Investments Ltd
Southeastern Asset Management Inc.	Absolute Return Bonds
Veritas Asset Management LLP	M&G Investment Management Ltd
Wellington Management Co LLP	Wellington Management Co LLP

Going Concern
The City of London Corporation considers City's Cash to be a going concern as set out in note b) of the Statement of Significant Accounting Policies.

Financial Commitment
The City of London Corporation has agreed a £50m contribution to Crossrail from City's Cash upon completion of the project. Subject to completion of the works, the contribution will be made in equal instalments during 2018/19 and 2019/20.

7. Explanation of the Financial Statements

The financial statements are not governed by any statutory requirements. They have been prepared in accordance with UK GAAP and comparative figures for the previous year have been included.
The City's Cash financial statements consist of the following:

- Consolidated Income and Expenditure Account showing all resources available and all expenditure incurred,
- Consolidated Balance Sheet setting out the assets, liabilities and funds of City's Cash,
- Direct Services Balance Sheet – comprises the assets, liabilities and funds of the services and activities which are provided directly from City's Cash and excludes the separate entities listed below,
- Consolidated Statement of Total Recognised Gains and Losses which includes the profit or loss for the period together with other recognised gains and losses and reconciles to the total movement in reserves,
- Consolidated Cash Flow Statement showing the movement of cash for the year, and
- Notes to the financial statements explaining the accounting policies adopted and explanations of figures contained in the financial statements.

The following separate entities have been consolidated with the main City's Cash accounts:

- Registered charities which are managed and funded by the City Corporation:
  - Ashtead Common,
  - Burnham Beeches,
  - Epping Forest,
  - Hampstead Heath
  - Hampstead Heath Trust,
  - Highgate Wood and Queen's Park Kilburn,
  - West Ham Park,
  - West Wickham Common, Spring Park Wood and Coulsdon and other Commons, and
  - Sir Thomas Gresham Charity.

- City Re Limited - a wholly owned subsidiary company whose principal activity is to provide re-insurance protection. The company was incorporated in Guernsey, registration number 52816, and the Directors' Report and Financial Statements are available at www.cityoflondon.gov.uk. The company allows the City to share in underwriting profits with a known capped downside financial risk of £250,000 per claim.

8. Disclosure of Information to Moore Stephens

At the date of approval of this report, the City of London Corporation confirms that:

- so far as it is aware, there is no relevant audit information of which Moore Stephens is unaware; and
- it has taken all the steps that it ought to have taken in order to make itself aware of any relevant audit information and to establish that Moore Stephens are aware of that information.

9. Responsibilities of the City of London Corporation for the Annual Report and Financial Statements

The City of London Corporation is responsible for preparing the Annual Report and Financial Statements for each financial year in accordance with applicable law and regulations. The City of London Corporation has elected to prepare the financial statements in accordance with UK GAAP (United Kingdom Accounting Standards and applicable law). The financial statements would not be approved by the City of London Corporation unless it is satisfied that they give a true and fair view of the state of affairs of the organisation and of the surplus or deficit of the organisation for that period. In preparing these financial statements, the City of London Corporation has:

- selected suitable accounting policies and then applied them consistently;
- made judgements and accounting estimates that are reasonable and prudent;
- stated whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepared the financial statements on the going concern basis.

The City of London Corporation is responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the organisation and enable it to ensure that the financial statements comply with applicable law and regulations. It is also responsible for safeguarding the assets of the organisation and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The City of London Corporation is responsible for the maintenance and integrity of the corporate and financial information included in its website.

Adoption of the Annual Report and Financial Statements

At a meeting of the Finance Committee held at Guildhall on 17 November 2015, the financial statements of City's Cash were approved on behalf of the Court of Common Council.

Roger A. H. Chadwick Chairman of Finance Committee	Jeremy Paul Mayhew MA MBA Deputy Chairman of Finance Committee

Guildhall, London.
17 November 2015

Independent Auditor's Report to the City of London Corporation

We have audited the financial statements of the portion of the City of London Corporation called City's Cash for the year ended 31 March 2015 which comprise the Consolidated Income and Expenditure Account, Consolidated Balance Sheet, Direct Services Balance Sheet, Consolidated Statement of Total Recognised Gains and Losses, Consolidated Cash Flow Statement, the Statement of Accounting Policies and the related notes 1 to 25. The financial reporting framework that has been applied in the preparation of the financial statements is United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the City of London Corporation in accordance with our terms of engagement. Our audit work has been undertaken so that we might state to the City of London Corporation those matters we have agreed 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 City of London Corporation for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Chamberlain and auditors

As explained more fully in the Responsibilities of the City of London Corporation set out on page 10, the Chamberlain of the City of London Corporation is responsible for the preparation of the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group and the Corporation's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Corporation; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the group and City's Cash affairs as at 31 March 2015 and of the group's surplus for the year then ended; and
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice.

XX November 2015

Moore Stephens LLP
Chartered Accountants and Statutory Auditor
150 Aldersgate Street
London
EC1A 4AB

Report of the Audit Review Panel to the Right Honourable the Lord Mayor, Aldermen and Livery of the several Companies of the City of London in Common Hall assembled

We, whose names are hereunto subscribed, the Audit Review Panel of the Chamberlain's and Bridgemasters' Accounts, elected by the Livery of London in Common Hall assembled on 24 June 2013, 24 June 2014 and 25 June 2015 pursuant to Act 11, George 1, Cap 18, an Act for regulating elections within the City of London, etc., do report as follows:

We have reviewed the processes adopted by Moore Stephens LLP for the audit of City's Cash for the period from 1 April 2014 to 31 March 2015.

In our view the audit of the financial statements has been conducted in accordance with auditing procedures as stated on pages 12 and 13.

This report is made solely to the above named addressees. Our work has been undertaken to enable us to make this report and for no other purpose.

S. Barnsdall

H. A. Bygrave

A. Francis

M. McDonagh

P. Watts

The Moore Stephens LLP Public Sector Partner, Nicholas Bennett, is also a member of the Audit Review Panel. However, as the role of the Panel is to provide independent confirmation that the processes adopted by Moore Stephens LLP have been conducted in accordance with auditing procedures, it is not appropriate for Nicholas Bennett to sign the report.

Consolidated Income and Expenditure Account

For the year ended 31 March 2015

	Notes	2015 £m	2014 £m
Income			
Investment Income - Property and managed funds	1	**55.5**	64.9
Gain in fair value of non-property investments	8	**70.6**	1.5
Education		**55.7**	53.0
Markets		**10.9**	10.6
Open Spaces		**4.5**	6.7
City Representation		**0.7**	0.7
Economic Development		**0.4**	0.4
Other activities		**1.0**	0.7
Total Income		**199.3**	138.5
Expenditure			
Investments - Management Costs and Property Operating Expenditure	2	**19.0**	19.3
Education		**70.0**	65.1
Markets		**11.8**	11.1
Open Spaces		**21.2**	23.1
City Representation		**12.2**	11.7
Economic Development		**3.3**	3.3
Management and Administration		**8.0**	8.5
Grants and other activities		**6.3**	4.8
Net pension scheme costs	16	**2.6**	2.3
Total Expenditure	2, 3 and 4	**154.4**	149.2
Operating surplus / (deficit) *		**44.9**	(10.7)
Profit on Sale of Fixed Assets		**14.3**	7.0
Net financing income / (costs) attributable to the pension scheme	16	**0.1**	(2.4)
Surplus / (deficit) before taxation		**59.3**	(6.1)
Taxation	5	**-**	-
Surplus / (deficit) for the financial year		**59.3**	(6.1)

* Large movements in the operating surpluses/(deficits) for the year reflect the requirement to include recognised, but unrealised, gains or losses on non-property investments which are sensitive to movements in the financial markets. The underlying operating position is set out on page 7 of the Annual Report under the section 'Volatility in Surplus/(Deficit) for the Financial Year'.

All amounts relate to continuing operations.
The notes on pages 19 to 61 form part of these financial statements.

Consolidated Balance Sheet

At 31 March 2015

	Notes	2015 £m	2014 £m
Fixed Assets			
Investment properties	6	**1,318.0**	1,120.0
Tangible assets	6	**175.9**	174.5
Heritage assets	7	**182.2**	182.2
Non-property investments	8	**627.1**	568.6
Intangible assets	9	**1.1**	-
Total Fixed Assets		**2,304.3**	2,045.3
Current Assets			
Stocks - finished goods	11	**0.3**	0.3
Debtors	12	**22.4**	31.2
Non-property investments	8	**105.3**	81.8
Cash at bank and in hand		**22.1**	13.8
Total Current Assets		**150.1**	127.1
Creditors: amounts falling due within one year	13	**57.4**	46.7
Deferred income	14	**80.4**	66.8
Net Current Assets		**12.3**	13.6
Total Assets less Current Liabilities		**2,316.6**	2,058.9
Provisions for liabilities	15	**1.5**	1.9
Net Assets excluding pension liability		**2,315.1**	2,057.0
Defined benefit pension scheme liability	16	**240.3**	196.7
Net Assets		**2,074.8**	1,860.3
Capital and Reserves			
Operational Capital Reserve		**177.0**	174.5
Heritage Assets Reserve		**182.2**	182.2
Income Generating Fund		**1,945.1**	1,688.6
Working Capital Fund		**10.8**	11.7
Pension Reserve	16	**(240.3)**	(196.7)
Total Capital Employed	17	**2,074.8**	1,860.3

Authorised for issue 17 November 2015

Dr Peter Kane, Chamberlain of London

Direct Services Balance Sheet

At 31 March 201

	Notes	**2015**	2014
		£m	£m
Fixed Assets			
Investment properties	6	**1,318.0**	1,120.0
Tangible assets	6	**163.2**	165.9
Heritage assets	7	**181.9**	181.8
Non-Property investments	8	**595.7**	540.1
Intangible assets	9	**1.1**	-
Investment in subsidiary		**0.5**	0.5
Total Fixed Assets		**2,260.4**	2,008.3
Current Assets			
Stocks - finished goods	11	**0.3**	0.3
Debtors	12	**22.0**	30.6
Non-Property investments	8	**105.3**	81.0
Cash at bank and in hand		**15.9**	8.6
Total Current Assets		**143.5**	120.5
Creditors: amounts falling due within one year	13	**53.7**	44.0
Deferred income	14	**75.6**	61.8
Net Current Assets		**14.2**	14.7
Total Assets less Current Liabilities		**2,274.6**	2,023.0
Defined benefit pension scheme liability	16	**205.2**	168.6
Net Assets		**2,069.4**	1,854.4
Capital and Reserves			
Operational Capital Reserve		**164.3**	165.9
Heritage Assets Reserve		**181.9**	181.8
Income Generating Fund		**1,894.2**	1,660.6
Working Capital Fund		**34.2**	14.7
Pension Reserve	16	**(205.2)**	(168.6)
Total Capital Employed	17	**2,069.4**	1,854.4

Authorised for issue 17 November 2015

Dr Peter Kane, Chamberlain of London

The Direct Services Balance Sheet includes those services directly provided by the City's Cash fund of the City of London Corporation. It excludes the subsidiaries which form part of the Consolidated Statements.

Consolidated Statement of Total Recognised Gains and Losses

For the year ended 31 March 2015

	Notes	2015 £m	2014 £m
Surplus / (deficit) for the financial year		**59.3**	(6.1)
Unrealised gains			
Gain on revaluation of investment properties	6	**194.4**	196.1
Gain on revaluation of listed investments	8	**1.9**	34.4
Actuarial gain / (loss) on defined benefit pension scheme	16	**(41.1)**	(24.5)
Total unrealised gains		**155.2**	206.0
Total gains recognised for the year		**214.5**	199.9

Consolidated Cash Flow Statement

For the year ended 31 March 2015

	Notes	2015 £m	2014 £m
Net cash (outflow) / inflow from operating activities	18	**(1.1)**	(25.6)
Returns on investments	19	**2.0**	15.4
Capital transactions and financial investment	20	**30.9**	11.1
Cash inflow before management of liquid resources		**31.8**	0.9
Management of liquid resources	21	**(23.5)**	8.4
(Decrease) / increase in cash in the year		**8.3**	9.3

Statement of Significant Accounting Policies

The principal accounting policies applied in the preparation of these financial statements are summarised below. They have all been applied consistently throughout the year and to the comparative figures in dealing with items which are considered material in relation to the City's Cash financial statements.

a) **Basis of preparation**

The City of London Corporation has chosen to prepare the City's Cash financial statements on the basis of United Kingdom Generally Accepted Accounting Practice (UK GAAP). using the historical cost convention modified to include the revaluation of certain financial assets and liabilities.

b) **Going Concern**

In the opinion of the Corporation, City's Cash is a going concern for the foreseeable future as it annually receives considerable income from its property and non-property investments. This income is considered in the context of a rolling medium term financial forecast to ensure that services are affordable and sustainable. Cash and liquid investments are monitored and maintained at a level to ensure that sufficient resources are available to finance any in-year deficits.

c) **Consolidation**

The City's Cash financial statements consolidate the financial results of the services provided directly, including ceremonial, schools and markets; City Re Ltd. a wholly-owned subsidiary whose principal activity is to provide re-insurance protection; trust funds in respect of seven open spaces; and the Sir Thomas Gresham Charity. In the case of charities and trusts, the overriding rationale for consolidation of the trusts is that the City of London Corporation is the Trustee and thereby effectively exercises control over the trusts' activities.

d) **Income and expenditure**

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

- Revenue from the sale of goods is recognised when the significant risks and rewards of ownership are transferred to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to City's Cash.
- Revenue from the provision of services is recognised when the percentage of completion of the transaction can be measured reliably and it is probable that economic benefits or service potential associated with the transaction will flow to City's Cash.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as stocks on the Balance Sheet.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest receivable on investments is accounted for as income on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.

- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

e) **Deferred income**

Grants and contributions relating to fixed assets are treated as deferred income and released to the Consolidated Income and Expenditure Account over the expected useful lives of the assets concerned.

Lease premiums relating to operating leases are treated as deferred income and released to revenue over the life of the lease.

f) **Government Grants and Other Contributions**

Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations for purposes other than capital expenditure (see note e above) are recognised as income at the date that the conditions of entitlement to the grant/contribution are satisfied, when there is reasonable assurance that the monies will be received and the expenditure for which the grant is given has been incurred. Where a grant or contribution has been received but the conditions of entitlement have not been satisfied, the grant or contribution is treated as a receipt in advance.

g) **Tangible fixed assets – operational properties, infrastructure, plant and equipment**

These are assets held and used for the direct delivery of services. In accordance with Financial Reporting Standard 15: Tangible Fixed Assets are carried at historic cost less depreciation on a straight line basis to write off their costs over their estimated useful lives. Depreciation is charged from the year following that of acquisition. Land is not depreciated.

Typical asset lives are as follows:

	Years
Buildings - freehold	10 to 50
Plant and Machinery (including the following components):	
Plant	10 to 20
Furniture and Equipment	3 to 15
Vehicles	3 to 10

Assets costing less than £50,000 are generally charged to the Consolidated Income and Expenditure Account in full in the year of purchase, although assets which cost less than £50,000 individually may be grouped together and capitalised.

h) **Tangible fixed assets – Freehold investment properties**

These are assets held to earn rental income and/or for capital appreciation which are revalued annually to open market value. The value of investment properties as at 1 April 2011, the date of transition to UK GAAP for the City's Cash financial statements, was included in the revaluation reserve as at that date. With effect from 1 April 2011, annual gains or losses on individual properties have been transferred to the property revaluation reserve unless:

- a surplus is reversing a previous impairment loss or revaluation decrease charged to the Consolidated Income and Expenditure Account in which case it is credited to expenditure to the extent of the loss or decrease previously charged there for the same asset; or
- a deficit exceeds the balance on the reserve for the same asset in which case the excess is charged to the Consolidated Income and Expenditure Account.

Depreciation is not provided in respect of freehold investment properties.

i) **Assets under construction**

Payments made to contractors for works completed to date are included within fixed assets pending the asset being recognised as operational. No depreciation is charged on such assets.

j) **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 to undertake a significant reorganisation, or a significant adverse change in the statutory or other regulatory environment. An annual assessment takes place as to whether there is any indication that property assets may be impaired.

An impairment loss on investment property is recognised in the property revaluation reserve to the extent that there is a balance on that reserve relating to the specific asset, and thereafter to the Consolidated Income and Expenditure Account. The reversal of an impairment loss on investment property, previously recognised in the Consolidated Income and Expenditure Account, 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 property revaluation reserve.

An impairment loss on operational assets or heritage assets would be recognised in the Consolidated Income and Expenditure Account. The reversal of an impairment loss on operational or heritage property, previously recognised in the Consolidated Income and Expenditure Account, will not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years.

k) **De-recognition**

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

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

The gain or loss arising from de-recognition of an asset is the difference between the net disposal proceeds, if any, and the carrying amount of the asset. The gain or loss arising from de-recognition of an asset is included in the Consolidated Income and Expenditure Account.

l) **Heritage Assets**

City's Cash heritage assets largely comprise art and sculpture treasures valued, in accordance with Financial Reporting Standard 30, at cost, or where cost cannot be readily identified, on the basis of available information, as a proxy for cost.

As heritage assets have indeterminate lives and potentially high residual values, no depreciation is charged. All expenditure on subsequent preservation, conservation, accessibility, etc. is charged directly to the Consolidated Income and Expenditure Account.

m) **Non-property Investment Assets**

Non-property investment assets are held in accordance with the investment policy set by the City of London Corporation. FTSE 100 Company investments are valued at the Stock Exchange Trading System (SETS) price at 31 March. Other quoted investments are valued at the middle market price at the close of business on 31 March. Unquoted investments are included at a valuation advised by the Fund Managers.

On 1 February 2014 the investment policy changed to reflect the transition of equity funds held by City's Cash to Pooled Investment Vehicles. At the point of transition, City's Cash designated all non-property investment assets, equity together with multi asset and fixed interest funds, as 'fair value through profit and loss.' The designation has been made on the basis that the non-property investment assets are equity instruments with a quoted price in an active market which are managed on a fair value basis. As a consequence, different accounting policies apply for City's Cash for the period to 31 January 2014 and from 1 February 2014.

There has been no change in the non-property investments held by consolidating entities which are accounted for as 'available for sale' financial assets.

Accounting Policy to 31 January 2014

Non-property investment assets held to 31 January 2014 have been accounted for as 'available for sale' financial assets.

Investment income is accounted for on an accruals basis. The net gain or loss on non-property investments shown in the Consolidated Income and Expenditure Account represents the differences between the historic cost on acquisition or the market value at the start of the year, compared with the market value at the date of disposal or at the 31 January. Gains or losses for the period are transferred to or from the Investment Revaluation Reserve.

Accounting Policy post 31 January 2014

From 1 February 2014 non-property investment assets have been accounted for at 'fair value through profit and loss'.

Income generated by non-property investment assets remains within the fund to be reinvested, with City's Cash drawing down income (realising gains or losses) as required. As a consequence, from 1 February 2014 incoming resources within the Income and Expenditure Account includes the gain or loss in fair value on all non-property investments rather than the dividend income.

n) **Intangible Assets**

Intangible assets comprise computer systems and software licences which are capitalised at cost and reflected within the financial statements at amortised historic cost.

Amortisation is calculated by allocation of the balance sheet value of the asset, less any residual value, to the periods expected to benefit from its use on a straight line basis over 3 to 7 years.

Amortisation charges are charged to service revenue accounts.

o) **Leases**

Leases are classified as finance leases when substantially all the risks and rewards of ownership are transferred to the lessee. City's Cash did not have any finance leases as at 31 March 2015. All other leases are classified as operating leases.

Operating leases
City's Cash as lessee

Rentals payable are charged to revenue on a straight-line basis even if the payments are not made on such a basis unless another systematic and rational basis is more representative of the benefits received.

City's Cash as lessor

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

Lease Incentives

Benefits received and receivable as an incentive to sign a lease are spread on a straight-line basis over the lease term, except where the period to the review date on which the rent is first expected to be adjusted to the prevailing market rate is shorter than the full lease term, in which case the shorter period is used.

p) **Contingent Assets**

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

q) **Contingent Liabilities**

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

r) **Provisions**

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

s) **Cash**

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

t) **Stocks of Finished Goods**

Stocks of finished goods are valued at the lower of cost or net realisable value.

u) **Pension Costs**

<u>Non-Teaching Staff</u>

The City of London Corporation operates a funded defined benefit pension scheme for its staff employed on activities relating to its three funds (i.e. City Fund, City's Cash and Bridge House Estates). The scheme is based on final salary and length of service on retirement. Changes to the Scheme came into effect from 1 April 2014 and any benefits accrued from this date will be based on career average revalued salary, with various protections in place for those members in the Scheme before the changes took effect.

The Pension Fund is the responsibility of the City of London as a whole, which is one employer, and not the responsibility of any of its three funds. City's Cash does not have an exclusive relationship with the City of London Pension Fund. Although the proportion of the Pension Fund that relates to City of London employee members engaged on City's Cash is not separately identifiable, a share of the total Pension Fund has been allocated to City's Cash based on employer's pension contributions paid into the Fund by City's Cash as a proportion of total employer's contributions paid.

For the defined benefit scheme the amounts charged in resources expended are the current service costs and gains and losses on settlements and curtailments. They are included as part of staff costs. Past service costs are recognised immediately in the Income and Expenditure Account if the benefits have vested. If the benefits have not vested immediately, the costs are recognised over the period until vesting occurs. The interest cost and expected return on the assets are shown as a net amount of other finance costs or credits adjacent to interest. Actuarial gains and losses are recognised immediately in other recognised gains and losses.

The assets of the scheme are held separately from those in City's Cash, and are invested by independent fund managers appointed by the Corporation of London. Pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis by a qualified actuary using the projected unit method and discounted at a rate equivalent to the current rate of return on a high quality corporate bond of equivalent currency and term to the scheme liabilities. The resulting defined benefit asset or liability is presented separately after net assets on the face of the balance sheet.

Barnett Waddingham, an independent actuary, carried out the latest triennial actuarial assessment of the scheme as at 31 March 2013, on an FRS 17 basis using the projected unit method. The next actuarial valuation of the Fund will be carried out as at 31 March 2016 and will set contributions for the period from 1 April 2017 to 31 March 2020.

<u>Pension Costs – Teachers</u>

The payment of pensions to former teachers is the responsibility of Teachers' Pensions (formerly Teachers Pensions Agency). Consequently the teachers' pension fund contributions, together with the employer's contributions, are paid by the City of London to Teachers' Pensions. The Teachers' Pension Scheme is administered by Capita on behalf of the Department for Education as a multi-employer defined benefit scheme. As it is not possible to identify the assets and liabilities at individual employer level, the pension arrangements are treated as a defined contribution scheme in the City's Cash accounts for the purposes of FRS17 with no liability for the future payment of benefits recognised in the Balance Sheet. The pension cost charged to the accounts is the contribution rate set by the Department for Education on the basis of a notional fund.

v) **Statutory Deductions from Pay**

The City of London Corporation accounts centrally for salary and wage deductions. Consequently, the City's Cash accounts treat all sums due to the HMRC as having been paid.

w) **Foreign Currencies**

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the Balance Sheet date and the gains or losses on translation are written on / off to revenue account.

x) **Tax**

The City of London Corporation is a single legal entity and legislation treats it as a local authority for tax purposes. VAT is recovered from HMRC on supplies received, and paid to HMRC on supplies made. All transactions are therefore included without VAT. The City of London Corporation is exempt from income and corporation tax.

City Re Limited, a wholly-owned subsidiary of the City of London Corporation in its City's Cash capacity, conforms to the tax requirements for Guernsey companies.

y) **Overheads**

The costs of support service overheads, with the exception of expenditure on corporate and democratic activities, 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 are apportioned on the basis of the office area utilised by each service.

z) **Reserves**

A number of reserves are held as endowment funds or restricted funds received by the City Corporation for specified purposes as set out in note 17.

aa) **Critical Judgements in Applying Accounting Policies**

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

bb) **Assumptions Made About the Future and Other Major Sources of Estimation Uncertainty**

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

(i) Pension Benefits

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

The effect of changes in individual assumptions on the net pension's liability can be measured, but are complex and interact in a complex manner. For example the actuary determines the appropriate discount rate at the end of each year after taking account of the yield from a high quality bond of appropriate duration, a 0.1% decrease in the discount rate assumption would result in an increase in the pension liabilities of £10.7m. 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 note 16 on pages 46 to 52.

(ii) ***Property Valuations***

The carrying values of investment properties and heritage assets are primarily dependent on judgements of such variables as the state of the markets, location, condition of the properties/assets, indices etc. Valuation is an inexact science with assessments provided by different surveyors/experts rarely agreeing and with prices subsequently realised diverging from valuations. A reduction in estimated valuations would result in reductions to the Revaluation Reserve and/or a loss recorded as appropriate in the Comprehensive Income and Expenditure Statement. For example a 1% reduction in the value of investment properties and heritage assets would result in a reduction to reserves of £13.0m and £1.8m respectively. Conversely, a 1% increase in value would have the opposite effect.

However, the risk of material adjustments is mitigated by using the experience and knowledge of professional chartered surveyors/experts, both in-house staff and external firms. In addition, tests are undertaken to ensure that variations between the valuations of different surveyors, and between valuations and actual prices, are within reasonable tolerances.

Notes to the Financial Statements

1. Income

Investment Income

Investment income relating to property and non-property investments comprises:

	2015 £m	2014 £m
Dividends from non-property investments and interest on fund balances	**2.0**	15.4
Rentals, service charges and dilapidations income	**53.5**	49.5
Total investment income *	**55.5**	64.9

The reduction in dividend income is due to managed investment equity funds being transitioned on 31 January 2014 to pooled investment vehicles. As such, income generated from these funds since the transition remains within the fund to be reinvested, with City's Cash drawing down income (realising gains) as required.

* Rent receivable in 2014/15 in respect of operating leases was £44.5m (2013/14: £42.4m).

Education Income

Includes tuition fees, grants, donations and charges for the use of facilities.

Markets Income

Markets income includes rent and service charges from tenants and charges for the use of facilities.

Open Spaces Income

Income from government grants, other grants and donations and fees for the use of facilities.

2. Expenditure

Investment Management Costs

Expenses relating to property and non-property investments comprise:

	2015 £m	2014 £m
Non-property investments - management fees paid to fund managers	**3.6**	3.0
Property investment expenses	**15.4**	16.3
Total Investment Management Costs	**19.0**	19.3

Property investment expenses comprise staff costs, repairs and maintenance costs, property running costs and professional fees relating to the management of the investment property portfolio.

Depreciation

The operating deficit is stated after charging depreciation amounting to £7.1m (2013/14: £5.0m).

Operating Lease Rentals

During the year of account City's Cash spent £0.6m on operating lease rentals in respect of premises (2013/14: £0.6m).

Auditor's remuneration

Remuneration to the external auditor (Moore Stephens LLP) for audit services relating to the year of account amounted to £88,200 (2013/14: £94,660). No other fees were payable to Moore Stephens LLP for non-audit services during the year (2013/14: nil).

Members expenses

Members do not receive any remuneration from the City of London Corporation for undertaking their duties. However, Members may claim travelling expenses in respect of activities outside the City and receive allowances in accordance with a scale when attending a conference or activity on behalf of the City of London Corporation. These costs totaling £8,400 (2013/14: £10,100) across all of the City's activities, were met in full by City's Cash.

3. Staff numbers and costs

Officers employed by the City of London Corporation work on a number of the City of London Corporation's activities. The table below sets out the number of full-time equivalent staff charged directly to City's Cash and their remuneration costs.

The number of employees was:	**2015 FTE**	2014 FTE
Investment properties	**17.0**	17.2
Education	**608.9**	597.4
Markets	**101.3**	101.0
Open spaces	**299.6**	301.8
City representation	**65.5**	64.5
Grants and other activities	**9.9**	8.9
Support Services	**239.9**	228.2
Total	**1,342.1**	1,319.0

Their remuneration comprised:	**Gross Pay £m**	**National Insurance £m**	**Pension Contribution £m**	**2015 £m**	2014 £m
Investment Management	**0.4**	**-**	**0.1**	**0.5**	0.6
Education	**31.7**	**2.6**	**4.4**	**38.7**	36.8
Markets	**3.3**	**0.2**	**0.5**	**4.0**	3.9
Open spaces	**8.8**	**0.7**	**1.4**	**10.9**	11.0
City representation	**2.8**	**0.2**	**0.4**	**3.4**	3.5
Grants and other activities	**0.5**	**0.1**	**0.0**	**0.6**	0.6
Support Services	**9.5**	**0.8**	**1.4**	**11.7**	11.7
Total	**57.0**	**4.6**	**8.2**	**69.8**	68.1

4. Remuneration of senior employees

The number of staff earning more than £60,000 in bands of £10,000 is set out in table 1 below.

Table 1 - Remuneration in Bands

Salary Range	Wholly charged to City's Cash		Partially Charged to City's Cash	
£	**2014/15**	2013/14	**2014/15**	2013/14
60,000 - 69,999	**64**	58	**45**	44
70,000 - 79,999	**17**	19	**12**	14
80,000 - 89,999	**1**	1	**2**	0
90,000 - 99,999	**0**	2	**7**	8
100,000 - 109,999	**5**	3	**6**	4
110,000 - 119,999	**2**	2	**2**	1
120,000 - 129,999	**1**	4	**2**	3
130,000 - 139,999	**4**	3	**0**	1
140,000 - 149,999	**0**	0	**2**	1
150,000 - 159,999	**1**	0	**1**	0
160,000 - 169,999	**0**	1	**0**	0
180,000 - 189,999	**0**	0	**0**	1
200,000 - 209,999	**0**	0	**0**	1
220,000 - 229,999	**1**	0	**1**	0

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

To provide consistency with the disclosure in the City Fund Financial Statements, tables 2 and 3 set out information for 2014/15 and 2013/14 respectively in accordance with Regulation 7 of the Accounts and Audit Regulations 2012.

Table 2 - 2014/15 remuneration for those senior employees required to be disclosed individually

Post Title	Name	Notes	Proportion charged to City's Cash activities where less than 100%	Salary (including fees and allowances)	Bonus	Expenses	Benefits in kind	Total Remuneration excluding pension contributions 2014/15	Pension Contributions	Total Remuneration including Pension Contributions 2014/15
			%	£000	£000	£000	£000	£000	£000	£000
Salary is £150,000 or more a year										
Town Clerk and Chief Executive	J. Barradell	i	40	89	0	0	0	89	16	105
Chamberlain - retired 5 May 2014	C. Bilsland	i	35	6	0	0	0	6	0	6
Chamberlain - started 31 March 2014	P. Kane	i	35	55	0	0	0	55	10	65
Salary is between £50,000 and £150,000										
Deputy Town Clerk	-	i	40	50	1	0	0	51	9	60
Director of Culture, Heritage & Libraries	-	i	5	5	0	0	0	5	1	6
Comptroller & City Solicitor	-	i	25	35	0	0	0	35	6	41
City Surveyor	-	i	45	63	2	0	0	65	0	65
Head City of London School	-			136	0	0	70	206	22	228
Headmaster City of London Freemen's School	-			129	0	0	0	129	21	150
Headmistress City of London School for Girls - left 30 April 2014	-			11	0	0	0	11	0	11
Headmistress City of London School for Girls - started 23 April 2014	-			103	0	0	52	155	17	172
Remembrancer	-			131	0	0	0	131	23	154
Principal of the Guildhall School of Music & Drama	-			130	2	0	38	170	0	170
Private Secretary & Chief of Staff to the Lord Mayor	-			109	3	0	0	112	0	112
Director of Markets & Consumer Protection	-	i	45	46	5	0	0	51	9	60
Director of Open Spaces	-	i	70	66	2	0	15	83	13	96
				1,164	15	0	175	1,354	147	1,501

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

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Post Title	Name	Notes	Proportion charged to City's Cash activities where less than 100%	Salary (including fees and allowances)	Bonus	Expenses	Benefits in kind	Total Remuneration excluding pension contributions 2013/14	Pension Contributions	Total Remuneration including Pension Contributions 2013/14
			%	£000	£000	£000	£000	£000	£000	£000
Salary is £150,000 or more a year										
Town Clerk and Chief Executive	J. Barradell	i	35	73	0	0	0	73	13	86
Chamberlain	C. Bilsland	i	30	52	2	0	0	54	1	55
Salary is between £50,000 and £150,000										
Deputy Town Clerk	-	i	35	43	0	0	0	43	7	50
Director of Culture, Heritage & Libraries	-	i	5	5	0	0	0	5	1	6
Comptroller & City Solicitor	-	i	30	40	0	0	0	40	7	47
City Surveyor	-	i	50	70	2	0	0	72	1	73
Headmaster City of London School										
- left 31 December 2013	-			100	0	0	45	145	0	145
Acting Headmaster City of London School										
- started 1 January 2014	-			27	0	0	0	27	4	31
Headmaster City of London Freemen's School	-			127	0	0	0	127	21	148
Headmistress City of London School for Girls	-			129	0	0	56	185	21	206
Remembrancer	-			129	0	1	0	130	23	153
Principal of the Guildhall School of Music & Drama	-			133	4	0	22	159	0	159
Private Secretary & Chief of Staff to the Lord Mayor	-			108	3	0	0	111	0	111
Director of Markets & Consumer Protection	-	i	35	35	0	0	0	35	6	41
Director of Open Spaces	-	i	75	74	2	0	14	90	14	104
				1,145	13	1	137	1,296	119	1,415

Note to remuneration for senior employees disclosures

i. These officers provide services for the City of London Corporation's local authority and non-local authority activities. The remuneration included in tables 2 and 3 above relates to the proportion charged to City's Cash activities. The annualised salary for each of these officers is shown in table 4 below.

ii. No payments were made in 2014/15 or 2013/14 for compensation for loss of office.

Table 4 - Annualised Salaries

Post Title	**Annualised Salary 2014/15 £000**	Annualised Salary 2013/14 £000
Town Clerk and Chief Executive	**222**	208
Chamberlain *	**175**	175
Comptroller & City Solicitor	**142**	135
City Surveyor	**140**	140
Deputy Town Clerk	**125**	123
Director of Culture, Heritage & Libraries	**106**	105
Director of Markets & Consumer Protection	**104**	98
Director of Open Spaces	**93**	92

* In 2014/15, Chris Bilsland held the post of Chamberlain until 5 May 2014. His salary for the part-year to 5 May 2014 was £17,000. Dr Peter Kane started at the City Corporation on 1 April 2014 and took over as Chamberlain from 5 May 2014. His salary for the year to 31 March 2015 was £158,000.

5. Tax Status

The City of London Corporation is a single legal entity and legislation treats it as a local authority for tax purposes. City Re Limited, a wholly-owned subsidiary of the City of London Corporation in its City's Cash capacity, conforms to the tax requirements for Guernsey companies.

6. Investment Properties and other tangible fixed assets

Consolidated

	Land and Buildings		Plant	Assets	
	Investment Properties (c)	Freehold (a)	and Machinery	Under Construction	Total
	£m	£m	£m	£m	£m
Cost / Valuation					
At 1 April 2014	1,120.0	166.1	30.8	11.9	1,328.8
Additions	11.3	3.1	2.6	2.8	19.8
Revaluations	194.4	-	-	-	194.4
Disposals (b)	(7.7)	-	-	-	(7.7)
Transfers	-	8.4	2.0	(10.4)	0.0
At 31 March 2015	1,318.0	177.6	35.4	4.3	1,535.3
Depreciation					
At 1 April 2014	-	(19.1)	(15.2)	-	(34.3)
Charge for the year	-	(4.8)	(2.3)	-	(7.1)
At 31 March 2015	-	(23.9)	(17.5)	-	(41.4)
Net book value					
At 31 March 2014	1,120.0	147.0	15.6	11.9	1,294.5
At 31 March 2015	1,318.0	153.7	17.9	4.3	1,493.9

Leased assets included above:

Net book value					
At 31 March 2014	1.5	-	-	-	1.5
At 31 March 2015	2.1	-	-	-	2.1

Direct Services

	Land and Buildings		Plant	Assets	
	Investment Properties (c)	Freehold (a)	and Machinery	Under Construction	Total
	£m	£m	£m	£m	£m
Cost / Valuation					
At 1 April 2014	1,120.0	159.4	28.7	10.3	1,318.4
Additions	11.3	3.2	0.5	-	15.0
Revaluations	194.4	-	-	-	194.4
Disposals (b)	(7.7)	-	-	-	(7.7)
Transfers	-	10.3	-	(10.3)	0.0
At 31 March 2015	1,318.0	172.9	29.2	-	1,520.1
Depreciation					
At 1 April 2014	-	(18.6)	(13.9)	-	(32.5)
Charge for the year	-	(4.5)	(1.9)	-	(6.4)
At 31 March 2015	-	(23.1)	(15.8)	-	(38.9)
Net book value					
At 31 March 2014	1,120.0	140.8	14.8	-	1,285.9
At 31 March 2015	1,318.0	149.8	13.4	-	1,481.2
Leased assets included above:					
Net book value					
At 31 March 2014	1.5	-	-	-	1.5
At 31 March 2015	2.1	-	-	-	2.1

Notes:

a) Freehold land and buildings includes items acquired since April 2000 on the basis of depreciated historic cost. Consequently some of the significant City's Cash assets (e.g. Mansion House, Guildhall Complex, Schools and Markets) are included at nil cost as they were generally acquired well before April 2000 and their original acquisition costs are no longer available. Subsequent expenditure on these assets is capitalised in line with accounting policies.

b) (i) The disposal figure for investment properties of £7.7m represents the net carrying value. The profits on sales totalling £10.4m have been credited to the income and expenditure account.

(ii) Freehold land and buildings are held at depreciated historic cost. During the year a number of assets which were included at nil costs and fully depreciated and with no residual value were disposed of for £3.9m (2013/14: £0.6m). The disposal proceeds have been credited to the income and expenditure account as a profit on the sale of fixed assets.

c) The City Surveyor of the City of London Corporation, who is a fellow of the Royal Institution of Chartered Surveyors, values investment properties annually as at 31 March at market values determined in accordance with the "RICS Valuation –Professional Standards January 2014 edition" issued by the Royal Institution of Chartered Surveyors. Valuations are also provided by two external firms of chartered surveyors – Cushman and Wakefield and Jones Lang Lasalle Limited, with the externally valued properties representing some 34% of the Estates' value as at 31 March 2015 (51% as at 31 March 2014). As detailed in accounting policies note i, all other tangible fixed assets are valued at historic cost less depreciation on a straight-line basis to write off their costs over their estimated useful lives and less any provision for impairment.

d) Neither consolidated City's Cash nor Direct Services incurred any finance costs during the year ended 31 March 2015 (2013/14: nil) and no finance costs have been capitalised.

7. Heritage assets

Heritage assets are those with historical, artistic, scientific, technological, geophysical or environmental qualities which are maintained principally for their contribution to knowledge and culture. They are mainly held in trust for future generations.

Arising from its status and history, within its City's Cash fund, the City holds numerous heritage assets primarily open spaces, art and sculpture, prints, drawings and statues.

The City Corporation looks after almost 11,000 acres of open spaces across London and beyond, including Hampstead Heath and Epping Forest. Some of the sites have been owned and managed since as far back as 1870, protecting them from development and preserving them as a natural resource. They include important wildlife habitats, Sites of Special Scientific Interest, National Nature Reserves and outdoor space for sport, recreation and enjoyment for the public.

The art and sculpture collection is maintained as "a Collection of Art Treasures worthy of the capital" and includes a range of paintings documenting London's history. In addition, the City owns two heritage property assets, the Monument and Temple Bar, and two copies of the Magna Carta.

For some of the heritage assets the cost of obtaining reliable valuations in order to recognise them on the Balance Sheet outweighs the benefit of such recognition to the users of the financial statements. Furthermore, many of the assets are irreplaceable and/or there is often no active market for their sale, for example, valuations are not readily available for the original acquisition of open spaces land and their associated buildings, Monument, Temple Bar or the copies of the Magna Carta.

Nevertheless, the City's art and sculpture treasures, which represent the vast majority of the heritage assets, and recently acquired open space land are recognised for inclusion on the Consolidated Balance Sheet at a value of £182.2m (2013/14: £182.2m) as shown in the table below. Due to policy, budgetary and legal constraints there have been no significant acquisitions or disposals in the last five years.

	Consolidated		Direct Services	
	2015	2014	**2015**	2014
	£m	£m	**£m**	£m
Valuation				
At 1 April	**182.2**	182.2	**181.8**	181.8
Additions	**-**	-	**0.1**	-
Disposals	**-**	-	**-**	-
At 31 March	**182.2**	182.2	**181.9**	181.8
Comprising:				
Art and sculptures (notes a and b)	**181.8**	181.8	**181.9**	181.8
Forest land	**0.4**	0.4	**-**	-
	182.2	182.2	**181.9**	181.8

Notes:

a) The art works are included at cost, or where cost cannot be readily identified, on the basis of available information as a proxy for cost. Such information includes art market intelligence in relation to similar works, insurance requirements and some individual valuations from independent experts; and

b) Sculptures were valued at replacement cost by independent experts Gurr Johns.

c) Recent additions to forest land are recognised at cost.

All expenditure on preservation and conservation is recognised in the Consolidated Income and Expenditure Account when it is incurred.

Catalogues are maintained for the heritage assets and most of them are available for public viewing. The statues and properties (the Monument and Temple Bar) can be seen and experienced from the public highway, treasures on display at the Guildhall Art Gallery can be visited by anyone free of charge and most of the other assets, sometimes held within restricted areas such as the Mansion House, can be viewed by publicly available organised tours or by appointment.

8. Non-property investment assets

Analysis of movement in non-property investment assets:

	Consolidated 2015 £m	Direct Services 2015 £m
Non-property investments held by fund managers:		
Total investments at 1 April	**580.9**	**551.6**
Add: additions to investments at cost	**9.0**	**1.1**
Less disposals at market value	**(7.9)**	**(0.2)**
Add net gain on revaluation	**1.9**	-
Less realised investments	**(20.7)**	**(20.7)**
Gain in fair value	**70.6**	**70.6**
Investments at 31 March	**633.8**	**602.4**
Non-property investments held by the City of London:		
Total investments at 1 April	**69.5**	**69.5**
Change in short-term deposits and money market funds	**30.8**	**30.8**
Change in long term deposits	**(1.7)**	**(1.7)**
Investments at 31 March	**98.6**	**98.6**
Total investments as at 31 March are analysed between long-term and short term investments as follows:		
Long term	**627.1**	**595.7**
Short term	**105.3**	**105.3**
	732.4	**701.0**
	2014 £m	2014 £m
Market value at 1 April	587.2	556.3
Additions to investments at cost	191.7	183.8
Disposals at market value	(179.4)	(167.1)
Net gain on revaluation	34.4	31.4
Market value at 31 January	633.9	604.4
Cash held by the fund managers at 31 January	21.8	21.0
Total investments at 31 January	655.7	625.4
Less: realised investments	(6.8)	(6.8)
Gain in fair value	1.5	2.5
Total investments at 31 March	650.4	621.1
Total investments as at 31 March are analysed between long-term and short term investments as follows:		
Long term	568.6	540.1
Short term	81.8	81.0
	650.4	621.1

During 2013/14, the investment policy changed with funds held by City's Cash being transitioned on 31 January 2014 to Pooled Investment Vehicles. At the point of transition, City's Cash designated all non-property investment assets as 'fair value through profit and loss.' Non-property investment assets held to 31 January 2014 (the date of transition) have been accounted for as 'available for sale' financial assets. Non-property investment assets held by consolidating entities have been accounted for as 'available for sale' financial assets in both accounting periods.

9. Intangible assets

During 2014/15 the City Corporation invested in an updated Oracle Business Intelligence system. This is recognised in these financial statements as an intangible asset on the basis of amortised historic cost at a value of £1.1m (2013/14: nil).

10. Nature and extent of Risks arising from Financial Instruments

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

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

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

<u>Credit Risk</u>

Credit risk is the potential risk that a borrower or counterparty will fail to meet its obligations in accordance with agreed terms. Credit risk principally arises from cash and cash equivalents, financial instruments and deposits with banks and financial institutions. Deposits are not made with banks unless they are rated independently with a minimum score of Long term A and Short term F1. The City Corporation also invests in building societies based on net asset valuation and general financial strength and Money Market Funds, which are subject to a minimum credit rating of AAA (or equivalent). 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. Advice is also considered from the external Treasury Advisor.

The creditworthiness of the counterparties on the City Corporation's lending list is carefully monitored. Security of the investments is paramount but with liquidity and yield also being considerations. The lending limit attributable to HSBC, Barclays and Royal Bank of Scotland Group Banks was maintained at maximum lending limits of £100m each, and the government supported Lloyds Bank was fixed at £150m, this organisation being the City's banker. The lending limit for the Nationwide Building Society was maintained at £120m. The other building societies invested in are Coventry, Leeds, Skipton, and Yorkshire with a £20m limit on each. The maximum duration for such loans was fixed at three years. The list also contains three foreign banks with individual limits of £25m, National Australia Bank, Australia and New Zealand Banking Group and Svenska Handelsbanken. The lending list also includes five top rated Money Market Funds; CCLA, Federated Prime Rate Funds, Standard Life (Ignis) Asset Management Liquidity Funds, Invesco and Payden Sterling Reserve Fund, which effectively offer daily liquidity for deposits.

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

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

Bad debt provision	**As at 31 March 2015 £m**	As at 31 March 2014 £m
Less than three months	**1.8**	3.1
Three to six months	**0.2**	0.2
Six months to one year	**0.4**	0.1
More than one year	**0.1**	0.1
Total	**2.5**	3.5

Liquidity risk

Liquidity risk is the risk that City's Cash is unable to meet its payment obligations as they fall due. There is no significant risk that City's Cash will be unable to raise finance to meet its commitments under financial instruments. At present, City's Cash has no borrowing exposure and has no plans to borrow to finance future capital expenditure. City's Cash will finance operations and growth by realising investments as appropriate to ensure the constant availability of an appropriate amount of reasonably priced funding to meet both current and future forecast requirements. All trade creditors are due to be paid in less than one year.

Market risk

Interest rate risk

Movements in interest rates would have an impact on City's Cash. For instance, a rise in interest rates would have the following effects:

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

The continuing low interest rates for 2014/15 had an adverse impact on the interest earnings of City's Cash, which is anticipated to continue in 2015/16. The Treasury Management Team has an active strategy for assessing interest rate exposure that feeds into the setting of the annual budget and which is used to update the budget quarterly during the year.

If interest rates had been 1% higher, with all other variables held constant, the financial effect at 31 March 2015 would have been an increase in interest receivable of £1.1m for City's Cash.

Price Risk

Price risk is the risk of a decline in the value of a security or a portfolio. City's Cash minimises price risk through a strategy of diversification by holding a geographical spread of investments in the UK and overseas markets.

By taking the data available from the past three financial years, and making considered predictions of expected returns, in consultation with State Street Analytics, which is the firm the City of London uses for performance measurement, the following upwards/downwards movements in market price risk are reasonably possible for the 2015/16 reporting period.

Potential Market Movements

Asset type	**Change %**
UK equities	8.99
Overseas equities	10.11
UK bonds	6.51
Overseas bonds	8.15
UK index - linked	9.16
Overseas index - linked	8.15
Multi - asset	3.22
Cash	0.02
Total non-property investments	**7.29**

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

Asset type	Value £m	Change %	Value on increase £m	Value on decrease £m
UK equities	183.1	8.99	199.6	166.6
Overseas equities	294.4	10.11	324.2	264.6
UK bonds	7.0	6.51	7.5	6.5
Overseas bonds	27.2	8.15	29.4	25.0
UK index - linked	13.1	9.16	14.3	11.9
Overseas index - linked	12.2	8.15	13.2	11.2
Multi - asset	90.1	3.22	93.0	87.2
Cash	6.7	0.02	6.7	6.7
Long-term UK deposits	0.0	0.00	0.0	0.0
Short-term UK deposits	98.6	0.00	98.6	98.6
Total non-property investments	**732.4**	**9.12**	**786.5**	**678.3**

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

Foreign Currency Risk

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

The following table has been prepared in consultation with State Street Analytics to show the illustrative effect on City's Cash' asset values that would result from movements in exchange rates.

Currency	Value £m	Change %	Value on increase £m	Value on decrease £m
North America investments	214.7	7.41	230.6	198.8
Europe (ex UK) investments	101.8	5.66	107.6	96.0
Asia Pacific investments	58.3	7.29	62.6	54.0
Emerging investments	21.9	6.80	23.4	20.4
Overseas total	396.7		424.2	369.2
UK investments and cash	237.1		237.1	237.1
Long-term UK deposits	0.0		0.0	0.0
Short-term UK deposits	98.6		98.6	98.6
Total non-property investments	**732.4**		**759.9**	**704.9**

11. Stocks of Finished Goods

A variety of purchased items are held in stock amounting to £0.3m (2013/14: £0.3m) to ensure responsive delivery of services, mainly relating to those provided at the City's open spaces, schools and ceremonial functions.

12. Debtors

	Consolidated		Direct Services	
	2015	2014	**2015**	2014
	£m	£m	**£m**	£m
Amounts falling due within one year:				
Sundry debtors	**6.2**	12.7	**5.8**	12.1
Rental debtors	**7.5**	6.6	**7.5**	6.6
School Fees	**2.1**	3.9	**2.1**	3.9
Prepayments and accrued income	**3.9**	3.8	**3.9**	3.8
VAT	**1.2**	2.0	**1.2**	2.0
Accrued interest	**1.2**	1.8	**1.2**	1.8
	22.1	30.8	**21.7**	30.2
Amounts falling due after more than one year:				
Sundry debtors	**0.3**	0.4	**0.3**	0.4
	0.3	0.4	**0.3**	0.4
	22.4	31.2	**22.0**	30.6

13. Creditors – amounts falling due within one year

	Consolidated		Direct Services	
	2015	2014	**2015**	2014
	£m	£m	**£m**	£m
Sundry creditors	**31.2**	26.5	**27.5**	23.8
Rental income received in advance	**12.8**	11.7	**12.8**	11.7
Other receipts received in advance	**9.2**	7.7	**9.2**	7.7
Her Majesty's Revenue and Customs - VAT	**4.2**	0.8	**4.2**	0.8
	57.4	46.7	**53.7**	44.0

14. Deferred income

	Consolidated		Direct Services	
	2015	2014	**2015**	2014
	£m	£m	**£m**	£m
Capital grants and contributions				
- due within one year	**2.1**	1.9	**1.7**	1.6
- more than one year	**58.3**	64.9	**53.9**	60.2
Total capital grants and contributions (note i)	**60.4**	66.8	**55.6**	61.8
Lease premium income				
- due within one year	**0.1**	0.0	**0.1**	0.0
- more than one year	**19.9**	0.0	**19.9**	0.0
Total lease premium income (note ii)	**20.0**	0.0	**20.0**	0.0
Total deferred income	**80.4**	66.8	**75.6**	61.8

Notes:

i) Capital grants and contributions are treated as deferred income as explained in accounting policies note e). The total sum deferred of £60.4m (2013/14: £66.8m) largely relates to capital contributions towards education projects amounting to £54.4m (2013/14 65.6m).

ii) A premium of £20m relating to an operating lease was received in 2014/15 and has been deferred in accordance with accounting policies note e), to be released over the 150 year lease term.

15. Provisions

City Re Limited has set aside £1.5m (2013/14: £1.9m) for the settlement of known insurance claims at the balance sheet date. The estimate is based on a case by case assessment of each claim and takes into account previous claims experience.

16. Pensions

City of London Corporation defined benefit pension scheme

The City of London Corporation operates a funded defined benefit pension scheme, The City of London Pension Fund, for its staff employed on activities relating to its three funds (i.e. City Fund, City's Cash and Bridge House Estates).

The assets of the scheme are held in a specific trust separately from those of the Corporation and contributions are paid to the scheme as agreed with the scheme's Trustees. As the proportion of the Pension Fund that relates to City's Cash is not separately identifiable, the share of pension contributions paid to the scheme by the Trust is calculated pro-rata to employer's contributions paid by each of the City of London Corporation contributors to the scheme.

Accounting for the defined benefit scheme under FRS17

The full triennial actuarial valuation of the defined benefit scheme as at 31 March 2014 was updated to 31 March 2015, by Barnett Waddingham, an independent qualified actuary in accordance with FRS17. The defined benefit liabilities have been measured using the projected unit method as required by FRS17. The next actuarial valuation of the Scheme will be carried out as at 31 March 2016 and will set contributions for the period from 1 April 2017 to 31 March 2020.

The full actuarial valuation of the defined benefit scheme as at 31 March 2014 was updated to 31 March 2015, by an independent qualified actuary in accordance with FRS17. As required by FRS17, the defined benefit liabilities have been measured using the projected unit method.

The expected rate of return on the scheme’s assets for the financial year ending 31 March 2015 was 7.0% p.a. (2014: 7.0% p.a.). This rate is based on the long-term future expected investment return for each asset class at the beginning of the period (i.e. as at 1 April 2015) for the year to 31 March 2016. The returns on gilts and other bonds are assumed to be the gilt yield and corporate bond yield respectively at the relevant date. The return on equities is then assumed to be a margin above gilt yields.

At 31 March 2015, the actuarial deficit on City's Cash's share of the Scheme was £240.3m (2014: £196.7m). City's Cash's share of the market value of the Schemes' assets was £362.9m (2014: £325.2m).

The estimated amount of total employer contributions expected to be paid to the scheme by City's Cash during the year to 31 March 2016 is £9.6m (actual for year to 31 March 2015: £9.3m). This figure is calculated pro-rata to total contributions that will be payable by the City of London Corporation in accordance with the Schedule of Contributions towards the scheme's deficit.

(a) Major assumptions by the actuary

Financial

The financial assumptions used for the purposes of the FRS17 calculations are as follows:

Assumptions as at 31 March	**2015 % per annum**	**2014 % per annum**	**2013 % per annum**
RPI increases	3.2	3.6	3.4
CPI increases	2.4	2.8	2.6
Salary increases	3.9	4.3	4.8
Pension increases	2.4	2.8	2.6
Discount rate	3.3	4.4	4.5

Life expectancy

Assumed life expectancy from age 65 years	**Sex**	**2015**	**2014**
Age 65 retiring today	Male	22.9	22.9
Age 65 retiring today	Female	25.3	25.2
Retiring in 20 years	Male	24.7	24.6
Retiring in 20 years	Female	27.2	27.1

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

(b) Amounts included in the balance sheet

The amounts included in the City's Cash and Direct Services balance sheets arising from the City of London Corporation Pension Fund's liabilities in respect of the defined benefit scheme for the current and previous two periods are as follows:

	2015			**2014**			**2013**		
Net Pension Asset as at	**Direct Services**	**City's Cash Consolidated**	**City of London Corporation**	**Direct Services**	**City's Cash Consolidated**	**City of London Corporation**	**Direct Services**	**City's Cash Consolidated**	**City of London Corporation**
	£m	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**
Fair value of fund assets (bid)	310.2	**362.8**	752.3	278.7	**325.2**	663.6	271.7	**317.0**	646.9
Funded liability present value	(512.6)	**(599.7)**	(1,243.4)	(444.5)	**(518.6)**	(1,058.3)	(412.6)	**(481.4)**	(982.5)
Net liability	(202.4)	**(236.9)**	(491.1)	(165.8)	**(193.4)**	(394.7)	(140.9)	**(164.4)**	(335.6)
Unfunded liability present value	(2.8)	**(3.4)**	(7.1)	(2.8)	**(3.3)**	(6.7)	(2.6)	**(3.1)**	(6.2)
Net liability on balance sheet	(205.2)	**(240.3)**	(498.2)	(168.6)	**(196.7)**	(401.4)	(143.5)	**(167.5)**	(341.8)

£3.0m of the total unfunded liabilities as at 31 March 2015 relates to compensatory added years awarded prior to 1988.

The net pension fund liability of £240.3m in the Balance Sheet (2014: £196.7m) represents 48% of the total net balance sheet liability in the City of London Corporation Pension Fund Financial Statements.

(c) Amounts recognised in the consolidated income and expenditure account

	2015 £m	2014 £m
Current service cost	**(12.1)**	(11.9)
Past service cost	-	-
Gains / (losses) on settlements and curtailments	**(0.1)**	0.5
Employer contributions	**9.3**	8.8
Unfunded pension payments	**0.3**	0.3
Net pension scheme costs	**(2.6)**	(2.3)
Return on pension scheme assets	**22.4**	19.3
Interest on pension scheme liabilities	**(22.3)**	(21.7)
Net finance income / (expenses)	**0.1**	(2.4)
Net charge to the Consolidated Income & Expenditure Account	**(2.5)**	(4.7)
Actual return on fund assets	**47.4**	11.1

(d) Amounts included in the statement of recognised gains and losses (STRGL)

	2015 £m	2014 £m
Actual return less expected return on pension scheme assets	**25.0**	(8.2)
Experience gains and (losses)	**(0.1)**	7.6
Changes in assumptions underlying the present value of liabilities	**(66.0)**	(23.9)
Actuarial gains/(losses) in pension scheme	**(41.1)**	(24.5)
Increase/(decrease) in irrecoverable surplus	-	-
Actuarial gains/(losses) recognised in the STRGL	**(41.1)**	(24.5)

(e) Asset allocation

The allocation of the scheme's assets at 31 March is as follows:

Employer asset share - bid value	**2015**		2014	
	£m	**% per annum**	£m	% per annum
Equities	**305.9**	**85**	269.9	83
Gilts	**48.2**	**13**	35.8	11
Other bonds	**n/a**	**n/a**	16.3	5
Cash	**8.7**	**2**	3.3	1
Total assets	**362.8**	**100**	325.3	100

(f) Movement in the present value of scheme liabilities

Changes in the present value of the scheme liabilities over the year are as follows:

Reconciliation of opening and closing balances of the present value of the defined benefit liability	**2015 £m**	2014 £m
Opening defined benefit liability	**(521.9)**	(484.4)
Current service cost	**(12.1)**	(11.9)
Past service cost	**-**	-
Interest cost	**(22.3)**	(21.7)
Actuarial gain / (losses)	**(61.0)**	(18.7)
Gains / (losses) on curtailments	**(0.1)**	(0.2)
Liabilities (assumed)/extinguished on settlements	**0.3**	1.8
Estimated benefits paid net of transfers in	**17.7**	16.6
Contributions by scheme participants	**(4.0)**	(3.6)
Unfunded pension payments	**0.3**	0.3
Closing defined benefit liability	**(603.1)**	(521.9)

(g) Movement in the scheme net liability

The net movement in the scheme liabilities over the year are as follows:

	2015	2014
	£m	£m
Surplus (deficit) at the beginning of the year	**(196.7)**	(167.5)
Current service cost	**(12.1)**	(11.9)
Past service cost	**-**	-
Settlements and curtailments	**(0.1)**	0.5
Other finance income (expense)	**0.1**	(2.4)
Employers contributions	**9.3**	8.8
Unfunded pension payments	**0.3**	0.3
Actuarial gains / (losses)	**(41.1)**	(24.5)
Surplus (deficit) at the end of the year	**(240.3)**	(196.7)

(h) Movement in the present value of scheme assets

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

Reconciliation of opening and closing balances of the fair value of scheme assets	**2015**	2014
	£m	£m
Opening fair value of scheme assets	**325.2**	317.0
Expected return on scheme assets	**22.4**	19.3
Actuarial gains / (losses)	**19.9**	(5.8)
Contributions by employer including unfunded	**9.5**	9.1
Contributions by scheme participants	**4.0**	3.6
Estimated benefits paid net of transfers in and including unfunded	**(18.0)**	(16.8)
Settlement prices received / (paid)	**(0.2)**	(1.1)
Closing value of scheme assets at end of period	**362.8**	325.2

(i) Historical information – Amounts for the current and previous periods

The following amounts for 2011-2015 have been recognised under the "Actuarial gains and losses on defined benefit pension scheme" heading within the Consolidated Statement of Total Recognised Gains and Losses:

	2015	2014	2013	2012	2011
	£m	£m	£m	£m	£m
Present value of defined benefit liability	**(603.1)**	(521.9)	(484.5)	(443.7)	(370.4)
Fair value of scheme assets	**362.8**	325.2	317.0	272.0	278.5
Deficit in the scheme	**(240.3)**	(196.7)	(167.5)	(171.7)	(91.9)
Experience adjustments on scheme liabilities	**(0.1)**	5.2	-	(0.1)	17.3
Percentage of scheme liabilities	**0.0%**	1.0%	0.0%	0.0%	4.7%
Experience adjustments on scheme assets	**19.9**	(5.8)	30.3	(24.7)	(3.5)
Percentage of scheme assets	**4.6%**	(1.8%)	9.6%	(9.1%)	(1.3%)
Cumulative actuarial gains and losses	**(77.1)**	(36.0)	(11.5)	(20.8)	59.8

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

j) Sensitivity analysis

Below is listed the impact on the Scheme liabilities of changing key assumptions whilst holding other assumptions constant.

	£m	**£m**	**£m**
Adjustment to discount rate	0.1%	0.0%	(0.1%)
Present value of total liability	592.6	603.1	613.8
Projected service cost	14.3	14.6	14.9
Adjustment to long-term salary increase	0.1%	0.0%	(0.1%)
Present value of total liability	604.5	603.1	601.8
Projected service cost	14.6	14.6	14.6
Adjustment to pension increases and deferred revaluation	0.1%	0.0%	(0.1%)
Present value of total liability	612.5	603.1	593.9
Projected service cost	14.9	14.6	14.3
Adjustment to mortality age rating assumption	+ 1 year	None	- 1 year
Present value of total liability	581.8	603.1	624.6
Projected service cost	14.1	14.6	15.1

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

No allowance has been made for the costs of any early retirements or augmentations which may occur over the year and whose additional capitalised costs would be included in the liabilities. As it is only an estimate, actual experience over the year may differ. No balance sheet projections have been provided on the basis that they will depend upon market conditions and the asset value of the scheme at the end of the following year.

	Projected Year to 31 March 2016 £m	Actual Year to 31 March 2015 £m
Service cost	**(14.6)**	(12.1)
Interest cost	**(8.1)**	(22.3)
Return on fund assets	**0.2**	22.4
Total expense	**(22.5)**	**(12.0)**
Employer contributions	**9.6**	**9.3**

17. Capital and Reserves

Consolidated	Balance at 1 April £m	Additions £m	Disposals £m	Depreciation £m	Unrealised Gains /(Losses) £m	Transfers £m	**Balance at 31 March £m**
Operational Capital	174.5	9.6	-	(7.1)	-	-	**177.0**
Heritage Assets Reserve	182.2	-	-	-	-	-	**182.2**
Income Generating Fund							
- Investment Properties	27.0	11.3	-	-	-	-	**38.3**
- Non-Property Investments	568.6	13.9	(27.9)	-	72.5		**627.1**
- Revaluation Reserve - Investment Properties	1,093.0	-	(7.7)	-	194.4	-	**1,279.7**
Income Generating Fund	1,688.6	25.2	(35.6)	-	266.9	-	**1,945.1**
Pension Reserve	(196.7)	-	(2.5)	-	(41.1)	-	**(240.3)**
Working Capital Fund	11.7	-	(0.9)	-	-	-	**10.8**
Total Capital and Reserves	1,860.3	34.8	(39.0)	(7.1)	225.8	-	**2,074.8**

Direct Services	Balance at 1 April £m	Additions £m	Disposals £m	Depreciation £m	Unrealised Gains /(Losses) £m	Transfers £m	**Balance at 31 March £m**
Operational Capital	165.9	4.8	-	(6.4)	-	-	**164.3**
Heritage Assets Reserve	181.8	0.1	-	-	-	-	**181.9**
Income Generating Fund							
- Investment Properties	27.0	11.3	-	-	-	-	**38.3**
- Non-Property Investments	540.6	5.9	(20.9)	-	70.6		**596.2**
- Revaluation Reserve - Investment Properties	1,093.0	-	(7.7)	-	194.4	-	**1,279.7**
Income Generating Fund	1,660.6	17.2	(28.6)	-	265.0	-	**1,914.2**
Pension Reserve	(168.6)	-	(1.5)	-	(35.1)	-	**(205.2)**
Working Capital Fund	14.7	-	(0.5)	-	-	-	**14.2**
Total Capital and Reserves	1,854.4	22.1	(30.6)	(6.4)	229.9	-	**2,069.4**

Notes to capital and reserves:

a) Operational Capital – reflects the balance sheet amount for operational assets.

b) Heritage Asset Reserve – reflects the balance sheet amount for heritage assets.

c) Income Generating Fund – comprises the asset values of investment properties and non-property investment assets, which generate the income to fund City's Cash activities and services.

d) Working capital Fund – reflects the balance sheet amount for net assets.

18. Reconciliation of operating deficit to operating cash flows

	2015	2014
	£m	£m
Operating surplus / (deficit)	**44.9**	(10.7)
Add back depreciation	**7.1**	5.0
Add back net pension scheme costs	**2.6**	2.3
Less income on non-property investments and interest received	**(2.0)**	(15.4)
Non-Property Investments: Gain in fair value	**(70.6)**	(1.5)
Increase in stocks	-	0.1
(Increase) / decrease in debtors	**8.8**	1.3
Increase / (decrease) in creditors	**10.7**	(7.3)
Release of deferred income	**(2.2)**	(0.4)
Increase / (decrease) in provisions	**(0.4)**	1.0
Net cash outflow from operating activities	**(1.1)**	(25.6)

19. Returns on investments

	2015 £m	2014 £m
Investment income from non-property investments	**1.3**	14.7
Interest received	**0.7**	0.7
Net cash inflow	**2.0**	15.4

20. Capital transactions and financial investments

	2015 £m	2014 £m
Purchase of tangible fixed assets	**(20.9)**	(24.2)
Acquisition of long-term non-property investments	**(13.9)**	(191.7)
Sale of tangible fixed assets	**22.0**	52.0
Disposal of long-term investments	**27.9**	172.8
Receipt of capital contributions - deferred to later years	**15.8**	2.2
Net cash inflow/(outflow)	**30.9**	11.1

21. Management of liquid resources

	2015 £m	2014 £m
Internally managed cash		
- Money market funds	**(14.0)**	(1.4)
- Fixed-Term Deposits	**(16.7)**	6.9
	(30.7)	5.5
Externally managed cash		
- Liquidity funds	**5.5**	3.1
- Current accounts	**1.7**	(0.2)
	7.2	2.9
Net cash inflow / (outflow)	**(23.5)**	8.4

22. Financial commitments

Material (in excess of £3m) contractual capital commitments are as follows:

	Consolidated		Direct Services	
	2015	2014	**2015**	2014
	£m	£m	**£m**	£m
Contracted for but not provided for				
- finance leases entered into	-	-	-	-
- other	-	3.4	-	3.4
	-	3.4	-	3.4

City's Cash has no material commitments under operating leases.

The City of London Corporation has agreed a £50m contribution to Crossrail from City's Cash subject to completion of the works. It is anticipated that the contribution will be made in equal instalments during 2018/19 and 2019/20. The agreement with Crossrail is considered to be an executory contract and therefore outside the scope of FRS12 'Provisions and Contingent Liabilities'.

23. Related party transactions

The following disclosures are made in recognition of the principles underlying Financial Reporting Standard 8 concerning related party transactions.

All Members of the Committees governing City's Cash are appointed by the City of London Corporation to act on its behalf. The City of London Corporation also employs all staff. The costs of those staff employed directly on City's Cash activities are allocated to those activities accordingly.

The City of London Corporation provides support services for the activities undertaken by each of its funds. These support services include management, surveying, financial, banking, legal and administrative services. Where possible support service costs are allocated directly to the funds concerned. For those costs that cannot be directly allocated, apportionments are made between the City Corporation's funds on the basis of time spent. Premises costs are apportioned on the basis of areas occupied by services.

With regard to banking services, the City of London Corporation allocates all transactions to City's Cash at cost and credits or charges interest at a commercial rate.

The City of London Corporation also provides the above services to a number of charities. The cost of these services is borne by City's Cash in relation to most of these charities. A list of charities managed by the City of London Corporation is available on request from the Chamberlain.

City's Cash initially bears the full costs of corporate capital projects with the City's other funds, City Fund and Bridge House Estates, reimbursing their shares of expenditure in the years in which costs are accrued.

Transactions are undertaken by City's Cash on a normal commercial basis in compliance with the City's procedures irrespective of any possible interests.

As a matter of policy and procedure, the City of London Corporation ensures that Members and officers do not exercise control over decisions in which they have an interest.

Standing Orders

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

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

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

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

During 2014/15 the following transactions (rounded to the nearest thousand) were disclosed:

- a Member is a Director of Centre for London Ltd which received sponsorship and grants from the City Corporation totalling £35,000;

- a Member is a Board Member of London and Partners Ltd. The City Corporation became a platinum partner at a cost of £25,000;

- a Member sits on the Innovate Finance Advisory Council which received grants totalling £500,000 from the City Corporation and paid £40,000 to the City Corporation for services;

- the City Corporation nominates 10 Members to the various committees of London Councils and another Member declared that he has an independent place on the Leaders Committee. £921,000 was received for premises and services, and £26,000 paid for services provided by the organisation;

- the City Corporation nominates four Members to the Board of Governors of the City of London Academy Southwark. A grant of £150,000 was paid to the Academy;

- the City Corporation nominates four Members to the Board of Governors of the City of London Academy Hackney. A grant of £150,000 was paid to the Academy;

- the City Corporation nominates three Members to the Board of Governors of the City of London Academy Islington. A grant of £150,000 was paid to the Academy;

- the City Corporation nominates three Members to the Guild Church Council of St. Lawrence Jewry and two other Members have declared places on the Council. The church received a grant of £82,000 from the City Corporation;

- the City Corporation nominates three Members to the City of London Reserve Forces and Cadets Association which was paid a grant of £42,000;

- a Member is a Director and Chairman of the Board of Global Law Summit which was paid a £60,000 grant towards an international event;

- a Member is a tenant of commercial premises for which £21,000 was received in rent and service charges;

- a Member is a Life Member of the Sheriffs and Recorders Fund which received a grant of £20,000;

- a Member is a director of a company leasing market premises for which £66,000 was received in rent and service charges;

- another Member is also a director of a company leasing market premises for which £207,000 was received in rent and service charges;

- two Members declared interests in PWC LLP which was paid £21,000 for consultancy services;

- a Member is a director of 'London Works' which was paid a grant of £25,000;

- The City Corporation nominates six Members to the Gresham College Council which was paid £406,000 in grants;

- one Member declared that a member of their family worked for Knight Frank which was paid £82,000 for services;

- four Members and one Chief Officer are directors of the 'Lord Mayors Show Ltd' which purchased services from City's Cash at a cost of £16,000;

- sixteen Members are Governors or Almoners of Christ's Hospital which is paid £48,000 annually for a 'presentation' place to secure the right to present one child per year to enter the school;

- a Member is a Director of Museum of London Archaeology which provided services to the City Corporation at a cost of £13,000;

- thirteen Members are Governors of King Edwards School Witley which was paid £395,000 for six full fee bursaries and funding to match money raised from other donors;

- Mr. S. Le Provost served as a director of City Re Limited and of the insurance manager, JLT Insurance Management (Guernsey) Limited during the period. Management fees paid in respect of the financial year totalled £51,536; and

- profit commission calculated at 1.5% of City Re Limited's profit before tax in the financial period is payable to the company manager JLT Insurance Management (Guernsey) Limited. An amount of £12,640 is payable as at 31 March 2015.

During 2013/14 the following transactions (rounded to the nearest thousand) were disclosed:

- a Member is Deputy Chairman of The City UK and a Director of Centre for London which received grants of £525,000 and £20,000 respectively;

- a Member declared that he was the Vice Chair of London Councils, another declared that he was an Ex-Officio Member and five further Members represent the City on various committees. £873,000 was received for premises and services, and £25,000 paid for services from the organisation;

- a Member is Chairman of the Board of Governors of the City of London Academy Southwark and three other Members represent the City on the Board. £17,000 was received from the Academy for the provision of services;

- six Members represent the City Corporation on the Board of Governors of the Museum of London. £201,000 was received from the Museum of London for services, and £10,000 paid for services;

- eight Members sit on the Guild Church Council of St. Lawrence Jewry which received a grant of £71,000;

- a Member is the Executive Chairman of the Z/Yen Group Ltd. which received £15,000 towards the project 'Financing Tomorrow's Cities;

- a Member is a tenant of commercial premises for which £48,000 was received in rent and service charges;

- a Member is a director of a company leasing market premises for which £298,000 was received in rent and service charges;

- a Member is a senior adviser to PWC LLP which was paid £61,000 for consultancy services;
- a Member is a director of 'London Works' which was paid a contribution of £26,000;

- one Member declared that a member of their family worked for Knight Frank which was paid £34,000 for services;

- six Members and one Chief Officer are directors of the 'Lord Mayors Show Ltd' which purchased services from City's Cash at a cost of £26,000;

- sixteen Members are governors of Christ's Hospital which is paid £48,000 annually for a 'presentation' place to secure the right to present one child per year to enter the school;

- thirteen Members and one Chief Officer are governors of King Edwards School Witley which was paid £379,000 for six full fee bursaries and funding to match money raised from other donors;

- Mr. N. H. Wild served as a director of City Re Limited and of the insurance manager, JLT Insurance Management (Guernsey) Limited during the period. Management fees paid in respect of the financial year totalled £50,987; and

- profit commission calculated at 1.5% of City Re Limited's profit before tax in the financial period is payable to the company manager JLT Insurance Management (Guernsey) Limited. An amount of £1,410 is payable as at 31 March 2014.

Related Party Transaction with City Fund (the City Fund covers the City of London Corporation's activities as a local authority, police authority and port health authority).

During the year City's Cash received £1.8m from City Fund for the freehold sale of land at Creechurch Place, EC3. This land formed part of a larger site for which the City Fund received a premium to the value of £30.8m for the granting of a long lease. To ensure the integrity of each of the funds, the City's Cash land was valued in accordance with the RICS Valuation Professional Standards (the 'Red Book').

24. Subsequent event

A commencement agreement for the final Hampstead Heath Ponds Project construction contract was signed on 17th April 2015. The works, which aim to mitigate the risk of serious flooding in accordance with statutory requirements, are due to last 18 months with an estimated completion date of 3rd October 2016. The approximate value of the works is £13.178m with an additional £1.515m in provisional sums (£14.693m in total). Nothing has been recognised in the financial statements for this contract.

25. Approval of the financial statements

The City's Cash Accounts were authorised for issue by the Chamberlain on (date). Events after the balance sheet date and up to (date) have been considered in respect of a material on the financial statements. Events taking place after this date are not reflected in the financial statements or notes.

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Annex 2

MOORE STEPHENS

REPORT TO THOSE CHARGED WITH GOVERNANCE
NOVEMBER 2015

City of London Corporation

City's Cash

DRAFT Audit Management Report on the 2014-15 Financial Statements Audit

www.moorestephens.co.uk

PRECISE. PROVEN. PERFORMANCE.

Contents

Audit management report for the year ended 31 March 2015

1 Purpose of the report

International Standard on Auditing (UK & Ireland) 260, “Communication with those charged with governance” requires Moore Stephens to report to those charged with governance on the significant findings from our audit.

This report aims to provide the City of London Corporation with constructive observations arising from the audit process. We set out in this report details of:

- any expected modifications to our audit reports;
- any unadjusted items in the financial statements (except any unadjusted items which are clearly trivial) including the effect of unadjusted items related to prior periods on the current period;
- any material weaknesses in systems we have identified during the course of our audit work and our views about the quality of accounting practices and financial reporting procedures; and
- any other relevant matters.

Our procedures are carried out solely for the purpose of our audit so that we can form and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Our audit does not necessarily disclose every weakness and for this reason the matters referred to may not be the only shortcomings which exist.

We take this opportunity to remind you that:

- This report has been prepared for the sole use of the City of London Corporation;
- It must not be disclosed to any third party without our written consent; and
- No responsibility is assumed by us to any other person who may choose to rely on it for their own purposes.

The report has been discussed and agreed with the Chamberlain.

We would like to thank the Chamberlain, Dr Peter Kane, Caroline Al-Beyerty and the Finance Team for their co-operation and assistance during our audit.

2 Audit conclusion

Status of the audit

We have substantially completed our on-site audit work and subsequent completion. The remaining areas of work include:

- Clearance of points raised by the Audit Review Panel;
- Review of final annual report and accounts; and
- Review of subsequent events to the date of signing the financial statements.

Audit conclusion

In our opinion the financial statements give a true and fair view and comply with the UK GAAP.

We are pleased to report that our audit report, which is included in the financial statements, is unqualified. In our opinion, from information provided to us during the audit, no events or conditions appear to exist which cast doubt on the ability of City's Cash to continue as a going concern. We are therefore satisfied with the disclosures in the financial statements.

Our audit opinion is based on your approval of the financial statements and signing of the Letter of Representation, a draft of which has been included as an appendix to this report. Within the letter, you have confirmed that there are no subsequent events which require amendment to the financial statements.

3 Respective responsibilities

Responsibilities of Management

The City of London Corporation is responsible for preparing the City's Cash financial statements in accordance with United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice). It is also responsible for keeping proper accounting records and safeguarding assets and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Responsibilities of the Auditor

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

The audit includes the consideration of internal controls relevant to the preparation of the financial statements but we do not express an opinion on the effectiveness of internal control. We are also required to communicate any significant matters arising from the audit of the financial statements that are relevant to those charged with governance in overseeing the financial reporting process. The matters being reported are limited to those deficiencies in control that we have identified during the audit and that we have concluded are of sufficient importance to merit being reported to those charged with governance.

International Standards on Auditing (UK and Ireland) do not require the auditor to design procedures for the purpose of identifying supplementary matters to communicate with those charged with governance.

Fee

The fee for the 2014-15 audit of City's Cash, Bridge House Estates, City's Cash Trusts and Sundry and Other Trusts amounts to £115,000. Of the total fee, £36,800 has been allocated to Bridge House Estates, with the remaining £78,200 being charged to City's Cash. A further £10,000 will be charged for audit verification work for the Guildhall School of Music and Drama.

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

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

Following delays to and difficulties encountered during the 2013-14 final audit of Bridge House Estates and City's Cash, an additional fee of £9,500 was charged.

Materiality

The concept of materiality recognises that financial statements are rarely absolutely correct, and that an audit is designed to provide reasonable, rather than absolute, assurance that the financial statements are free from material misstatement. A matter is material if its omission or misstatement would reasonably influence the decisions of users of the financial statements. The assessment of what is material is a matter of the auditor's professional judgement and includes consideration of both the amount and the nature of the misstatement. In determining materiality, we consider a range of measures relevant to the account.

Materiality levels are generally set as percentages of income or assets. Our initial calculation of materiality, as set out in our Audit Planning Report, was £1.5m, which was based on a percentage of income. Following receipt of the draft 2014-15 accounts, there was a significant difference in value between income at £199.3m and net assets at £2,074m. We therefore assessed materiality based on net assets, which was set at £13m. Recognising that this was a high level of materiality in the context of the income and expenditure account, we treated the income and expenditure account as a sensitive area of testing, and assessed materiality as £2m for income and expenditure transactions.

Independence

International Standard on Auditing (UK & Ireland) 260, “Communication with those charged with governance” requires us to communicate on a timely basis all facts and matters that may have a bearing on our independence.

We can confirm that we have complied with the APB’s Ethical Standard 1 – “Integrity, Objectivity and Independence”. In our professional judgement the audit process has been independent and our objectivity has not been compromised.

4 Significant audit risks and risk factors

Significant audit risks

As noted in our audit planning report submitted to the Audit and Risk Management Committee in December 2014 the following audit risk areas were identified as significant matters and therefore considered in detail during our audit fieldwork.

Audit risk areas	Audit findings
Revenue recognition (All funds and entities) Under International Standard on Auditing (UK and Ireland) 240, there is a presumed, albeit rebuttable, significant risk of fraud in revenue recognition. We consider this risk cannot be rebutted for income in all organisations.	We have documented, evaluated and tested the controls which ensure income is completely and accurately recorded in the City's Cash accounts. No significant weaknesses in controls have been identified. We have substantively tested material income streams across all entities and funds and performed procedures to ensure income is complete. Investment property income procedures on City's Cash included confirming the amounts received on a sample of properties to rent agreements as well as performing analytical procedures to gain assurance on the completeness of income. Managed investment income procedures included agreeing dividend income obtained as well as confirming realised investments from pooled investment vehicles. We have also considered the movement in fair value on investments and the unrealised gain on investments by comparing yields obtained by the funds to fund manager reports and benchmarks. **Conclusion:** Satisfactory assurance has been gained in respect of the presumed risk of fraud in revenue recognition.
Management override Under International Standard on Auditing (UK and Ireland) 240, there is a presumed significant risk of material misstatement owing to fraud arising from the potential for management to override controls.	We carried out focused testing on journals, estimation techniques and any significant/unusual transactions. We reviewed significant estimates and judgements made in the financial statements for evidence of bias. Journal testing focused on transactions that were perceived to be of higher risk and more likely to indicate a management override of controls. No significant issues were noted in our testing. Investment property valuations for City's Cash comprise a significant judgement in the financial statements. The value of property held at 31 March 2015 is £1,298m and has increased 16% on the value held at 31 March 2014 (including additions and disposals). Investment property valuations are conducted internally by the City Surveyor's team and by an external firm of property valuers. We have met with representatives of the City Surveyor and the external firm of property valuers to discuss the methodology of the valuations overall and to review individual property valuations that were significantly above or below the average increase. We did not identify any indication of management bias in the valuations applied. Further analysis of the investment property values is on page 11 of this report. **Conclusion:** Satisfactory assurance has been gained in respect of the presumed risk of management override.

During the audit we identified a further significant audit risk, related to investment property transactions, which we now bring to your attention.

Audit risk areas	Audit findings
Investment Property transactions The City Fund audit highlighted the need for a change to the accounting treatment for the sale of investment property where a land element was included in the sale. As land generally has an indefinite life, it is unlikely that the sale of a land leasehold will be for the majority of its economic life and therefore, the sale of land should be treated as an operating lease. During the 2014-15 year, City's Cash disposed of a head lease for land for the period of the lease – 155 years. At the point of sale a profit of £6.4m was recognised and the asset was disposed of in the financial records. An adjustment was made to reverse the profit recognised, reinstate the land as an asset of City's Cash and to recognise the total receipt for the sale of the lease as deferred income. The £20m receipt will now be released to the income and expenditure account over the life of the lease. As these adjustments reflect a reclassification, the net impact is that total net assets and total capital employed are unchanged.	We have reviewed all investment property disposals made by City's Cash during the year and confirmed that only the disposal referred to opposite would have a material impact on the financial statements with the updated accounting treatment. We have audited the adjustment raised in the final accounts, confirming valuations used and are satisfied that the adjustment made is complete and accurate. **Conclusion:** Satisfactory assurance has been gained in respect of the mitigation of the risk of investment property transactions being materially misstated.

Other risk factors

As noted in our audit planning report submitted to the Audit and Risk Management Committee in December 2014 the following audit risk areas were identified as risk factors which could potentially result in a material misstatement. The table below sets out our approach and conclusions to these risk factors.

Audit risk areas	Audit findings
Managed Funds Transfer We understand that the City of London Corporation intends to make a number of changes to managed funds. Segregated funds held by City's Cash are being transferred to pooled vehicles.	During the year a transfer was made from the existing segregated account held with Ruffer to a new pooled fund operated by Pyrford. The aim of this was to achieve a more balanced split across the fund managers used by the Corporation. We reviewed supporting documentation to assess and agree the accounting treatments applied and the adequacy of disclosures made in the financial statements. Audit testing confirmed that the transactions pre and post transfer have been accounted for appropriately. **Conclusion:** Satisfactory assurance has been gained in respect of the risk factor identified on the managed funds transfer.

Audit risk areas	Audit findings
Crossrail Contribution The 2013-14 City's Cash accounts recognised a contingent liability on the basis that the City of London Corporation was in discussions with Government concerning a possible contribution of £50m from City's Cash upon completion of the Crossrail project. While the timing of the payment is projected to be 2018 and 2019, discussions during the year may clarify the liability further, which could impact the accounting treatment.	The City's Cash contribution to Crossrail of £50m has been recognised as a commitment in the financial statements, with expected payment in the 2018-19 and 2019-20 financial years. We held discussions with officers and reviewed supporting documentation to assess and agree the accounting treatments and disclosures made in the financial statements. The agreement is classified as an executory contract and provision will be made once all milestones have been reached. We consider that the disclosures made in the financial statements are appropriate, materially correct and in line with UK GAAP. **Conclusion:** Satisfactory assurance has been gained in respect of the risk factor identified on the Crossrail contribution.

Going concern and subsequent events

We are required under International Standard on Auditing (UK & Ireland) 570, "Going concern" to consider the appropriateness of the going concern assumption in the preparation of the financial statements, and to consider whether there are material uncertainties about the organisation's ability to continue as a going concern which need to be disclosed in the financial statements.

The term "subsequent events" is used to refer to events occurring between the period end date of the financial statements and the date of the auditor's report. International Standard on Auditing (UK & Ireland) 560, "Subsequent events" requires us to assess all such matters before signing our audit report.

In order to gain assurance on these matters our work has included:

- performing a review of budgets and cash flow projections covering a period of 12 months from the expected signing of the audit report, together with management accounts for 2015-16;
- reviewing minutes of relevant City of London Corporation sub-committees held since 31 March 2015;
- enquiring of senior management and the organisation's solicitors concerning litigation, claims and assessments; and
- performing sample testing of post reporting date transactions.

Conclusion

Our work has not highlighted any concerns or issues affecting the ability of City's Cash to continue as a going concern.

5 Significant audit and accounting matters

Audit adjustments

To enable those charged with governance to assess the extent to which the draft financial statements presented for audit have been subject to change as a result of the audit process and ongoing management review, we present below the adjustments made to the accounts during the audit process.

As a result of our audit, management review and similar transactions recorded in the City Fund accounts, adjustments were made to the draft financial statements presented for audit.

	Income and Expenditure Account/Statement of Gains and Losses		Balance Sheet	
	DR £'000	**CR £'000**	**DR £'000**	**CR £'000**
Profit on sale of Investment Property	6,350			
Gain on Revaluation of Investment Properties		6,350		
Investment Property Assets			20,000	
Deferred Income				20,000
Working Capital Fund			20,000	
Investment Property Revaluation Reserve				20,000
A 155 year lease granted for a premium was originally classified as a 'finance' lease. This has now been reclassified as an 'operating' lease.				
	6,350	6,350	40,000	40,000

All audit adjustments have been discussed and agreed with the Chief Accountant and Group Accountant.

Unadjusted items

We are obliged to bring to your attention the errors found during the audit that have not been corrected as not material, unless they are 'clearly trivial', which we have identified as below 1% of assessed materiality, subject to a de-minimis reporting level of £20,000. We have identified no such errors during our audit.

Qualitative aspects of accounting practices and financial reporting

During the course of our audit, we consider the qualitative aspect of the financial reporting process, including items that have a significant impact on the relevance, reliability, comparability, understandability and materiality of the information provided by the financial statements. The following observations have been made:

Qualitative aspect considered	Audit conclusion
The appropriateness of the accounting policies used.	We have reviewed the significant accounting policies, which are disclosed in the financial statements, and we consider these to be appropriate to City's Cash.
The timing of the transactions and the period in which they are recorded.	We did not identify any significant transactions where we had concerns over the timing or the period in which they were recognised.
The appropriateness of the accounting estimates and judgements used.	We are satisfied with the appropriateness of accounting estimates or judgements used in the preparation of the financial statements. We met with representatives of the City Surveyor and the external firm of property valuers to assess the judgements applied in the valuation of investment properties. We consider the judgements used to be appropriate.

Qualitative aspect considered	Audit conclusion
The potential effect on the financial statements of any uncertainties, including significant risks and disclosures such as pending litigation, that are required to be disclosed in the financial statements.	We did not identify any uncertainties including any significant risk or required disclosures that should be included in the financial statements. Disclosures made in the Hampstead Heath accounts regarding future commitments relating to the Hampstead Heath Ponds project have been appropriately included in the City's Cash accounts.
The extent to which the financial statements have been affected by unusual transactions during the period and the extent that these transactions are separately disclosed in the financial statements.	From our testing performed, we identified no unusual transactions in the period.
Apparent misstatements in the annual reports or material inconsistencies within the financial statements.	Our review of the annual report identified no misstatement or material inconsistency with the financial statements.
Any significant financial statement disclosures to bring to your attention.	There are no significant financial statement disclosures that we consider should be brought to your attention. All disclosures made are required by relevant legislation and applicable accounting standards.
Disagreement over any accounting treatment or financial statement disclosure.	There was no disagreement during the course of the audit over any accounting treatment or disclosure.
Difficulties encountered in the audit.	The unexpected and protracted discussions on the classification and accounting treatment of the granting of long leases for premiums in relation to City Fund investment properties had a knock on effect to the preparation and auditing of the City's Cash financial statements. Although we were kept informed of progress, the City's Cash audit began a week late on 10 August and we did not receive a full set of accounts until Monday 21 August, after the majority of our fieldwork had been completed. As part of our recommendations on the 2013-14 audit, it was suggested and agreed that a managed investment note, using a new format would be provided for audit review as at 31 December 2014. This was started but not fully completed by the finance team. However, the work that was undertaken did have positive benefit as no significant issues were encountered in this area during the 2014-15 audit - albeit the notes did take longer to complete.

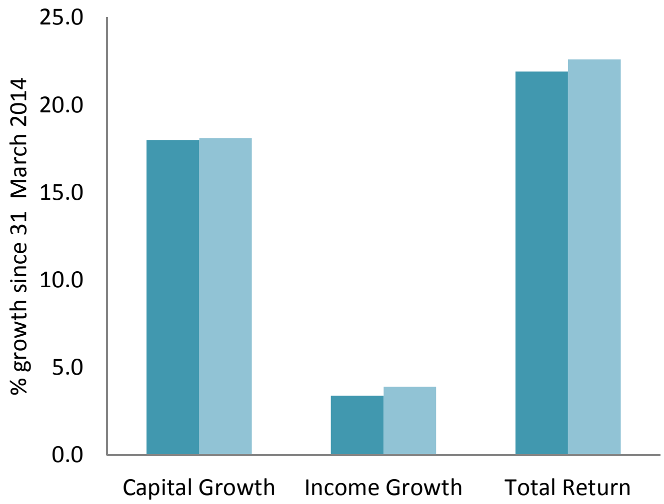
Investment Property Valuations

City's Cash holds a significant investment property portfolio, totalling £1,298m as at 31 March 2015. Properties are valued annually in line with accounting standard requirements for investment properties. All properties are valued in accordance with the RICS Red Book. The valuation process is split between internal valuations, performed by the City Surveyor's department and a firm of external valuers. In 2014-15, Cushman Wakefield were appointed on a three year contract to perform the property valuations for City's Cash. The split of valuations performed as at 31 March 2015 is outlined below:

	External Valuation	Internal Valuation	Total
Number of properties	55	89	139
Value of properties	£428m	£890m	£1,318m

As part of our audit work, we have met with representatives of the City Surveyor and the external firm of property valuers to discuss the methodology of the valuations overall and to review individual property valuations that were significantly above or below the average increase.

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

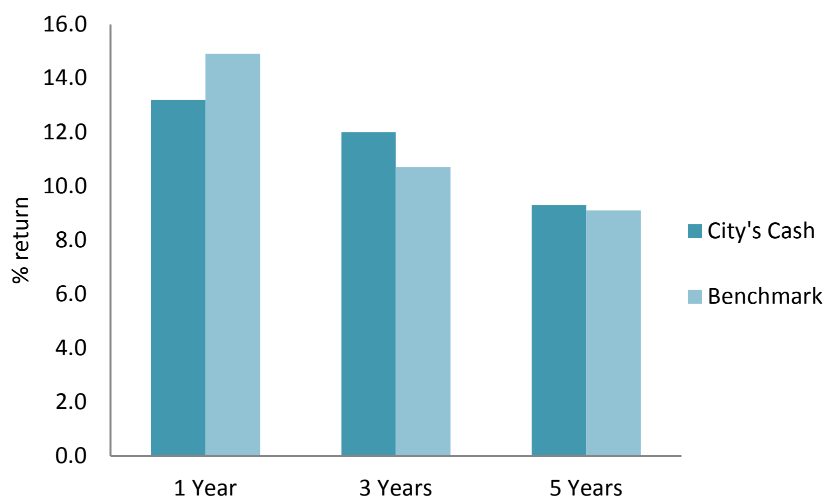


Income growth is broadly in line with the benchmark due to increasing rents as properties have refurbishments completed and as a consequence are able to be marketed at a higher rate than prior valuations expected. This has been noted on a number of properties where significant valuation increases have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

Capital growth remains strong, with City's Cash being in the top quartile of London properties, as monitored by an independent benchmarking exercise.

Non-Property Investment Valuations

In addition to investment property, City's Cash holds a significant portfolio of non-property investments totalling £732.4m as at 31 March 2015. Investments are held across a number of fund managers who all invest according to the Investment Strategy set by the Corporation. The chart below demonstrates the performance of the City's Cash investment funds, against benchmark over a five year period.



Fund returns obtained by the City's Cash investment funds have been higher than the benchmark (as calculated by WM Fund) over a five and three year period. While the benchmark has not been met or exceeded in the last financial year, we note that the performance of the fund in the final quarter of 2014-15 was higher than benchmark, with City's Cash recording a return of 5.6% against a benchmark of 5.1%.

Management representations

We have requested that a signed representation letter, covering a number of issues, be presented to us at the date of signing the financial statements. A copy of this letter is included in appendix 1 to this report.

Fraud and irregularity

Responsibility for preventing and detecting fraud and other irregularities lies with management. We are not required to search specifically for such matters and our audit should not be relied upon to disclose them. However, we planned and conducted our audit so as to give a reasonable expectation of detecting any material misstatements in the financial statements resulting from improprieties or breach of regulations.

We are pleased to report that we did not identify any issues of concern in relation to fraud and irregularity.

Legality

We planned and performed our audit recognising that non-compliance with statute or regulations may materially affect the financial statements.

We are pleased to report that we did not identify any instances of concern with regard to the legality of transactions or events.

6 Accounting systems and internal controls

During the course of our audit of the financial statements, we examined the principal internal controls which have been established to enable them to ensure, as far as possible, the accuracy and reliability of the organisation's accounting records and to safeguard the organisation's assets.

It should be noted that our audit was planned and performed in order to allow us to provide an opinion on the financial statements and it should not be relied upon to reveal all errors and weaknesses that may exist.

Our work did not identify any system weaknesses.

Action plan – audit recommendations

We identified a number of observations which we consider require management action. Recommendations to address the observations are detailed in the action plan below, together with management responses.

Grade	Definition
1	major issues for the attention of senior management which may have the potential to result in a material weakness in internal control
2	important issues to be addressed by management in their areas of responsibility
3	problems of a more minor nature which provide scope for improvement.

No priority 1 points have been raised during our audit of the 2014-15 City's Cash accounts. A number of priority 2 and priority 3 findings were raised directly with Management following our audit of Bridge House Estates, City's Cash Trusts and Sundry and Other Trust accounts, a summary of which was provided to the Audit and Risk Management Committee in July 2015. We have no further points to raise.

7 Future financial reporting developments relevant to City's Cash

FRS 102

Entities that currently prepare their financial statements under UK GAAP, will be applying FRS from accounting periods beginning on or after 1 January 2015. For City's Cash, this means that the 2015-16 financial statements will be presented under the new accounting framework.

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

The most significant changes under the new accounting framework are:

Managed Investments and Investment Properties

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

Using the 2014-15 figures, City's Cash actually recorded an operational deficit of £27.7m (before profits on the sales of fixed assets), however the inclusion of the gain in fair value of non-property investments means that an operating surplus of £44.9m is shown on the face of the Income and Expenditure account. Under FRS102, the gain in fair value on property investments will also require to be shown on the face of the Income and Expenditure account, meaning that the operating 'surplus' recorded for the 2014-15 accounts (as restated in the 2015-16 accounts) will be over £200m.

Statement of cash flows

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

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

Appendix 1 – Management representation letter for City's Cash

Moore Stephens LLP
150 Aldersgate Street
London
EC1A 4AB

Dear Sirs

City of London Corporation - City's Cash

This representation letter is provided in connection with your audit of the financial statements of City's Cash for the year ended 31 March 2015 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view in accordance with UK Generally Accepted Accounting Practice.

By a resolution of the Finance Committee, passed today, we are directed to confirm to you, in respect of the financial statements of City's Cash (and its subsidiaries) for the year ended 31 March 2015, the following:-

1. We have fulfilled our responsibilities for preparing financial statements which give a true and fair view in accordance with UK Generally Accepted Accounting Practice and for making accurate representations to you.
2. We have provided you with:
   - access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
   - additional information that you have requested from us for the purpose of the audit; and
   - unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
3. All transactions have been recorded in the accounting records and are reflected in the financial statements.
4. We acknowledge our responsibilities for the design and implementation of internal control in order to prevent and detect fraud and to prevent and detect error.
5. We confirm that we have disclosed separately to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
6. We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the entity and involves:
   - management
   - employees who have significant roles in internal control
   - others where the fraud could have a material effect on the financial statements.
7. We are not aware of any allegations of fraud or suspected fraud with a potential effect on the financial statements which have been communicated to us by employees, former employees, analysts, regulators or other third parties.
8. We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing the financial statements.
9. In our opinion, the significant assumptions that have been used in determining fair values, whether such values are disclosed or applied in the financial statements, are reasonable and reflect the ability and intent to carry out specific courses of action, where this is relevant to the determination of those values.
10. In our opinion the significant assumptions used in making accounting estimates are reasonable.
11. We have disclosed to you the identity of City's Cash related parties and all related party relationships and transactions of which we are aware.

12. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of UK Generally Accepted Accounting Practice.

13. In particular, no director, shadow director, their connected persons or other officers had any indebtedness, agreement concerning indebtedness or disclosable interest in a transaction with the group at any time during the year, other than as indicated in the financial statements.

14. There are no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.

15. There are no plans to abandon activities or other plans or intentions that will result in any excess or obsolete stocks, and no stock is stated at an amount in excess of net realisable value.

16. The group has satisfactory title to all assets and there are no liens or encumbrances on City's Cash assets, other than as disclosed in the financial statements.

17. We have recorded or disclosed, as appropriate, all liabilities, both actual and contingent, and all guarantees that we have given to third parties.

18. All events subsequent to the date of the financial statements and for which UK Generally Accepted Accounting Practice require adjustment or disclosure have been adjusted or disclosed. Should any material events occur which may necessitate revision of the figures included in the financial statements or inclusion in the notes thereto, we will advise you accordingly.

19. The group has complied with all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance.

20. Except as disclosed in the financial statements, the results for the year were not materially affected by:

    - any change in accounting policies;
    - transactions of a type not usually undertaken by the group;
    - circumstances of an exceptional or non-recurrent nature; or
    - charges or credits relating to prior periods.

21. We have disclosed to you all known actual or possible litigation or claims whose effects should be considered when preparing the financial statements and that they have been accounted for and disclosed in accordance with UK Generally Accepted Accounting Practice.

22. We have reviewed the reasoning for the classification of the proposed contribution by City's Cash to Crossrail as a commitment and consider that given the uncertainties surrounding the finalisations of an agreed contribution, this is the most appropriate classification of the likely costs.

23. We have reviewed going concern considerations and are satisfied that it is appropriate for the financial statements to have been drawn up on the going concern basis. In reaching this opinion we have taken into account all relevant matters of which we are aware and have considered a future period of at least one year from the date on which the financial statements were approved.

24. We confirm the financial statements are free of material misstatements, including omissions. We believe that those uncorrected misstatements identified during the audit are immaterial both individually and in aggregate to the financial statements as a whole. A list of these items is attached to this letter of representation, together with our reasons for not correcting them.

We confirm that the above representations are made on the basis of enquiries of management and staff with relevant knowledge and experience (and, where appropriate, of inspection of supporting documentation) sufficient to satisfy ourselves that we can properly make each of the above representations to you.

Yours faithfully

....
The Chamberlain of London
Signed on behalf of the City of London Corporation
On (date)

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Committee:	Date:
Audit and Risk Management	3 November 2015
Subject: Deloitte's final reports on the audits of the City Fund and City of London Pension Fund	**Public**
Report of: Chamberlain	**For Information**

Summary

At your meeting on the 20 July, the Committee received the City Fund and City of London Pension Fund financial statements together with a progress reports from Deloitte.

Subsequently, Deloitte issued unqualified audit opinions on the City Fund and Pension Fund, and on the value for money conclusion for the City Fund.

The final audit reports on the City Fund and Pension Fund are attached as appendices 1 and 2 respectively. For the City Fund, changes from the July version are highlighted in yellow. For the Pension Fund, the only changes are the removal of the list of outstanding items and the report now speaking in the past tense about the unqualified audit opinion.

Deloitte's July report on the City Fund noted open issues on the accounting treatment of property transactions, the provision for business rates appeal refunds and recognition of police grant income. These issues were resolved, but a number of adjustments to various balances and disclosures were required in respect of property transactions and business rates. Deloitte's commentary on these issues, the adjustments made and their recommendations going forward are set out on pages 8 to 10 of the report.

Recommendation

Members are asked to note Deloitte's final audit reports on the City Fund and City of London Pension Scheme.

- Appendix 1 – Deloitte's final report on the City Fund
- Appendix 2 – Deloitte's final report on the City of London Pension Fund

Stephen Telling
Chief Accountant

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E: steve.telling@cityoflondon.gov.uk

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Deloitte.

City of London Corporation – City Fund

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

the Distinctive audit

12 October 2015

Contents

"I am pleased to present our final report on the findings from our 2014/15 external audit."

Heather Bygrave, Engagement Lead Partner

A reminder of our Audit Plan and subsequent changes made:

- Materiality: £5.1m (revised from estimate of £4.5m in our audit planning report to reflect higher than assumed gross spend on services).
- Threshold for reporting misstatements: £250k.
- Significant risks over valuation of investment properties, fraud in recognition of grant income and management override of controls.
- Further significant risks have been identified in relation to the valuation of the pension liability, the treatment of certain lease transactions and the valuation of the NNDR appeals provision.
- We have removed a risk in relation to the Oracle upgrade as in the event this did not involve the transfer of data.
- We have taken a fully substantive audit approach.

The big picture

The Big Picture

We have now completed our work and have issued an unmodified audit report.

Statement of accounts

- The key judgement areas are in relation to the valuation of properties, the valuation of pension liabilities and the estimation of provisions for business rates appeals. We also provide comments on the Crossrail commitment. The position is unchanged from that anticipated in our planning report to the Committee, but we comment on additional disclosures and commentary which the City of London Corporation ("the City") has included in the financial statements this year.

Audit work on the financial statements

- Valuation of investment properties - We focused on the key assumptions made, and the reasonableness of the valuations arrived at, by the City's valuers. We concluded satisfactorily on their reasonableness.
- Grant income recognition - We focused on the judgements made by officers in determining the basis of recognition for individual grants. Our sample testing was concluded without exception.
- We identified a risk in our planning report in relation to the upgrade to the Oracle R12 version. In the event, the process did not involve the transfer of data as the database was not replaced or changed. Our risk assessment work did not identify any other risks around the upgrade. We therefore removed this risk.
- Management override of controls - Auditing standards presume that there is always a risk of management override of controls. We did not identify any areas of concern from our work.
- We reported in our planning report that the valuation of the pension liability was a key source of estimation uncertainty. In view of the significant increase in this account balance during the year, we have identified the valuation of the pension liability as an additional significant risk. We completed our work and identified a material adjustment as the actuary used asset valuations estimated using data at February which was £19.7m lower than the actual year end position. The impact on the City Fund net pension liability is approximately £9 million and this was corrected in the final version of the financial statements.
- Lease transactions – During the year the City Fund received premia under 5 lease transactions. Changes have been agreed to the accounting treatment which were reflected in the final version of the financial statements.
- NNDR appeals provision - We focused on the estimation processes and judgements made in calculating the financial impact of appeals against rateable values. Adjustments were made to reduce the provision to reflect the outcome of a test case which was settled after the preparation of the draft financial statements.
- We have included recommendations for improvement in controls in the area of accounting for lease transactions in the section on significant risks. We have also made recommendations in relation to the estimation of the business rates appeals provision and cut-off with business rates payables in the section on other issues.

This report updates the version presented to the Audit and Risk Management Committee meeting on 20 July 2015.

We have now completed our work and issued an unmodified audit report and audit certificate.

Other work

- We have issued an unmodified value for money conclusion.
- We have completed our work on the City's Whole of Government Accounts return.

Significant audit risks

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

Valuation of investment properties

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

Nature of risk

The City has a substantial portfolio of investment properties which are subject to annual revaluation. The carrying value at 31 March 2015 was £1,088m (£130m gain in year). Some of the properties require the application of specialist valuation assumptions. The current and recent economic volatility has affected property values, generally, and the City has recorded significant gains and losses over the last few years.

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

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

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

- assessing the overall performance of the City Fund investment and strategic property portfolios against published data on overall property market movements, for the period from March 2014 to March 2015 and sought and challenged reasons for over- or under-performance against the wider market for individual properties;
- undertaking a desktop analysis to assess a selection of properties, comparing the key assumptions adopted against publicly available benchmarks and information;
- considering the approach and methodology of the valuers, together with the instructions from the City.

We noted that the process followed in preparation of the valuations appears to be reasonable.

The Investment Property Databank ("IPD") index reports changes in capital values of various property types. Reported movements in Central London in the year to 31 March 2015 are summarised in the table below:

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

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

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

- The developments in progress (London Wall Place, International House, 100 Cheapside and 12 – 14 New Fetter Lane), since these valuations are likely to see the greatest degree of value change going forward; and
- The intentions of Ciena to vacate or remain in occupation at 43-51 Worship Street, as this could affect the value of the property going forward.

Adjustments were required to the investment property balance as a result of the further analysis of the accounting treatment of lease premia. This is discussed later in this section.

Valuation of pension liability

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

Nature of risk

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

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

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

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

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

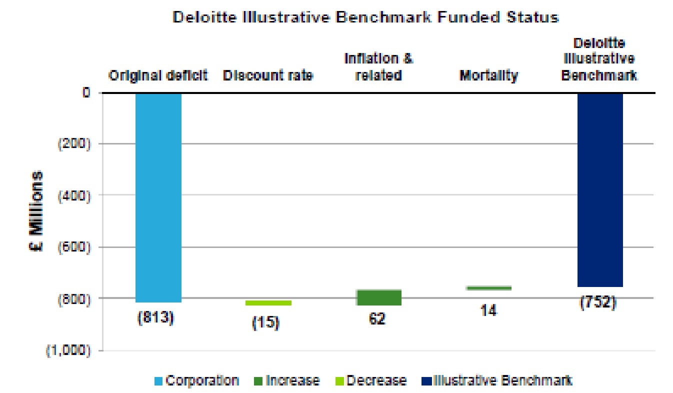
The City's proposed discount rate has been set by reference to the annualised yield at the 18 year point on the Merrill Lynch AA rated corporate bond curve.

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

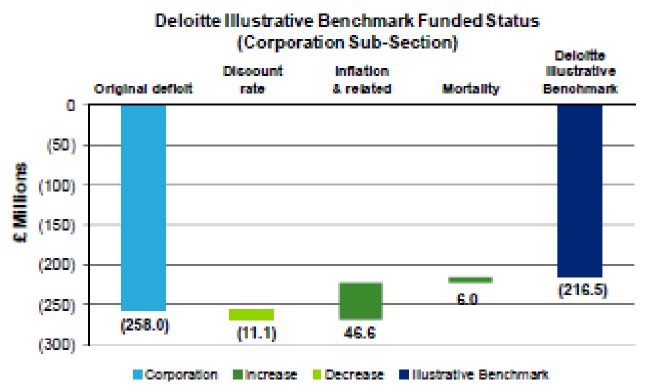
The other main area where there was a difference between the practice adopted by the actuary and our preferred approach is in determining inflation related assumptions. It is common actuarial practice to apply a deduction to the market implied RPI inflation to allow for an inflation risk premium ("IRP").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

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

Police pension



City of London Pension Scheme



Valuation of pension liability (continued)

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

The pension assets are estimated by the actuary based on information provided in February. The value estimated by the actuary for the City of London Pension Scheme as a whole was £19.7m less than the outturn position as shown in the pension scheme accounts in the draft financial statements. As a consequence, the net pension liability in the City Fund accounts in the original version of the financial statements was overstated by approximately £9 million. This has been corrected in the final version of the financial statements.

Fraud in grant income recognition

We focused on the judgements made by officers in determining the basis of recognition for individual grants and concluded satisfactorily

Nature of risk

The City received grants and contributions totalling £183m.

Auditing Standards include a presumption that there is a significant risk of fraud in revenue recognition. We have pinpointed this risk to the recognition of grant income. Accounting for grant income can be complex as the timing for recognising income in the accounts will depend on the scheme rules for each grant. Under the Code, income from grants is recognised as soon as all conditions have been met.

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

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

We noted that the Corporate Accountancy Unit had sent out instructions to staff involved in the preparation of the accounts highlighting the accounting requirements for grants. Last year we noted that although no errors were identified in the recognition of grant income from sample testing, the City may wish to consider the application of central controls to the accounting for such income given the significant sums involved and the complexity of treatment. The arrangements this year remain the same as last year.

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

Our sample testing was concluded without exception.

Accounting treatment of lease premia

The financial statements have been updated for changes in the treatment of lease premia

Nature of risk

During the year the City Fund received premia totalling £120m for long leases varying in length from 125 to 250 years. These premia were accounted for, in full, as capital receipts.

Ongoing ground rent under these agreements was intended to be recognised on a straight line basis over the term of the lease.

Accounting guidance requires leases to be classified as either finance or operating leases. Where the lease is for land and buildings, accounting guidance requires this assessment to be made separately for the land and buildings components. For the purposes of lease classification and accounting purposes, this requires the minimum lease payments to be apportioned between land and building – with the split to be performed on the basis of respective fair values within the lease.

Where a finance lease is granted, the related asset is “de-recognised” and a profit or loss on disposal is recorded. Any upfront premium is accounted for as a capital receipt and subsequent receipts split between capital receipt and interest.

Where an operating lease is granted, the property will remain on the balance sheet and the minimum lease payments are recognised on a straight line basis over the lease term. In the case of premia, this will require the amount to be deferred initially and released over the lease term.

The approach taken in the original version of the financial statements was to assign the premium in full to the building component and the ongoing ground rent to the land. The buildings were assessed to be held under finance leases and as a result the full amount was taken in each case to the capital receipts reserve.

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

We challenged officers’ classification of the leases.

We also challenged whether the approach taken to the apportionment of the minimum lease payments appropriately reflected the respective fair values of land and buildings.

Following discussion with officers we agreed that:

- Where the developer intends to demolish the existing building as part of the development, none of the minimum lease payments should be apportioned to the building as the fair value, as determined by the market, is nil.
- The split between lease premium and the capitalised value of the ongoing minimum ground rent payments for other properties may not reflect respective fair values in the way that had been assumed and this needed to be tested on the basis of an analysis of fair value with input from a valuer.
- The resulting split should be applied to both premia and ground rent.

Officers re-worked the analysis based on these principles and the resulting changes have been reflected in the final version of the financial statements.

This is a complex area and requires the exercise of both accounting judgement and valuation expertise. The exercise identified a lease which had not been accounted for correctly in the past within the financial statements prepared by officers. This error had also not been identified during the previous audit and was therefore present in the prior year financial statements. The lease of the site was for a comparatively long term of 250 years. Officers considered this to be a finance lease on the assumption that the present value of the minimum lease payments represented substantially all the fair value of the asset. Due to the nature of the property, determining its fair value through obtaining comparator data from sales of similar properties is problematic. We therefore considered whether there were other amounts, in addition to the minimum lease payments, which were expected to accrue and which, if significant, may indicate that the fair value of the property was substantially more than the present value of the minimum lease payments.

Accounting treatment of lease premia (continued)

Usable reserves fell by £98 million as a result of the adjustments made. Unusable reserves increased by the same amount

The lease contained terms which allowed for the payment of a variable amount of rent which was contingent on future events. This does not form part of, and is in addition to, the minimum lease payments. Officers considered, at the time of inception, that the development was complex and higher risk and as a result there was doubt over the level of contingent rents that may become receivable under the lease. The assessment of the likely level of contingent rents expected under the lease has increased sharply since then as a result of the head lessee securing a pre-let for part of the property. However, it has become apparent from other information available at the time of inception of the lease that the assessed level of contingent rent, whilst less, was nevertheless significant in comparison to the minimum rent, so that the present value of the minimum lease payments did not account for substantially all the fair value of the property.

Unlike UK GAAP, which allows restatement of prior years only when the error is fundamental, IFRS requires the restatement when an error is simply material. This therefore resulted in the restatement of opening balances and comparative information in the current year financial statements.

Overall, the impact as shown below is an increase in non-current assets and non-current liabilities with no change to net assets overall. Total reserves also remain the same, but with a change in allocation between usable and unusable reserves.

We have summarised the adjustments made as a result of this exercise for both current and prior year items, below.

£m	Before	Prior year adjustment	Current year adjustment	After
Net assets				
Non-current assets	1,912	25	76	2,013
Non-current liabilities	(1,135)	(25)	(76)	(1,236)
Net current assets	402	-	-	402
Net assets	1,181	-	-	1,181
Reserves				
Usable reserves				
- bfwd	(215)	25	-	(190)
- in year transactions	(119)	-	73	(46)
Unusable reserves				
- bfwd	(830)	(25)	-	(855)
- in year transactions	(16)	-	(73)	(89)
Total reserves	(1,181)	-	-	(1,181)

We recommend, going forwards, an accounting treatment note is prepared for significant one-off transactions which are complex and/or involve the exercise of significant judgement at the time of the transaction and in good time for the preparation of the draft financial statements. The note should be provided to the auditors and, where significant judgement is involved, consideration should also be given to providing a copy of the note to the Audit and Risk Management Committee for scrutiny and approval.

Provision for refunds of business rates granted on appeal

The provision was reduced from £56.5m in the original version of the financial statements to £44.0m in the final version

Nature of risk

The accounting and estimation processes for calculating the financial impact of appeals against rateable values requires the exercise of judgement, but the impact on the City is in part mitigated by the operation of floors and ceilings within the calculation of the amount of business rates to be retained locally. The volume of open cases means that the City have needed to make a general provision using the “expected value” method, in this case based on the City’s recent historical experience in settling appeals. In particular, the provision has been calculated on the assumption that the appeals will be settled with the same success rate and average percentage financial effect per successful appeal as in 2014/15. The approach is reasonable, but is dependent on the cases settled in 2014/15 being representative of the open cases at 31 March 2015.

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

The City’s share of the provision has increased from £35.1m to £56.5m in the original version of the financial statements presented for audit. This was consistent with what we understand to be the trend nationally and is caused by a spike in the number of new appeals caused by ratepayers submitting claims to meet a deadline of 31 March 2015 which represents the closure of the period in which new appeals can be made against the 2010 List. In addition to new appeals received in 2014/15, approximately half the claims which were outstanding at 31 March 2014 also remained outstanding at the current year end. It is possible that the quality of some of these new appeals submitted at the end of 2014/15 to meet the deadline may not as high as those determined during 2014/15. However, there is limited information available to the City to assess this until the Valuation Officer starts to determine these new appeals.

The effect on the calculation of the provision of the increase in the value of outstanding appeals at 31 March 2015 compared to 31 March 2014 has been partly offset by a reduction in the assumed value at which appeals are settled from 4.2% to 3.4% between these two year ends. The assumption at each year end is derived directly from experience in the preceding financial year. Officers took the decision last year to restrict the period it looked back in setting the provision to one year as the nature of appeals changes over time as the issues which drive those appeals change. This view is reasonable, but there is nevertheless a risk that the cases determined in the period may not be representative of the appeals which were open at the year end if, for example, the Valuation Officer has not worked evenly across all categories of appeal during 2014/15. Officers further analysed the available data to inform their assessment of this risk.

A significant component of the increase in the year shown in the original version of the financial statements was in a category of appeal where the rateable value under appeal at 31 March 2015 at £1.1 billion (a third of the total under appeal) was substantially higher than the total amount determined by the Valuation Officer over the last four years of £98 million. This increase was caused by the impact of an ongoing legal case together with significant duplication of cases as a result of the way they had been set up in the Valuation Office’s system. Subsequent to our presentation of our progress report to the Committee’s meeting on 20 July 2015, the Valuation Officer won the case on final appeal and a decision was taken to remove appeals which were judged to relate to this case, together with duplicates. This had the effect of reducing the provision from £56.5m in the original version of the financial statements to £44.0m in the final version.

Our testing of payments made after the year end identified instances where the Valuation Officer had determined an appeal before the year end, resulting in the need for the City to make a refund, but where this had not been processed on the City’s business rates system until after the year end. As a result, there was neither a creditor at the year end (as it had not been processed by the year end on the City’s systems) nor allowance for the refund in the appeals provision (as the Valuation Officer did not consider it to be an open appeal and was therefore not within the information provided to the City. Officers assessed the financial value of similar cases and increased payables by the City Fund’s share, being £3.4m.

We recommend going forwards that further analysis is undertaken of the underlying data in determining the amount of the appeals provision; and arrangements are reviewed to ensure proper cut-off between business rates payables and the provision.

Management override of controls

We have not identified any issues from our work

Nature of risk

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

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

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

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

Other audit work completed to address the significant risk

Specific areas of work are:

Journals

In testing journals, we analysed the whole population of journals to identify those which had features which could be indicators of possible fraud and to focus our testing on these. The sample we selected included items from the following categories of interest:

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

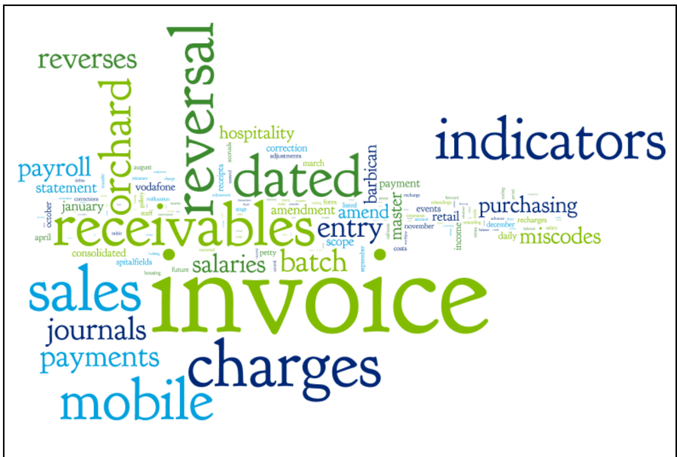
There were no issues identified by our testing.

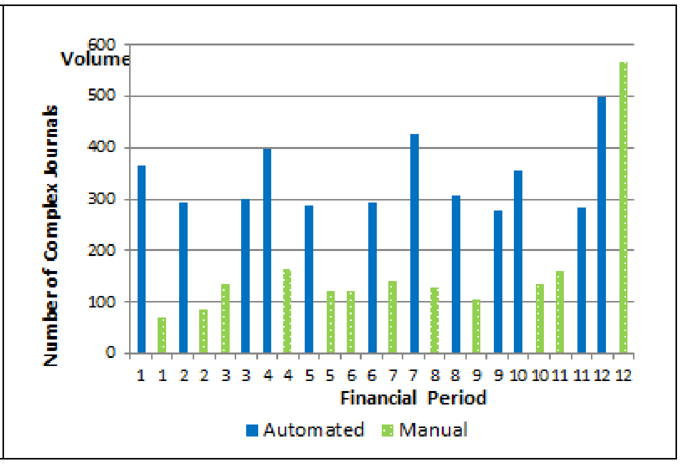
Accounting estimates

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

Significant transactions

We did not identify any significant transactions outside the normal course of business or transactions where the business rationale was not clear.





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

Other matters in your financial statements

Other matters in your financial statements

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

The Crossrail commitment

- The notes to the financial statements since 2008/9 have disclosed a commitment made by the City to contribute £200 million towards the cost of Crossrail. The wording in the 2015 financial statements (which is repeated in the explanatory foreword) is as follows:

  "The City of London Corporation has agreed with Government that £200m will be provided from City Fund towards the costs of constructing Crossrail. The payment of this amount is dependent on the achievement of a number of conditions, primarily the completion of certain works in relation to Crossrail stations. Therefore a liability has not been recognised in the financial statements pending performance of the conditions but will be recognised when it becomes payable. At this stage it is anticipated that the contribution will be made in March 2016. The financing strategy for the contribution is based on the accumulation of annual rental income from specific investment properties and capital receipts from the sale of assets".
- The City has also included a cross reference on the balance sheet to this: *"This is before a £200m commitment towards Crossrail, anticipated to be paid in March 2016 (see explanatory foreword)".*
- During our audit of the 2008/9 financial statements we discussed with officers their assessment of the accounting treatment for this item. We concurred with officers that the agreement with the Government, contained within an exchange of letters between the Corporation and the Secretary of State, is an "executory contract" (contracts under which both parties are still to perform to an equal degree the actions promised by and required of them under the contract). As such it falls outside the scope of International Accounting Standard 37 Provisions, Contingent Liabilities and Contingent Assets (unless onerous).
- As a result, in past financial statements, whilst the transaction has been disclosed as a commitment, a liability has not yet been recognised on the balance sheet pending performance of the undertakings made by the Secretary of State, which include completion of certain works in relation to Crossrail stations.
- The relevant works at 31 March 2015 were incomplete at that date and are not expected to be complete until around March 2016. We therefore agree there should be no change to the past treatment in the 2014/15 accounts with disclosure only as a significant revenue commitment.

Other matters in your financial statements (continued)

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

Valuation of operational properties

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

Value for Money conclusion

Value for money conclusion

We have not identified any significant risks and issued an unqualified conclusion

Work performed

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

Our conclusion is based on the following two reporting criteria:

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

Risk assessment

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

We have subsequently carried out a detailed risk assessment which also takes account of the latest refresh of the Medium Term Financial Strategy ("MTFS"), as well as the outturn financial and performance information for 2014/15. The risk assessment has involved consideration of common risk factors identified by the Audit Commission, concluding on whether they represent actual risks for the purpose of our VFM conclusion on the City Fund. We undertook this work through review of relevant documentation, including committee papers and discussion with officers. We also considered whether there were other risks which might be specific to the City Fund. We did this principally through our consideration of what has been reported in the Annual Governance Statement, any concerns reported by regulators and other matters which have come to our attention from our work carried out in relation to our other Code responsibilities.

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

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

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

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

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

Value for money conclusion (continued)

We issued an unmodified value for money conclusion

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

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

- Again, as a result of a positive budget variance in 2014/15, the starting position on the police reserve at 1 April 2015 is £3.1m higher than assumed/reflected in the table above, delaying the point at which the police reserve is exhausted.
- The City Police have a savings programme which is aimed to meet this shortfall which will be formally considered by members in September 2015. We examined the savings plan developed during 2014/15 and how this has been subsequently reflected into a revised draft Medium Term Financial Strategy for the City Police.
- The latest plan for City Police, assuming no change to funding and that savings proposals are formally accepted by members means that the earmarked police reserve is positive over the period of the current budget + 2 year forecast, albeit with utilisation of £4.3m of this balance. A number of the current savings proposals are rated as higher or medium risk, albeit there are further proposals which are currently being worked on but not yet incorporated into the draft financial plans.
- The City Police have further work to do to create a sustainable financial and operating plan with spend balanced with resources if it is to continue to operate without cross funding from non-police functions. In reaching our overall conclusion, however, we have considered the financial position and plans of the police and non-police functions taken together and also noted: the positive assessment of HMIC on the City Police’s response to date; their assessment of the scope for additional savings on spend; and the availability of reserves set aside to manage further reductions over the period to 31 March 2018, together with variations against its financial plans in this period.
- The City has a track record of responding to challenges posed by reductions in government funding and, before that, reductions in key sources of rental and investment income and has added to its reserves in successive years through to 2013 and in 2015. In 2014, revenue reserves have been drawn on to finance the reinvestment of funds previously held in deposits into property investments in order to achieve higher returns. Excluding this, the underlying trend has been maintained
- The City has also not needed to make significant adverse changes to forecast surplus/deficit position for the non-Police expenditure during the period covered by the preceding period medium term financial strategy in each of the last 3 years.
- The City has also continued its track record of spending within the City Fund revenue budget, recording an underspend of £9.8 million in 2014/15. The City will need to continue to make sure going forwards that it strikes an appropriate balance between prudent budgeting and forecasting which maintain continued financial resilience on the one hand and providing accurate information for decision making purposes on spending plans on the other.

Value for money conclusion (continued)

We have issued an unmodified value for money conclusion

	Unallocated reserve £m	Earmarked reserves £m £m	Total £m £m	Change over year £m £m	Underspend £m
2015	57.1	70.8	127.9	+5.8	9.8
2014	43.6	78.5	122.1	-54.1	3.8
2013	70.9	105.3	176.2	+18.5	6.5
2012	63.7	94.0	157.7	+17.6	13.7
2011	52.9	87.2	140.1	+9.9	4.4
2010	48.5	81.7	130.2	+4.4	7.9

- The reserves position at 31 March 2015, together with the surplus the City has budgeted to make in the current financial year, and the ongoing service based review programme, provides some cover in the event of slippage in the savings programme or unexpected charges or drops in income.

Conclusion

We concluded that there are no significant risks identified which required an additional response. We issued an unmodified value for money conclusion.

Responsibility Statement

Purpose of our report and responsibility statement

Our report is designed to help you meet your governance duties

What we report

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

- Results of our work on key audit judgements;
- Other insights we have identified from our audit.

What we don't report

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

The scope of our work

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

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

Deloitte LLP.

Deloitte LLP

Chartered Accountants

St Albans

12 October 2015

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

Appendices

Appendix 1: Fraud: responsibilities and representations

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

The primary responsibility for the prevention and detection of fraud rests with management and those charged with governance, including establishing and maintaining internal controls over the reliability of financial reporting, effectiveness and efficiency of operations and compliance with applicable laws and regulations. As auditors, we obtain reasonable, but not absolute, assurance that the financial statements as a whole are free from material misstatement, whether caused by fraud or error.

Appendix 2: Independence and fees

We confirm our independence

As part of our obligations under International Standards on Auditing (UK and Ireland), and the standing guidance issued by Public Sector Audit Appointments Limited (previously the Audit Commission), we are required to report to you on the matters listed below:

Independence confirmation	We confirm that we comply with APB Ethical Standards for Auditors and that, in our professional judgement, we are independent and our objectivity is not compromised.
Fees	Details of the fees charged by Deloitte for the period from 1 April 2014 to 31 March 2015 are summarised on the next page.
Non-audit services	Details of fees earned from non audit services in the year ended 31 March 2015 is provided on the next page. We continue to review our independence and ensure that appropriate safeguards are in place including, but not limited to, the rotation of senior partners and professional staff and the involvement of additional partners and professional staff to carry out reviews of the work performed and to otherwise advise as necessary. We provided an assessment of the impact of services provided or proposed from 1 April 2014 on our independence and relevant safeguards in our planning report. There is one further service in relation to lease advisory work at New Spitalfields which has been agreed since that time. The work is expected to be carried out in 2015/16 and 2016/17. Members received a report prepared by officers at the last meeting. We obtained approval from Public Sector Audit Appointments Limited before agreeing to perform this work. Our assessment of the threats to our independence and safeguards is as follows: Self-interest – estimated non-audit fees are not at a level relative to past audit fees which gives rise to an unacceptable threat to independence. Self review – the services will be performed during 2015/16 and 2016/17 and the results of the service will be reported on after the expected date for the issue of our final audit certificate, expected to be in September 2015. The services are therefore not relevant to our audit of the financial statements or our VFM conclusion. We also note that the leased units form only a small part of the City's investment property portfolio Management – Management are responsible for taking decisions on the basis of the report prepared by the expert. The City Surveyors department are responsible for the management of an investment property portfolio which for the City Fund is in excess of £1 billion and have the experience and expertise to evaluate the report and take decisions. Advocacy – the role of expert witness requires the witness to act independently. The overriding duty of an expert witness is to provide a complete and honest opinion to the court. He must not act as an advocate. Safeguards: Our work on the 2014/15 accounts is subject to an independent engagement quality control review by a member of our professional standards team. The work will be led and carried out by a team which is from a different office and service line. We have concluded that these safeguards are adequate to reduce the residual threat to our independence to an acceptable level. In addition, we expect to carry out to report on returns on teachers' pensions and capital receipts. These returns fall outside the Public Sector Audit Appointment Limited's grants and returns certification regime. Fees for this work have not yet been agreed.

Relationships	There are no other relationships we have with the City, its members and senior officers and its affiliates, and other services provided to other known connected parties that we consider may reasonably be thought to bear on our objectivity and independence.

Appendix 2: Independence and fees (continued)

We summarise audit and non audit fees for the year

The professional fees earned or proposed by Deloitte for the period from 1 April 2014 to 31 March 2015 are as follows:

	Current year £000	Prior year £000
Audit of the City Fund	*124	117
Audit related assurance services		
Certification of grants and returns on behalf of the Audit Commission	15	17
Certification of grants outside the regime	4	-
Other non-audit services		
Lease advisory services	20	14
Tax advisory services - Research paper on financial transaction tax	-	18
Total fees	163	169
Audit of the City of London pension scheme	21	21

*£7,188 of this amount is subject to approval by Public Sector Audit Appointments Limited

The table does not include fees in respect of work we expect to carry out on two returns which fall outside the Public Sector Audit Appointment Limited's grants and returns certification regime. These do not appear in the table above as the work for these will be carried out in 2015/16. One of the two returns is for City's Cash.

Appendix 3: Management representation letter
We set out the representations we obtained

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

Dear Sirs

This representation letter is provided in connection with your audit of the financial statements of the City of London Corporation (City Fund) for the year ended 31 March 2015 for the purpose of expressing an opinion as to whether the financial statements present fairly the financial position of City of London Corporation (City Fund) at 31 March 2015 and of the results of its operations, other comprehensive income and expenditure and its cash flows for the year then ended in accordance with applicable accounting framework and Accounts and Audit Regulations 2010.

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

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

Financial statements

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

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

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

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

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

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

7. The effects of uncorrected misstatements are immaterial, both individually and in aggregate, to the financial statements as a whole.

Appendix 3: Management representation letter (continued)

We set out in draft the representations we request

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

9. The Corporation has satisfactory title to all assets.

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

Information provided

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

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

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

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

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

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

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

18. We are not aware of any instances of non-compliance, or suspected non-compliance, with laws, regulations, and contractual agreements whose effects should be considered when preparing financial statements.

19. We have disclosed to you the identity of the entity's related parties and all the related party relationships and transactions of which we are aware.

20. No claims in connection with litigation have been or are expected to be received.

21. We have recorded or disclosed, as appropriate, all liabilities, both actual and contingent.

22. We have no plans or intentions that may materially affect the carrying value or classification of assets and liabilities reflected in the financial statements.

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

Appendix 3: Management representation letter (continued)

We set out in draft the representations we request

24. We have evaluated whether the restrictions, terms or conditions on grants have been fulfilled with, and deferred income to the extent that conditions have not been fulfilled.

25. We confirm that:

- all retirement benefits and schemes, including UK, foreign, funded or unfunded, approved or unapproved, contractual or implicit have been identified and properly accounted for;
- all settlements and curtailments have been identified and properly accounted for;
- all events which relate to the determination of pension liabilities have been brought to the actuary's attention;
- the actuarial assumptions underlying the valuation of the scheme liabilities (including the discount rate used) accord with the City's best estimates of the future events that will affect the cost of retirement benefits and are consistent with our knowledge of the business.
- the actuary's calculations have been based on complete and up to date member data as far as appropriate regarding the adopted methodology; and
- the amounts included in the financial statements derived from the work of the actuary are appropriate.

We confirm that the above representations are made on the basis of adequate enquiries of management and staff (and where appropriate, inspection of evidence) sufficient to satisfy ourselves that we can properly make each of the above representations to you.

Yours faithfully

Appendix – Uncorrected misstatements

Disclosure misstatements

1. The financial statements do not disclose the date of the last valuation of properties.

2. In the disclosure of investments in the pension liability disclosure, instruments have not been segregated by industry type, company size and similar categories of risk.

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City of London Corporation Pension Fund

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

26 October 2015

Contents

The big picture

The Big Picture

We have pleasure in setting out in this document our report to the Audit and Risk Management Committee of the City of London Corporation Pension Fund for the year ended 31 March 2015. This report summarises the principal matters that have arisen from our audit for the year ended 31 March 2015.

This summary is not intended to be exhaustive but highlights the most significant matters to which we would like to bring your attention. It should, therefore, be read in conjunction with the report and the appendices thereto.

Status of the audit

We have completed our audit in accordance with our Audit Plan, which was presented to you prior to the commencement of the audit.

We have issued an unmodified audit opinion.

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

Heather Bygrave, Audit Partner

A reminder of our audit plan:

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

Significant audit risks

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

1. Completeness and accuracy of contributions
Significant audit risk

Nature of risk

Unlike the positions in the private sector, we are not required to issue a separate statement on contributions for the Fund. Nevertheless, in view of the complexity arising from the participation of different employers within the Fund, we have included the identification, calculation and payment of contributions as an area of significant risk.

Impact on the financial statements and our audit challenge

Errors in processing contributions can lead to issues such as non-compliance with the Schedule of Contributions and deducting incorrect amounts from active members' payroll, which can be costly to rectify and result in reputational damage.

Work completed to address the significant risk

We have performed the following testing to address the significant risks around contributions:

- reviewed the design and implementation of controls present at the Fund for ensuring contributions from all Scheduled and Admitted bodies are identified and calculated correctly;
- we performed tests of details to test whether each material income stream was calculated in accordance with the actuarial valuation and schedule of rates; and
- we developed an expectation based on changes in membership numbers and changes in contribution rates to analytically review the contributions received in the year, the results of which fell within our tolerance level.

We note the following from our testing:

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

Deloitte view

We have formed a satisfactory conclusion in this area based on the results from the procedures performed.

2. Valuation of investments

Significant audit risk

Nature of risk

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

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

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

Impact on the financial statements and our audit challenge

Incorrect valuations of investments can lead to misstatements in the financial statements impacting investment decisions and future recovery plans.

Audit procedures completed to address the focus area

The following tests were performed to address the significant risk around investments:

- we have reviewed the design and implementation of controls present at the Fund for ensuring investments are valued correctly;
- we have reconciled the total value of the investments held by the Fund as reported in the investment report from BNY Mellon to the value of investments reported in the Net Assets Statement;
- we have compared the valuations provided by BNY Mellon to the reports provided by the investment manager;
- we have performed a test of detail on a sample basis of quoted investment and compared the value reported by the BNY Mellon to the quoted price obtained from Bloomberg, DataStream or other third party sources;
- we have performed a test of detail on a sample basis of the unquoted pooled investments to the valuations received from the external investment managers;
- we have performed analytical review procedures to assess the reasonableness of the change in market value of investments; and
- we have used our treasury specialists to obtain confirmation of year end positions of derivatives.

Deloitte view

No issues were identified during the completion the testing.

We confirm there are no matters we wish to bring to the attention of the Committee.

3. Accuracy of benefit calculations
Significant audit risk

Nature of risk

Changes were made to the Fund from April 2008 which introduced complexities into the calculation of both benefits in retirement and ill health and death benefits which are in addition to the annual increases required by the 1997 Regulation and Pension (Increases) Act 1971.

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

The risk noted was that benefits payable could be inaccurately recorded and that unauthorised payments could be made to non-existent members.

Impact on the financial statements and our audit challenge

Incorrect benefit calculations or making payments to members who are not eligible can lead to misstatements in the financial statements, financial loss, pensioner's being wrongly paid and reputational damage.

Work completed to address the focus area

The following tests were performed to address the significant risk around benefits:

- we reviewed the design and implementation of controls present at the Fund for ensuring the accuracy, completeness and validity of benefits through discussion with the pensions team and testing that controls were in force during the year under review;
- we obtained a schedule of benefits paid and selected a sample of benefits for detailed testing. The sample was tested through agreement to supporting documentation, and review of the calculation, by reference to the qualifying service, scheme rules and benefit choices made by the member;
- confirmed that the Fund Account movements were consistent with membership movements by agreeing movements back to member documentation to verify the movement has been approved and recorded correctly; and
- we developed an expectation of pensions payable based on the prior year balance, adjusted for changes in membership numbers and pension increases to analytically review the pension benefits paid in the year.

All testing was completed with satisfactory results.

Deloitte view

We have formed a satisfactory conclusion in this area based on the results from the procedures performed. There are no matters to bring to the attention of the Committee.

4. Management override of controls

Presumed significant audit risk

Nature of risk

In accordance with ISA 240 (UK and Ireland) management override is always a significant risk. The primary risk areas surrounding the management override of internal controls are over the processing of journal entries and the key assumptions and estimates made by management.

Work completed to address the significant risk

Our audit work included

- we reviewed the controls around the financial reporting process, including segregation of duties, existence of reporting manuals, reviews and processing and approval of journal entries;
- we have performed substantive testing on journal entries to confirm that they have a genuine, supportable rationale;
- we have reviewed ledgers for unusual items and on a test basis investigated the rationale of any such postings;
- we have reviewed significant management estimates and judgements such as year-end accruals and provisions and consider whether they are reasonable;
- we have made enquiries of those charged with governance as part of our planning and detailed audit processes; and
- we reviewed and challenged the financial statements and management judgements against the SORP, LGPS and UK pension regulations.

No significant issues were noted.

Deloitte view

We have formed a satisfactory conclusion in this area based on the results from the procedures performed. There are no matters to bring to the attention of the Committee.

We have not identified any significant judgements or estimates used by management and there is no indication of significant bias.

Insight - Internal control and risk management

In this section we set out our comments regarding your internal control and risk management processes. We communicate any significant deficiencies in the internal control environment to the audit committee.

Risk management and internal control systems

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

Risk management and control observations

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

Use of dedicated Pension Fund bank account

As observed in the prior years, following the implementation of The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009 that applied from 1 April 2011, the Regulations require each pension fund to have a separate bank account. Whilst the Fund has a dedicated bank account, it has not been used in line with the guidance as set out in the Regulations, with the process being that all transactions are monitored within the pooled cash account, with a net monthly transfer to the pension Fund bank account following the close of monthly accounting to clear down the pooling account.

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

Responsibility Statement

Purpose of our report and responsibility statement

Our report is designed to help you meet your governance duties

What we report

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

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

What we don't report

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

The scope of our work

- Our observations are developed in the context of our audit of the financial statements.
- This report should be read in conjunction with Briefing on Audit Matters which has been distributed in prior years.

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

Deloitte LLP.

Deloitte LLP

Chartered Accountants

St. Albans

26 October 2015

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

Appendices

Appendix 1: Draft representation letter

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

Our Ref: ***HAB/RLG/2015*** ***Date:***

Dear Sirs

City of London Corporation Pension Fund (the "Fund")

This representation letter is provided in connection with your audit of the financial statements of the fund for the year ended 31 March 2015 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view of the financial position of the Fund, in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2014/15, the financial transactions of the Pension Fund during the year ended 31 March 2015, and the amount and disposition of the fund's asset and liabilities as at 31 March 2015, other than liabilities to pay pensions and other benefits after the end of the fund year.

We acknowledge as members of City of London Corporation Pension Fund our responsibilities for ensuring that the financial statements are prepared which give a true and fair view, for keeping records in respect of active members of the Fund and for making accurate representations to you.

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

1. All the accounting records have been made available to you for the purpose of your audit and all the transactions undertaken by the Fund have been properly reflected and recorded in the accounting records. All other records and related information, including minutes of Officer and Committee member meetings, have been made available to you.

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

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

4. We are not aware of any significant facts relating to any frauds or suspected frauds affecting the Fund involving:
   (i). management;
   (ii). employees who have significant roles in internal control; or
   (iii). others where the fraud could have a material effect on the financial statements.

5. We have disclosed to you our knowledge of any allegations of fraud, or suspected fraud, affecting the Fund's financial statements communicated by members, former members, employers, regulators or others.

6. We are not aware of any actual or possible instances of non-compliance with laws and regulations, the effects of which should be considered when preparing financial statements.

Appendix 1: Draft representation letter (continued)

7. Where required, the value at which assets and liabilities are recorded in the net asset statement is, in the opinion of the Authority, the fair value. We are responsible for the reasonableness of any significant assumptions underlying the valuation, including consideration of whether they appropriately reflect our intent and ability to carry out specific courses of action on behalf of the Fund. Any significant changes in those values since the balance sheet date have been disclosed to you.

8. We confirm the completeness of the information provided regarding the identification of related parties, and the adequacy of related party disclosures in the financial statements.

   We have made enquiries of any key managers or other individuals who are in a position to influence, or who are accountable for the stewardship of the Fund and confirm that we have disclosed in the financial statements all transactions relevant to the Fund and we are not aware of any other such matters required to be disclosed in the financial statements, whether under Statement of Recommended Practice – Financial Reports of Pension Schemes (revised May 2007) ("Pensions SORP 2007"), Code of Audit Practice on Local Authority Accounting in the United Kingdom in 2014/15: based on International Financial Reporting Standards or other regulations.

9. We confirm that the financial statements have been prepared on the going concern basis. We do not intend to wind up the fund. We are not aware of any material uncertainties related to events or conditions that may cast significant doubt upon the Fund's ability to continue as a going concern. We confirm the completeness of the information provided regarding events and conditions relating to going concern at the date of approval of the financial statements, including our plans for future actions.

10. You have been informed of all changes to the Fund rules during the year and up to the current date.

11. We have not commissioned advisory reports which may affect the conduct of your work in relation to the Fund's financial statements.

12. No claims in connection with litigation have been or are expected to be received.

13. We have no plans or intentions that may materially affect the carrying value or classification of assets and liabilities reflected in the financial statements.

14. There have been no events subsequent to 31 March 2015 which require adjustment of or disclosure in the financial statements or notes thereto.

15. There have been no irregularities involving management or employees who have a significant role in the accounting and internal control systems or that could have a material effect on the financial statements.

16. The pension fund accounts and related notes are free from material misstatements, including omissions.

17. The Fund has complied with all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance. There has been no non-compliance with requirements of regulatory authorities that could have a material effect on the financial statements in the event of non-compliance.

18. The Fund has satisfactory title to all assets.

19. We have recorded or disclosed, as appropriate, all liabilities, both actual and contingent.

Appendix 1: Draft representation letter (continued)

20. No transactions have been made which are not in the interests of the members of the Fund during the Fund year or subsequently.

21. We confirm that:

- all retirement benefits and schemes, including UK, foreign, funded or unfunded, approved or unapproved, contractual or implicit have been identified and properly accounted for;
- all settlements and curtailments have been identified and properly accounted for;
- all events which relate to the determination of pension liabilities have been brought to the actuary's attention;
- the actuarial assumptions underlying the valuation of the scheme liabilities (including the discount rate used) accord with the directors' best estimates of the future events that will affect the cost of retirement benefits and are consistent with our knowledge of the business;
- the actuary's calculations have been based on complete and up to date member data as far as appropriate regarding the adopted methodology; and
- the amounts included in the financial statements derived from the work of the actuary are appropriate.

22. All trades in complex financial instruments are in accordance with our risk management policies, have been conducted on an arm's length basis and have been appropriately recorded in the accounting records, including consideration of whether the complex financial instruments are held for hedging, asset/liability management or investment purposes. None of the terms of the trades have been amended by any side agreement and no documentation relating to complex financial instruments (including any embedded derivatives and written options) and other financial instruments has been withheld.

23. We confirm that the Pension Fund Annual Report is compliant with the requirements of Regulations 34(1)(e) of the Local Government Pension Scheme (Administration) Regulations 2008 and related guidance.

24. We confirm that the information that is contained within the Pension Fund Annual Report and Accounts for the year to 31 March 2015 is complete, accurate and consistent with the information that is contained within the Accounts.

We confirm that the above representations are made on the basis of adequate enquiries of other officials of the Fund (and where appropriate, inspection of evidence) sufficient to satisfy ourselves that we can properly make each of the above representations to you.

Yours faithfully

Signed on behalf of City of London Corporation Pension Fund

Appendix 2: Audit adjustments
Unadjusted misstatements detail

Uncorrected misstatements

We report all individual identified uncorrected misstatements in excess of £252,000 (2014: £225,000) for the financial statements. There are no such misstatements that we would like to bring to the attention of the Committee.

Disclosure misstatements

Auditing standards require us to highlight significant disclosure misstatements to enable those charged with governance to evaluate the impact of those matters on the financial statements.

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

Appendix 3: Consideration of Fraud

Misstatements in the financial statements can arise from either fraud or error. The distinguishing factor between fraud and error is whether the underlying action that results in the misstatement of the financial statements is intentional or unintentional. Two types of intentional misstatements are relevant to us as auditors – misstatements resulting from fraudulent financial reporting and misstatements resulting from misappropriation of assets.

The primary responsibility for the prevention and detection of fraud rests with management and those charged with governance, including establishing and maintaining internal controls over the reliability of financial reporting, effectiveness and efficiency of operations and compliance with applicable laws and regulations. As auditors, we obtain reasonable, but not absolute, assurance that the financial statements as a whole are free from material misstatement, whether caused by fraud or error.

ISA (UK and Ireland) 240 – 'The auditor's responsibility to consider fraud in an audit of financial statements' requires us to document an understanding of how those charged with governance exercise oversight of management's processes for identifying and responding to the risks of fraud in the Fund and the internal control that management has established to mitigate these risks. It also requires us to presume there is a risk of fraud in respect of revenue recognition; however, considering the nature of the Fund and the revenue streams (mainly contributions and investment income) we have rebutted this risk.

We have made inquiries of management and others within the Fund as appropriate, regarding their knowledge of any actual, suspected or alleged fraud affecting the Fund. In addition, we are required to discuss the following with the Trustee:

1. Whether the Trustee have knowledge of any fraud, alleged or suspected fraud
2. The role that the Trustee exercise in oversight of the:
    - Assessment of the risks of fraud and
    - Design and implementation of internal controls to prevent and detect fraud
3. The Trustee's assessment of the risk that the financial statements may be materially misstated because of fraud.
4. Whether the Trustee have disclosed to us all information in relation to any fraud, alleged or suspected fraud

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

Appendix 4: Independence and fees

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

Independence confirmation	We confirm that we comply with APB Ethical Standards for Auditors and that, in our professional judgement, we are independent and our objectivity is not compromised.
Fees	Our fee for the audit of the 2015 accounts was £21,000 plus disbursements and VAT (2014: £21,000).
Non-audit services	In our opinion, there are no inconsistencies between APB Ethical Standards for Auditors and the plan's policy for the supply of non-audit services or of any apparent breach of that policy. We continue to review our independence and ensure that appropriate safeguards are in place including, but not limited to, the rotation of senior partners and professional staff and the involvement of additional partners and professional staff to carry out reviews of the work performed and to advise as necessary.
Relationships	There are no business or personal relationships to report.

Appendix 5: Topical matters in the Pensions World

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

Changes in accounting standards: The 2015 Pensions SORP

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

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

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

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

SORP	Category a	Category b	Category c(i)	Category c(ii)
	Quoted daily price	Recent price	Valuation technique "Observable inputs"	Valuation technique "Non-observable"
Examples	Equities Exchange traded derivatives	Weekly priced PIVs	OTC derivatives Investment property	Private Equity Insurance policies

IFRS	***Level 1***	***Level 2***	***Level 3***
	Quoted daily price	*Valuation technique with observable inputs (other than quoted prices)*	*Unobservable inputs*

Investment risk disclosures

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

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

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

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

• Currency risk – the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

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

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

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

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

a) the exposures to risk and how they arise;

b) its objectives, policies and processes for managing the risk and the methods used to measure the risk; and

c) any changes in the above from the previous period.

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

Annuities

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

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

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

VAT

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

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

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

Employer/pension fund arrangements

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

In HMRC's brief addresses the following themes:

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

Liability

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

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

Committee:	Date:
Audit and Risk Management Finance Committee	3 November 2015 17 November 2015
Subject: Decisions taken under Delegated Authority or Urgency Procedures - Audited 2014/15 City Fund and Pension Fund Financial Statements	Public
Report of: Town Clerk	For Information

Summary

This report advises Members of action taken by the Town Clerk since the last meeting of the Committee, in consultation with the Chairman and Deputy Chairman, and in accordance with Standing Order Nos. 41(a) and 41(b).

Recommendation

The Committee is recommended to note the report.

SUBJECT: Audited 2014/15 City Fund and Pension Fund Financial Statements – Delegated Decision

Background

At their meetings on 20th and 21st July 2015, the Audit and Risk Management and Finance Committees considered the Audited 2014/15 City Fund and Pension Fund Financial Statements.

At these meetings, Members were advised that there was one significant outstanding issue with the accounts, relating to the accounting treatment for the proceeds from long leasehold disposals. The Chamberlain advised Members that the Corporation currently considered all income from these transactions as capital receipts, but the auditors had advised that they believed that an element of these transactions was a lease of land and therefore this element of the receipt should be treated as deferred income. This would then be released as revenue on an annual basis over the lengths of the leases.

At the time of the above meetings in July 2015, discussions regarding the accounting treatment for such long leasehold disposals were continuing with the auditors. Therefore, the Audit Committee and Finance Committee delegated authority to the Town Clerk, in consultation with the Chairman and Deputy Chairman, approval of any material changes to the financial statements required before the signing of the audit opinion by Deloitte and approving the City Fund and Pension Funds Financial Statements for the year ended 31 March 2015.

Summary of adjustments
Agreement has now been reached with the auditors regarding the accounting treatment for long leasehold disposals. As indicated at the above Committees, an element of these transactions will need to be treated as a lease of land, and therefore as deferred income.

£136m total premiums were received in 2014/15 and, of this, £72.5m has been apportioned as a lease of land. In addition, £25.2m in premiums from transactions in 2012/13 and 2013/14 has been reclassified as relating to land. This has resulted in £97.7m being reclassified from usable reserves to unusable reserves.

There has also been a £4.5m increase in the City Fund net assets as a result of a reduction in the provision for successful rating appeals. There have also been various other small adjustments to the financial statements, taking the total increase in City Fund net assets to £5.4m. City Fund net assets now total £1,181m.

Implications

The Corporation has received the cash for the transactions which have been adjusted. The change is in respect of how this is treated within the accounts. These premiums will be available to use for the Corporation's £200m contribution towards Crossrail. However, there will be a charge of around £500,000 per year to the revenue account going forward, to account for these funds.

ACTION TAKEN:

The Town Clerk, in consultation with the Chairman and Deputy Chairman of the Audit and Risk Management Committee recommended that the Finance Committee:-

a) approved the material changes to the financial statements required before the signing of the audit opinion by Deloitte; and
b) approved the City Fund and Pension Funds Financial Statements for the year ended 31 March 2015.

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