



Finance Committee

Date: TUESDAY, 17 NOVEMBER 2015

Time: 1.45 pm

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

Members:

Roger Chadwick (Chairman)	Deputy Jamie Ingham Clark
Jeremy Mayhew (Deputy Chairman)	Clare James
Randall Anderson	Alderman Vincent Keaveny
Deputy John Barker	Deputy Alastair King
Nicholas Bensted-Smith	Gregory Lawrence
Chris Boden	Oliver Lodge
Sheriff & Alderman Charles Bowman	Alderman Professor Michael Mainelli
Nigel Challis	Deputy Robert Merrett
Simon Duckworth	Deputy Henry Pollard
Deputy Anthony Eskenzi	Adam Richardson
John Fletcher	James de Sausmarez
Stuart Fraser	Ian Seaton
Lucy Frew	Sir Michael Snyder
Deputy Brian Harris	David Thompson
Christopher Hayward	Deputy John Tomlinson
Alderman Peter Hewitt	Philip Woodhouse
Tom Hoffman	Mark Boleat (Ex-Officio Member)
Alderman Robert Howard	Deputy Alastair Moss (Ex-Officio Member)
Wendy Hyde	

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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 and non-public summary of the meeting held on 22 September 2015.

For Decision
(Pages 1 - 10)
4. **OUTSTANDING ACTIONS FROM PREVIOUS MEETINGS**
Report of the Town Clerk.

For Information
(Pages 11 - 12)
5. **PUBLIC MINUTES OF SUB-COMMITTEES**
To note the draft minutes of the following Sub-Committee meetings:

For Information

 - a) Public minutes of the Efficiency and Performance Sub-Committee held on 16 September 2015 (Pages 13 - 16)
 - b) Draft public minutes of the Corporate Asset Sub-Committee held on 7 October 2015 (Pages 17 - 20)
 - c) Draft public minutes of the Information Technology Sub-Committee held on 20 October 2015 (Pages 21 - 24)
6. **CITY'S CASH FINANCIAL STATEMENTS 2014/15**
Report of the Chamberlain. This report was considered and approved by the Audit and Risk Management Committee on 3 November 2015.

For Decision
(Pages 25 - 114)
7. **FINANCIAL SERVICES DIVISION - QUARTERLY UPDATE**
Report of the Chamberlain.

For Information
(Pages 115 - 120)
8. **CHAMBERLAIN'S BUSINESS PLAN - SECOND QUARTER UPDATE**
Report of the Chamberlain.

For Information
(Pages 121 - 124)

9. **REVENUE BUDGET MONITORING TO SEPTEMBER 2015**
Report of the Chamberlain.
For Information
(Pages 125 - 132)
10. **CHAMBERLAIN'S DEPARTMENT RISK MANAGEMENT - QUARTERLY REPORT**
Report of the Chamberlain.
For Information
(Pages 133 - 152)
11. **ANNUAL ON-STREET PARKING ACCOUNTS 2014/15 AND UTILISATION OF ACCRUED SURPLUS ON HIGHWAY IMPROVEMENTS AND SCHEMES**
Report of the Chamberlain. This report will also be considered by the Planning and Transportation Committee on 17 November 2015, Streets and Walkways Sub (Planning and Transportation) Committee on 30 November 2015 and Court of Common Council on 14 January 2016.
For Information
(Pages 153 - 156)
12. **CITY OF LONDON FESTIVAL - CASH FLOW REPORT**
Report of the Director of Culture, Heritage and Libraries.
For Information
(Pages 157 - 164)
13. **CENTRAL CONTINGENCIES**
Report of the Chamberlain.
For Information
(Pages 165 - 170)
14. **DECISIONS TAKEN UNDER DELEGATED AUTHORITY AND URGENCY PROCEDURES**
Report of the Town Clerk.
For Information
(Pages 171 - 172)
15. **QUESTIONS ON MATTERS RELATING TO THE WORK OF THE COMMITTEE**
16. **ANY OTHER BUSINESS THAT THE CHAIRMAN CONSIDERS URGENT**
17. **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

18. **NON-PUBLIC MINUTES OF THE PREVIOUS MEETING**
To agree the non-public minutes of the meeting held on 22 September 2015.
For Decision
(Pages 173 - 178)
19. **OUTSTANDING ACTIONS FROM NON-PUBLIC MINUTES OF PREVIOUS MEETINGS**
Report of the Town Clerk.
For Information
(Pages 179 - 180)
20. **NON-PUBLIC MINUTES OF SUB-COMMITTEES**
To note the draft non-public minutes of the following Sub-Committee meetings:
For Information
- a) Non-public minutes of the Efficiency and Performance Sub-Committee held on 16 September 2015 (Pages 181 - 182)
- b) Draft non-public minutes of the Corporate Asset Sub-Committee held on 7 October 2015 (Pages 183 - 186)
21. **PERFORMANCE METRICS USED IN PROPERTY REPORTS**
Joint report of the Chamberlain and City Surveyor. The report will also be considered by the Property Investment Board on 11 November 2015.
For Information
(Pages 187 - 196)
22. **DISPOSAL - SYLVACOTE COTTAGE AND AVENUE COTTAGE, PARK LANE, ASHTEAD AND SURROUNDING LAND (CITY'S ESTATE)**
Report of the City Surveyor. This report will also be considered by the Property Investment Board on 11 November 2015.
For Decision
(Pages 197 - 202)
23. **TENANTS RENT ARREARS WRITE OFF - REQUEST FOR DELEGATED AUTHORITY**
Report of the City Surveyor.
For Decision
(Pages 203 - 204)
24. **POLICE ACCOMMODATION PROJECT - PHASE 3, DECANT STRATEGY FOR WOOD STREET AND 21 NEW STREET**
Joint report of the Chamberlain, Commissioner of the City of London Police and the City Surveyor. This report was considered and approved by the Projects Sub (Policy and Resources) Committee on 4 November 2015 and the Police Committee on 5 November 2015.
For Information
(Pages 205 - 224)

25. **WAIVER APPROVAL REQUEST - APPOINTMENT OF ARCHITECT FOR CULLUM WELCH HOUSE CONCRETE PANEL DESIGN**
Report of the Director of Community and Children's Services. This report will also be considered by the Projects Sub (Policy and Resources) Committee on 1 December 2015.
- For Decision**
(Pages 225 - 228)
26. **NON-PUBLIC DECISIONS TAKEN UNDER DELEGATED AUTHORITY AND URGENCY PROCEDURES**
Report of the Town Clerk.
- For Information**
(Pages 229 - 232)
27. **NON-PUBLIC QUESTIONS ON MATTERS RELATING TO THE WORK OF THE COMMITTEE**
28. **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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FINANCE COMMITTEE

Tuesday, 22 September 2015

Minutes of the meeting of the Finance Committee held at the Guildhall EC2 at 1.45 pm

Present

Members:

Roger Chadwick (Chairman)	Wendy Hyde
Jeremy Mayhew (Deputy Chairman)	Deputy Jamie Ingham Clark
Randall Anderson	Alderman Vincent Keaveny
Deputy John Barker	Deputy Alastair King
Nicholas Bensted-Smith	Gregory Lawrence
Chris Boden	Alderman Professor Michael Mainelli
Nigel Challis	Deputy Robert Merrett
John Fletcher	Deputy Henry Pollard
Stuart Fraser	James de Sausmarez
Lucy Frew	David Thompson
Christopher Hayward	Deputy John Tomlinson
Tom Hoffman	Philip Woodhouse

Officers:

Peter Lisley	Assistant Town Clerk
Fern Aldous	Town Clerk's Department
Christopher Braithwaite	Town Clerk's Department
Peter Kane	Chamberlain
Caroline Al-Beyerty	Chamberlain's Department
Christopher Bell	Chamberlain's Department
Graham Bell	Chamberlain's Department
Beth Forge	Chamberlain's Department
Kate Limna	Chamberlain's Department
Ian Dyson	City of London Police
Michael Cogher	Comptroller and City Solicitor
Peter Young	City Surveyor's Department
Sarah Greenwood	Community and Children's Services

1. APOLOGIES

Apologies for absence were received from Mark Boleat, Alderman Charles Bowman, Deputy Anthony Eskenzi, Alderman Peter Hewitt, Clare James, Oliver Lodge, Deputy Alastair Moss, Adam Richardson, Ian Seaton and Sir Michael Snyder.

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

Gregory Lawrence declared a non-pecuniary interest in respect of item 24 due to being a leaseholder at Spitalfields Market.

3. **MINUTES OF THE PREVIOUS MEETING**

RESOLVED – That the public minutes and summary of the meeting held on 21 July 2015 be approved as an accurate record.

4. **OUTSTANDING ACTIONS FROM PREVIOUS MEETINGS**

The Committee considered a report of the Town Clerk which set out actions outstanding from previous meetings of the Committee.

The Chamberlain updated Members with progress for the approval of the Audited 2014/15 City Fund and Pension Fund Financial Statements. The Committee was advised that the accounting treatment for long leasehold disposals had been agreed with the auditors and it had been confirmed that the land element of these transactions would have to be treated as deferred income.

RESOLVED – That the Committee notes the report.

5. **DRAFT PUBLIC MINUTES OF SUB-COMMITTEES**

5.1 **Draft public minutes of the Information Technology Sub-Committee held on 9 June 2015**

RESOLVED – That the public minutes and non-public summary of the Information Systems Sub-Committee meeting held on 9 June 2015 be noted.

5.2 **Draft public minutes of the Efficiency and Performance Sub-Committee held on 17 July 2015**

RESOLVED – That the public minutes and non-public summary of the Efficiency & Performance Sub-Committee meeting held on 17 July 2015 be noted.

5.3 **Draft public minutes of the Corporate Asset Sub-Committee held on 28 July 2015**

RESOLVED – That the public minutes and non-public summary of the Corporate Assets Sub-Committee meeting held on 28 July 2015 be noted.

6. **RESOLUTION FROM THE MARKETS COMMITTEE - REVENUE OUTTURN REPORTS**

The Committee received a resolution from the Markets Committee regarding the presentation of Revenue Outturn Reports to that Committee. The Markets Committee had requested that, in future, their Revenue Outturn Reports were provided in commercial format, with expenditure shown as a negative value (in

brackets), rather than in the public sector format, where income was shown as a negative value (in brackets).

The Finance Committee discussed the Markets Committee's resolution. The Chairman noted that the presentation of Outturn Reports and Accounts had been an area of significant discussion in the past. The Committee expressed concern that the approach suggested by the Markets Committee would create inconsistency between Committees within the Corporation, and this may lead to confusion for members of the public when reading Committee papers. The Committee agreed that it would be preferable to maintain consistency across all Committees, and therefore requested that the Markets Committee reconsider their request regarding the presentation of Revenue Outturn Reports.

RESOLVED – That the Finance Committee notes the resolution of the Markets Committee and requests that the Markets Committee reconsider their request regarding the presentation of Revenue Outturn Reports.

7. **CITY PROCUREMENT - QUARTERLY UPDATE**

The Committee considered a report of the Chamberlain which provided an update on the work of City Procurement over the last quarter.

The Chairman welcomed the progress outlined in the report and Members asked a number of question regarding the report, particularly in relation to working with small and medium sized enterprises (SMEs), the target for invoices with purchasing orders (POs) and compliance with no PO no Pay within the City of London Police.

The Chamberlain advised that working with SMEs was a particular focus for the Corporation and SMEs were given individual coaching in the use of the new procurement systems to assist SMEs and to advise them of the benefits of this approach. The Chamberlain advised that the target for invoices with POs was 97% and progress with this would be assisted by work to ensure that the procurement process fitted in with the internal processes of the Police. The Chamberlain also advised that where POs were not provided for purchases, City Procurement assumed that this was an error on the part of the Corporation Officer and ensured that training was provided to ensure that a PO was provided in future, rather than assuming an error on the part of the contractor.

Members also asked for an update in relation to the issue which had previously been raised regarding the exclusion of legal fees from the no PO, no pay scheme. The Chamberlain advised that this was something that City Procurement would conduct a further review of, but had not had the resources to conduct a thorough review at this point. The Committee was also assured that legal fees were a very small proportion of the overall procurement package.

Members requested that future iterations of this report provided information on trends to allow analysis of the direction of performance.

RESOLVED – That the Committee notes the report.

8. **CITY OF LONDON PROCUREMENT CODE 2015**

The Committee considered a report of the Chamberlain which provided the Committee with the City of London Procurement Code 2015.

Members provided a number of small amendments to the Procurement Code prior to its submission to the Court of Common Council, namely:

- The addition of a further clause in rule 35 to clarify that Officers must also ensure that contracts are within the approved budgets.
- Amending the word “substantial” in rule 34.2(c) to “material”.
- Amending the word “ensure” in rule 51.1 to the word “establish”.

RESOLVED – That the Committee recommends that the Court of Common Council approves the City of London Procurement Code 2015, Part One (subject to the agreed amendments), to be effective from 1 November 2015.

9. **CITY OF LONDON PURCHASING CARD POLICY**

The Committee considered a report of the Chamberlain which outlined the new Purchasing Card Policy 2015, which replaced interim purchasing card guidance which had been provided to Chief Officers and departments in February 2015.

Members asked that further controls be placed in to the Policy regarding the returning of Purchasing Cards when the user leaves the Corporation, and requested that reference be made to the Leavers’ Policy in relation to this. The Chamberlain confirmed that this was included within the Policy and assured Members that Purchasing Cards were cancelled when users left the Corporation.

Members queried the clause within the Policy regarding the sharing of users’ personal information with Lloyds Bank. The Chamberlain advised that this clause had been included on the advice of the Comptroller and City Solicitor’s Department on the basis of the contract between the Corporation and Lloyds Bank.

Members queried who was responsible for signing off Chief Officer transactions. The Chamberlain explained that he signed off all Chief Officer transactions with the exception of his own, which were signed off by the Town Clerk. Members were not entirely content with the arrangement that the Town Clerk sign off the Chamberlain’s transactions and that the Chamberlain sign off the Town Clerk’s transactions, although the Chairman noted that it would be difficult to create a perfect system in this respect.

The Committee agreed that the Policy should be reviewed on an annual basis.

RESOLVED – That the Committee approves the City of London Corporation Purchasing Card Policy 2015, to be effective from 1st October 2015.

10. **SUPERFAST CITY BROADBAND - MEMBERS' UPDATE**

The Committee considered a report of the Chamberlain which provided Members with an update in relation to the Superfast City Broadband project.

The Chamberlain explained that the Corporation and the City of London Police had offered the use of their existing street lighting and CCTV installations for the siting of wireless connectivity.

RESOLVED – That the Committee notes the report.

11. **CYBER SECURITY RISKS**

The Committee considered a report of the Chamberlain which provided details of the current risks in relation to Cyber Security which faced the Corporation.

The Chamberlain explained that his Department would also meet with Graeme Smith CC, who was a Cyber Security expert, to ensure that the steps taken by the Corporation were appropriate.

In response to a question from a Member, the Chamberlain confirmed that the IT Department did conduct IT health checks, which included penetration checks. He explained that the security of the Corporation's IT systems had been improved by the incorporation of the City of London Police in the same system, as the Corporation now benefitted from the higher standards which were required by the Police.

Members noted that there had recently been notification from Apple of the opportunity to update to iOS 9, which had been followed by an email from the IT Department for Members to not update until the security of the iOS update had been confirmed. However, this email had only come after some Members had updated. Members requested that in future such notifications were given prior to the update becoming available. The Chamberlain assured Members that this would happen in future. The Chamberlain also stated that options for Member briefings and Member training regarding information security would be explored.

RESOLVED – That the Committee notes the report.

12. **RISK MANAGEMENT - MONTHLY REPORT**

The Committee considered a report of the Chamberlain which provided updates regarding the top risks within the Departmental Risk Register.

RESOLVED – That the Committee notes the report.

13. **CENTRAL CONTINGENCIES**

Consideration was given to a report of the Chamberlain which provided the Committee with information regarding the current balance of the Finance Committee Contingency Funds for the current year.

The Chairman asked for confirmation of what donations the Corporation had previously made to the Syrian Refugee Crisis. The Town Clerk advised that the Corporation had made a £50,000 donation to the Disaster Emergency Committee's (DEC's) Syrian Refugee appeal in 2013. This donation had been spent in Syria and neighbouring countries to provide relief to the refugees

there. The Chairman advised the Committee that he would keep apprised of developments with this issue.

RESOLVED – That the Committee notes the report.

14. QUESTIONS ON MATTERS RELATING TO THE WORK OF THE COMMITTEE

In relation to agenda item 9, a Member asked whether any Members held purchasing cards. The Chamberlain advised that he did not believe that any Members held purchasing cards.

15. ANY OTHER BUSINESS THAT THE CHAIRMAN CONSIDERS URGENT

There was one item of urgent business.

City of London Police – Medium Term Financial Plan and Budget Update

The Committee considered a joint report of the Chamberlain and the Commissioner of the City of London Police which provided an updated draft medium term financial plan for the City of London Police, indicating a deteriorating financial position through to 2017/18.

The Chairman indicated that the subject of the City of London Police's finances would be the subject of a Finance Committee Breakfast in October or November. He suggested that this could be jointly hosted by the Chairman of the Police Committee

A Member, who was also Chairman of the Police Committee, agreed that a breakfast workshop regarding this subject would be welcome and Members should be given the opportunity to discuss the future of the City of London Police. He confirmed that this was a period of great uncertainty for Police in light of the review of the funding formula and the different kind of police work conducted by the City of London Police in comparison to other forces, focusing as it did on the physical and financial security of the businesses of the City. The Member also indicated that it may be time to consider an increase to the Business Rates Premium.

Members asked whether there would be any benefits to further collaboration with the Metropolitan Police and what lobbying activities the Corporation and the Police were undertaking. The Chairman of the Police Committee explained that the City of London Police did work extensively with the Metropolitan Police, but both organisations were funded through many different funding schemes depending on the types of work undertaken and their role in that work. The Chairman of the Police Committee also explained that the Corporation and Police worked closely with Ministers and Shadow Ministers to ensure that they were aware of the current situation for the City of London Police.

Members agreed that a breakfast event to provide a forum for a discussion of the Police's finances and the future of the City of London Police would be welcomed.

The Chairman thanked Members for their contributions to this discussion, and noted that the Committee would be interested to hear the outcome of the discussion of this report at the Police Committee later in the week.

RESOLVED – That the Committee notes the report.

16. **EXCLUSION OF THE PUBLIC**

RESOLVED - 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.

Item No.	Paragraphs in Schedule 12A
17-22, 24-26	3
23	1, 3
27	1, 2, 3, 4

17. **NON-PUBLIC MINUTES OF THE PREVIOUS MEETING**

The non-public minutes and summary of the meeting held on 21 July 2015 were approved as an accurate record.

18. **OUTSTANDING ACTIONS FROM NON-PUBLIC MINUTES OF PREVIOUS MEETINGS**

The Committee considered and noted a report of the Town Clerk which set out actions outstanding from previous non-public minutes of the Committee.

19. **DRAFT NON-PUBLIC MINUTES OF SUB-COMMITTEES**

19.1 **Draft non-public minutes of the Information Technology Sub-Committee held on 9 June 2015**

The non-public minutes of the Information Systems Sub-Committee meeting held on 9 June 2015 were noted.

19.2 **Draft non-public minutes of the Efficiency and Performance Sub-Committee held on 17 July 2015**

The non-public minutes of the Efficiency & Performance Sub-Committee meeting held on 17 July 2015 were noted.

19.3 **Draft non-public minutes of the Corporate Asset Sub-Committee held on 28 July 2015**

The non-public minutes of the Corporate Asset Sub-Committee meeting held on 28 July 2015 were noted.

20. **PROPOSED CRITERIA FOR CHARITIES JOINING THE CITY OF LONDON CHARITIES POOL**

The Committee considered and approved a report of the Chamberlain which provided the Committee with proposed criteria for charities seeking to join the City of London Charities Pool.

21. **COMMUNITY SAFETY PROJECT - CITY ESTATES**

The Committee considered and approved a report of the Director of Community and Children's Services which requested that the Finance Committee approve a waiver to the City of London Procurement Regulations to allow the extension of a contract for an existing pilot project to address low level nuisance experienced by residents in City estates.

The extension of the contract had been approved in principle by the Housing Management and Almshouses Sub-Committee on 14 September.

22. **GATEWAY 4/5 OPTIONS APPRAISAL - OPEN MEDIATED WI-FI**

The Committee considered and approved a report of the Chamberlain which provided the Gateway 4/5 Options Appraisal for the Open Mediated Wi-Fi project.

23. **ADMITTED BODY STATUS AND THE LOCAL GOVERNMENT PENSION SCHEME - WESTMINSTER DRUG PROJECT**

The Committee considered and approved a report of the Chamberlain which requested the Committee to consider granting the Westminster Drugs Project Admitted Body status within the Local Government Pension Scheme.

24. **NON-PUBLIC DECISIONS TAKEN UNDER DELEGATED AUTHORITY AND URGENCY PROCEDURES**

The Committee noted a report of the Town Clerk detailing a non-public decision taken under urgency procedures since the last meeting.

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

The Chairman asked a question regarding the Local Government Pension Fund, which the Chamberlain answered.

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

There was two items of urgent business, relating to the sale of Bernard Morgan House and the opportunity to purchase a property prior to it being made available on the open market.

27. **CHAMBERLAIN'S DEPARTMENTAL UPDATE**

The Committee considered and approved a report of the Chamberlain regarding the creation of a new post and the restructuring of a division within the Chamberlain's Department. This report had been considered and approved by the Establishment Committee the previous week. The Town Clerk clarified

that approval would also be needed from the Court of Common Council for one aspect of the proposals.

The meeting closed at 3.30 pm

Chairman

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Finance Committee – Outstanding Actions

Item	Date	Action	Officer responsible	To be completed/ progressed to next stage	Progress Update
1.	22 September 2015, Item 6	<p><u>Resolution from Markets Committee – Revenue Outturn Reports</u></p> <p>That the Finance Committee requests that the Markets Committee reconsiders its request that Revenue Outturn Reports to that Committee are presented in a commercial format.</p>	Chamberlain.	December 2015.	<p>The decision of the Finance Committee was received by the Markets Committee at their meeting on 30 September 2015. The Markets Committee referred this matter to Policy and Resources Committee as a dispute between Committees. This issue was subsequently raised by the Board of Governors of the City of London School.</p> <p>The Chairmen of the Committees met on 22 October to discuss the issue. The Chairmen agreed that the Financial Services Director should attend the next meeting of the Markets Committee and Board of Governors to present potential options for the presentation of revenue outturn reports, while keeping the reports within a common format to those presented to other Committees.</p>

Item	Date	Action	Officer responsible	To be completed/ progressed to next stage	Progress Update
2.	22 September 2015, Item 7	<u>City Procurement – Quarterly Update</u> The Committee requested that future reports provide information on trends to allow analysis of the direction of future performance.	Head of City Procurement	January 2016	Trend information to be included in next City Procurement quarterly update in January 2016.
3.	22 September 2015, Item 9	<u>Purchasing Card Policy</u> The Purchasing Card Policy to be reviewed on an annual basis.	Head of City Procurement	September 2016	Purchasing Card Policy to be reviewed in September 2016.
5.	21 July 2015, Item 6	<u>Audited 2014/15 City Fund and Pension Fund Financial Statements</u> Authority is delegated to the Town Clerk, in consultation with the Chairman and Deputy Chairman, to approve any material changes to the financial statements and, subject to this, approval of the financial statements.	Chamberlain	End of September 2015	The Town Clerk exercised this delegated authority on 30 September 2015 and the accounts have been signed.
6.	17 February 2015, Item 16	<u>City of London Festival – Loan Repayment Deferral</u> An interim cashflow report for the festival to be submitted to the Committee in September 2015	Director of Culture, Heritage and Libraries.	22 September 2015	Report submitted to Committee in November 2015.
7.	18 November 2014, Item 8	<u>Spitalfields Music Grant</u> The Finance Grants Sub-Committee to be provided with an annual monitoring report from Spitalfields Music.	Committee and Member Services Officer	November 2015 meeting of the Finance Grants Sub-Committee	Grant included in those being monitored by Finance Grants Sub Committee in November 2015.

EFFICIENCY AND PERFORMANCE SUB (FINANCE) COMMITTEE

Wednesday, 16 September 2015

Minutes of the meeting of the Efficiency and Performance Sub (Finance) Committee held at the Guildhall EC2 at 11.30 am

Present

Members:

Jeremy Mayhew (Deputy Chairman)	John Fletcher
Randall Anderson	Ian Seaton
Nigel Challis	Deputy John Tomlinson
Deputy Anthony Eskenzi	Philip Woodhouse

Officers:

Susan Attard	Deputy Town Clerk
Neil Davies	Town Clerk's Department
Philippa Sewell	Town Clerk's Department
Peter Kane	Chamberlain
Caroline Al-Beyerty	Chamberlain's Department
Mark Jarvis	Chamberlain's Department
Paul Nagle	Chamberlain's Department
Peter Bennett	City Surveyor
Sir Nicholas Kenyon	Director of the Barbican Centre
Sandeep Dwesar	Barbican Centre
Leonora Thomson	Barbican Centre

1. APOLOGIES

Apologies were received from the Chairman Roger Chadwick, Nicholas Bensted-Smith and Deputy Jamie Ingham Clark.

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

RESOLVED - That the public minutes and non-public summary of the meeting held on 17 July 2015 be agreed as an accurate record.

4. OUTSTANDING ACTIONS

The Sub Committee received an updated schedule of outstanding actions. With regards to the Citigen contract, the Chamberlain advised that Procurement officers were working with the City Surveyor's department to build a case which would be seen by the Corporate Asset Sub Committee (and forwarded electronically to Efficiency and Performance Sub Committee Members) before negotiations began.

RESOLVED – That the report be noted.

5. **WORK PLAN FOR FUTURE MEETINGS**

The Sub Committee received and updated the programme of work for the year.

RESOLVED – That the report be noted.

6. **SERVICE BASED REVIEW ROADMAP**

The Sub Committee received a report of the Deputy Town Clerk presenting the latest update of the Service Based Review Roadmap. Officers detailed the progress on each of the cross-cutting reviews, and Members noted that a report regarding the Facilities Management Review and the Contract Management Review would be considered at the next Sub Committee meeting. Members requested that green ratings only be granted if the status could be adequately justified.

RESOLVED – That the report be noted.

7. **PERFORMANCE MONITORING: LONDON-WIDE PERFORMANCE INDICATORS**

The Sub Committee received a report of the Deputy Town Clerk presenting the dashboard of Service Performance Indicators monitored and reported quarterly by London Councils, known as LAPS (London Authorities Performance Solution), for the period January to March 2015. Members discussed the report, and agreed that the City should seek to be in the top two quartiles wherever possible and that more detail should be included in future reports on how this could be achieved, or why it was not feasible. Members also requested that a suggestion be made to London Councils to include an indicator regarding the use of brownfield land.

RESOLVED – That the report be noted, and a suggestion be made to London Councils to include an indicator regarding the use of brownfield land.

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

There were no questions.

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

There was no other business.

10. **EXCLUSION OF THE PUBLIC**

RESOLVED - 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 the Schedule 12A of the Local Government Act.

<u>Item</u>	<u>Paragraph Number</u>
11-14	3
15-16	-

11. **NON-PUBLIC MINUTES OF THE PREVIOUS MEETING
RESOLVED** - That the non-public minutes of the meeting held on 17 July 2015 be agreed as an accurate record.
12. **SERVICE BASED REVIEW FINANCIAL MONITORING - QUARTER 1**
The Sub Committee received a report of the Chamberlain.
13. **SERVICE BASED REVIEW: DEPARTMENTAL MONITORING - BARBICAN CENTRE**
The Sub Committee received a report of the Managing Director of the Barbican.
14. **BENCHMARKING THE COST OF FINANCIAL SERVICES**
The Sub Committee received a report of the Chamberlain.
15. **NON-PUBLIC QUESTIONS ON MATTERS RELATING TO THE WORK OF THE COMMITTEE**
There were no questions.
16. **ANY OTHER BUSINESS THAT THE CHAIRMAN CONSIDERS URGENT AND WHICH THE COMMITTEE AGREE SHOULD BE CONSIDERED WHILST THE PUBLIC ARE EXCLUDED**
There was no other business.

The meeting closed at 1.14 pm

Chairman

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CORPORATE ASSET SUB (FINANCE) COMMITTEE

Wednesday, 7 October 2015

Minutes of the meeting of the Corporate Asset Sub (Finance) Committee held at the Guildhall EC2 at 11.30 am

Present

Members:

Roger Chadwick (Chairman)	Deputy Brian Harris
Jeremy Mayhew (Deputy Chairman)	Tom Sleigh
Randall Anderson	Deputy John Tomlinson
Deputy John Chapman	

Officers:

Dianne Merrifield	- Chamberlain's Department
Toni Peters	- Chamberlain's Department
Peter Bennett	- City Surveyor
Peter Collinson	- City Surveyor's Department
Andrew Crafter	- City Surveyor's Department
Chris Hartwell	- City Surveyor's Department
Alison Hurley	- City Surveyor's Department
Dorian Price	- City Surveyor's Department
Peter Young	- City Surveyor's Department
Michael Dick	- Barbican Centre

1. APOLOGIES

Apologies were received from Mark Boleat and Deputy Alastair Moss.

2. DECLARATIONS OF INTERESTS

Roger Chadwick declared an interest in Item 16 ("Gateway 1/2 – Authority to Submit Project Proposal – St Lawrence Jewry Church) by virtue of being the Treasurer of the Church.

3. MINUTES

RESOLVED – That the Committee approves the minutes of the last meeting held on 28 July 2015 as an accurate record.

4. QUESTIONS ON MATTERS RELATING TO THE WORK OF THE SUB-COMMITTEE

There were no questions.

5. ANY OTHER BUSINESS THAT THE CHAIRMAN CONSIDERS URGENT

There were no urgent items.

6. **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 the Schedule 12A of the Local Government Act.

Item No.
7-18

Paragraphs in Schedule 12A
3

7. **NON-PUBLIC MINUTES**

The non-public minutes of the previous meeting held on 28 July 2015 were approved as an accurate record.

8. **CITIGEN COMBINED HEAT AND POWER SYSTEM - EXTENSION OF CONTRACTS UPDATE**

The Sub-Committee received a presentation from the Chamberlain and City Surveyor which provided an update in relation to the extension of the current Citigen contract.

9. **CITY SURVEYOR'S BUSINESS PLAN - QUARTER 1 2015/16**

The Committee noted a report of the City Surveyor which set out the Quarter 1 Progress Report for the City Surveyor's Departmental Business Plan 2015-2018.

10. **CITY SURVEYOR'S DEPARTMENTAL RISK REPORT**

The Sub-Committee noted a report of the City Surveyor which provided the quarterly update regarding the City Surveyor's Departmental Risk Register.

11. **ADDITIONAL WORKS PROGRAMME 2013/14, 2014/15 & 2015/16 - PROGRESS REPORT**

The Committee considered and approved a report of the City Surveyor which provided an overview of the progress and expenditure on the three Additional Works Programmes (AWP) which were currently running.

12. **ADDITIONAL WORKS PROGRAMME - BID REPORT 2016/17**

The Committee considered and approved a report of the City Surveyor which set out a draft programme of work for 2016/17 in priority order for cyclical repairs and maintenance of the operational property portfolio excluding the three independent schools, Spitalfields and Billingsgate markets and the Police.

13. **REPORTING THE FINDINGS FROM THE OPERATIONAL PROPERTY REVIEW**

The Sub-Committee noted a report of the City Surveyor which advised on the changes that have taken place across the City's operational property portfolio within the last 12 months.

14. **OPERATIONAL PROPERTY PORTFOLIO - UPDATE REPORT 2015**
The Sub-Committee noted a report of the Chamberlain which provided clarification regarding the reporting process for the Operational Property Review.
15. **UPDATE ON CAPITAL WORKS - BARBICAN CENTRE**
The Committee noted a report of the Managing Director of the Barbican Centre which provided an update on the Centre's Capital Cap programme and provided summary information regarding a number of non-Capital Cap projects related to the Centre.
16. **GATEWAY 1/2 - AUTHORITY TO SUBMIT PROJECT PROPOSAL - ST LAWRENCE JEWRY CHURCH**
The Deputy Chairman took the chair for this item.

The Committee noted a report of the City Surveyor providing the Gateway 1/2 report (Authority to Submit Project proposal) for works at St Lawrence Jewry Church.
17. **NON-PUBLIC QUESTIONS ON MATTERS RELATING TO THE WORK OF THE SUB-COMMITTEE**
There were no questions.
18. **ANY OTHER BUSINESS THAT THE CHAIRMAN CONSIDERS URGENT AND WHICH THE COMMITTEE AGREE SHOULD BE CONSIDERED WHILST THE PUBLIC ARE EXCLUDED**
There were no items of urgent business.

The meeting closed at 12.50 pm

Chairman

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INFORMATION TECHNOLOGY SUB (FINANCE) COMMITTEE

Tuesday, 20 October 2015

Minutes of the meeting of the Information Technology Sub (Finance) Committee held at the Guildhall EC2 at 1.45 pm

Present

Members:

Roger Chadwick (Chairman)	Graham Packham
Jeremy Mayhew (Deputy Chairman)	Chris Punter
Randall Anderson	Deputy John Tomlinson
Nigel Challis	James Tumbridge
Sylvia Moys	

Officers:

Susan Attard	- Deputy Town Clerk
Christopher Braithwaite	- Town Clerk's Department
Peter Kane	- Chamberlain
Graham Bell	- Chamberlain's Department
Simon Woods	- Chamberlain's Department

1. APOLOGIES

Apologies for absence were received from Deputy John Chapman, Deputy Jamie Ingham Clark and Hugh Morris.

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

There were no declarations.

The representatives of Agilisys introduced themselves to the Sub-Committee. The Sub-Committee welcomed the Agilisys representatives to the meeting, and also welcomed Simon Woods, Head of IT, to the Corporation.

3. MINUTES OF THE PREVIOUS MEETING

RESOLVED – That the minutes of the meeting held on 9 June 2015 be approved as an accurate record.

4. REVIEW OF OUTSTANDING ACTIONS

The Sub-Committee considered a report of the Town Clerk which provided an update on the Outstanding Actions from previous meetings.

A Member asked whether the PSN Accreditation of Outlook on mobile devices had been raised with Microsoft. The Chamberlain agreed to raise this with Microsoft.

The Chamberlain also updated Members on the recruitment of senior staff within the IT Department. He advised the Sub-Committee that three of the four management staff had now been recruited, with the recruitment process for the fourth vacancy currently in the final stages.

RESOLVED – That the Sub-Committee notes the report.

5. **RESOLUTION FROM THE HOUSING MANAGEMENT AND ALMHOUSES SUB (COMMUNITY AND CHILDREN'S SERVICES) COMMITTEE**

The Sub-Committee received a resolution from the Housing Management and Almhouses Sub (Community and Children's Services) Committee which sought assurance that officers had the ability to send information to residents quickly and effectively.

The Town Clerk advised that the Chamberlain's Department had ensured that officers had been provided with appropriate equipment and software to ensure that residents could be informed of issues quickly and effectively. This had been done to the satisfaction of the Housing Management and Almhouses Sub (Community and Children's Services) Committee

RESOLVED – That the Committee notes the motion of the Management and Almhouses Sub (Community and Children's Services) Committee

6. **AGILISYS MANAGED SERVICE - YEAR 2 PERFORMANCE REVIEW**

The Sub-Committee considered a report of the Chamberlain which provided a review of the second year of the Agilisys Information Technology Contract.

The report was supplemented by a presentation by the Chamberlain and representatives of Agilisys. The presentation provided information of the original intentions of the contract with Agilisys, progress made in years one and two of the contract, plans for year three of the contract and upcoming projects.

The Chairman noted that there had been significant improvement over the last year. The Chairman also noted that it was vital that the Corporation kept up to date with current technology, and suggested that IT resources should be considered to be a consumable now, rather than an investment, as IT equipment was no longer likely to be a viable resource for more than three years.

The Chairman requested that the IT Newsletter be circulated to Members, as well as Officers.

Members asked a number of questions regarding the report.

In response to a question about whether the Corporation was required to use Microsoft products, the Chamberlain explained that there was not a requirement to do this beyond the current contract, and other providers would be considered when this contract came due for renewal. The priority would be ensuring the best deal and best service for the Corporation. Agilisys representatives explained that Microsoft remained the market-leader in

enterprise software for business. Agilisys explained that one of their clients had desired to move away from Microsoft, but after using a competitor's products, was now moving back to Microsoft.

A Member commented that while there were potential issues with 'lock-in' with Microsoft, Oracle products were likely to provide a bigger risk in this area.

In response to a question about storage and server costs, the Chamberlain explained that the contract was in budget for these areas, which were assessed on a pay as you go basis. However, he explained that retention of information was an area which needed consideration by the Corporation, as the current procedures of retaining all relevant electronic information indefinitely would lead to large increases in costs of storage over the life of the Agilisys contract. The Chamberlain also explained that there were potential implications under the Data Protection Act for retaining information indefinitely.

In response to a question about Agilisys' plan to move the Service Desk Function for the Corporation to Rochdale, the Agilisys representatives explained that the Service Desk in Rochdale was expected to provide a better service to the Corporation.

In response to a question about apprenticeships, the Agilisys representatives admitted that they were behind schedule on the target to create 100 apprenticeships throughout the contract, having created 20 so far. However, there were six events scheduled throughout the third year of the contract to seek to increase the number of apprenticeships created through the contract, and a further review of apprenticeships would take place in March 2016. It was also noted that Agilisys had created Arch Apprenticeships to improve the quality of apprenticeship programmes in IT and Digital Marketing. This organisation had created over 600 apprenticeships over two and a half years and was now the major supplier of apprentices to organisations such as Google and Barclays in the UK.

In response to a question about Application Support and the number of bespoke applications the Corporation had, the Agilisys representative explained that support was provided for around 650 applications, a proportion of which were bespoke. The Chamberlain explained that managing these Applications would require a detailed handover, and therefore discussions would begin regarding the extension of the Agilisys contract (for a two year period, in line with the contract) would begin in the near future.

In response to a question about the Police IT infrastructure risk, the Chamberlain explained that this remained a red risk on the Corporation's Risk Register. The Chamberlain explained that this would remain a red risk until the IAAS project was completed for the Police, which was targeted for completion in December 2015. Following that, it was expected that the risk would reduce to amber. Further significant work to improve the Police IT network would be required to reduce this risk to green.

RESOLVED – That the Committee notes the report and thanks Agilisys for their presentation.

7. **QUESTIONS ON MATTERS RELATING TO THE WORK OF THE SUB COMMITTEE**

There were no questions.

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

There were no items of urgent business.

9. **EXCLUSION OF THE PUBLIC**

RESOLVED - 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.

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

There were no non-public questions.

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

There was no items of non-public urgent business.

The meeting closed at 2.50 pm

Chairman

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Committee: Audit and Risk Management Committee Finance Committee	Date: 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.

Main Report

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
		£m	£m	(Better)/Worse £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 Freeman'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 redistributive 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:

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Chief Accountant

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CITY'S CASH
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 MARCH 2015

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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

<i>Registered Address</i>	Guildhall, London, EC2P 2EJ
<i>Chief Executive</i>	The Town Clerk of the City of London
<i>Treasurer</i>	The Chamberlain of London
<i>Solicitor</i>	The Comptroller and City Solicitor
<i>Bank</i>	Lloyds TSB Bank plc
<i>Discretionary Fund Managers</i>	Artemis Investment Management; Carnegie Asset Management; GMO (UK) Ltd; M&G Investment Management Ltd; Pyrford International Ruffer LLP; Southeastern Asset Management Inc.;
<i>Chartered Accountants and Statutory Auditor</i>	Standard Life Investments Ltd; Veritas Asset Management LLP; and Wellington Management Co LLP. 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 Freeman'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 Freeman'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 Expenditure	2015 Net income / (cost)	2014 Income	2014 Expenditure	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:

<u>Income and Expenditure Account</u>	2015	2014
	£m	£m
Operating 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)
	<hr/>	<hr/>
Operating deficit before managed investment gains / income and profits on the sales of fixed assets	(27.7)	(27.6)
	<hr/> <hr/>	<hr/> <hr/>

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

Artemis Investment Management LLP
Carnegie Asset Management
GMO (U.K) Ltd
Southeastern Asset Management Inc.
Veritas Asset Management LLP
Wellington Management Co LLP

Multi Asset

Ruffer LLP
Pyrford International
Standard Life Investments Ltd
Absolute Return Bonds
M&G Investment Management Ltd
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:
 - Ashted 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 £m	2014 £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**

Non-Teaching Staff

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.

Pension Costs – Teachers

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

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. Bilisland	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 Freeman'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

	<u>Land and Buildings</u>		<u>Plant</u>	<u>Assets</u>	
	<u>Investment</u>	<u>Freehold</u>	<u>and</u>	<u>Under</u>	<u>Total</u>
	<u>Properties (c)</u>	<u>(a)</u>	<u>Machinery</u>	<u>Construction</u>	<u>£m</u>
	<u>£m</u>	<u>£m</u>	<u>£m</u>	<u>£m</u>	<u>£m</u>
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	<u>1,318.0</u>	<u>177.6</u>	<u>35.4</u>	<u>4.3</u>	<u>1,535.3</u>
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	<u>-</u>	<u>(23.9)</u>	<u>(17.5)</u>	<u>-</u>	<u>(41.4)</u>
Net book value					
At 31 March 2014	1,120.0	147.0	15.6	11.9	1,294.5
At 31 March 2015	<u>1,318.0</u>	<u>153.7</u>	<u>17.9</u>	<u>4.3</u>	<u>1,493.9</u>
Leased assets included above:					
Net book value					
At 31 March 2014	1.5	-	-	-	1.5
At 31 March 2015	<u>2.1</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2.1</u>

Direct Services

	<u>Land and Buildings</u>		<u>Plant and Machinery</u>	<u>Assets Under Construction</u>	<u>Total</u>
	<u>Investment Properties (c) £m</u>	<u>Freehold (a) £m</u>			
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	<u>1,318.0</u>	<u>172.9</u>	<u>29.2</u>	<u>-</u>	<u>1,520.1</u>
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	<u>-</u>	<u>(23.1)</u>	<u>(15.8)</u>	<u>-</u>	<u>(38.9)</u>
Net book value					
At 31 March 2014	<u>1,120.0</u>	<u>140.8</u>	<u>14.8</u>	<u>-</u>	<u>1,285.9</u>
At 31 March 2015	<u>1,318.0</u>	<u>149.8</u>	<u>13.4</u>	<u>-</u>	<u>1,481.2</u>
Leased assets included above:					
Net book value					
At 31 March 2014	<u>1.5</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1.5</u>
At 31 March 2015	<u>2.1</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2.1</u>

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	Direct Services
	2015	2015
	£m	£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	2014
	£m	£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.

Credit Risk

Credit risk is the potential risk that a borrower or counterparty will fail to meet its obligations in accordance with agreed terms. Credit risk principally arises from cash and cash equivalents, 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
	<u>22.1</u>	<u>30.8</u>	<u>21.7</u>	<u>30.2</u>
Amounts falling due after more than one year:				
Sundry debtors	0.3	0.4	0.3	0.4
	<u>0.3</u>	<u>0.4</u>	<u>0.3</u>	<u>0.4</u>
	<u>22.4</u>	<u>31.2</u>	<u>22.0</u>	<u>30.6</u>

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
	<u>57.4</u>	<u>46.7</u>	<u>53.7</u>	<u>44.0</u>

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		
	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	2014
	£m	£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 £m	2014 £m	2013 £m	2012 £m	2011 £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
	<u>-</u>	<u>3.4</u>	<u>-</u>	<u>3.4</u>

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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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

Contents

Audit management report for the year ended 31 March 2015

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1 Purpose of the report

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

This report aims to provide the 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
<p>Revenue recognition (All funds and entities)</p> <p>Under International Standard on Auditing (UK and Ireland) 240, there is a presumed, albeit rebuttable, significant risk of fraud in revenue recognition. We consider this risk cannot be rebutted for income in all organisations.</p>	<p>We have documented, evaluated and tested the controls which ensure income is completely and accurately recorded in the City's Cash accounts. No significant weaknesses in controls have been identified.</p> <p>We have substantively tested material income streams across all entities and funds and performed procedures to ensure income is complete. Investment property income procedures on 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.</p> <p>Conclusion:</p> <p>Satisfactory assurance has been gained in respect of the presumed risk of fraud in revenue recognition.</p>
<p>Management override</p> <p>Under International Standard on Auditing (UK and Ireland) 240, there is a presumed significant risk of material misstatement owing to fraud arising from the potential for management to override controls.</p>	<p>We carried out 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.</p> <p>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.</p> <p>Conclusion:</p> <p>Satisfactory assurance has been gained in respect of the presumed risk of management override.</p>

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
<p>Investment Property transactions</p> <p>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.</p> <p>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.</p> <p>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.</p>	<p>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.</p> <p>Conclusion:</p> <p>Satisfactory assurance has been gained in respect of the mitigation of the risk of investment property transactions being materially misstated.</p>

Other risk factors

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

Audit risk areas	Audit findings
<p>Managed Funds Transfer</p> <p>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.</p>	<p>During the year a transfer was made from the existing segregated account held with Ruffer to a new pooled fund operated by Pymfor. 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.</p> <p>Conclusion:</p> <p>Satisfactory assurance has been gained in respect of the risk factor identified on the managed funds transfer.</p>

Audit risk areas	Audit findings
<p>Crossrail Contribution</p> <p>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.</p>	<p>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.</p> <p>Conclusion:</p> <p>Satisfactory assurance has been gained in respect of the risk factor identified on the Crossrail contribution.</p>

Going concern and subsequent events

We are required under International Standard on Auditing (UK & Ireland) 570, "Going concern" to consider the appropriateness of the 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
<i>A 155 year lease granted for a premium was originally classified as a 'finance' lease. This has now been reclassified as an 'operating' lease.</i>				
	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.	<p>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.</p> <p>As part of our recommendations on the 2013-14 audit, it was suggested and agreed that a managed investment note, using a new format would be provided for audit review as at 31 December 2014. This was 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.</p>

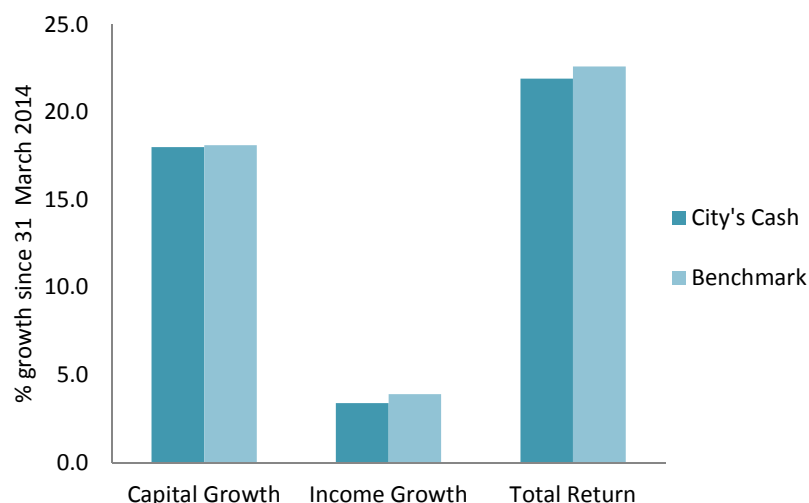
Investment Property Valuations

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.

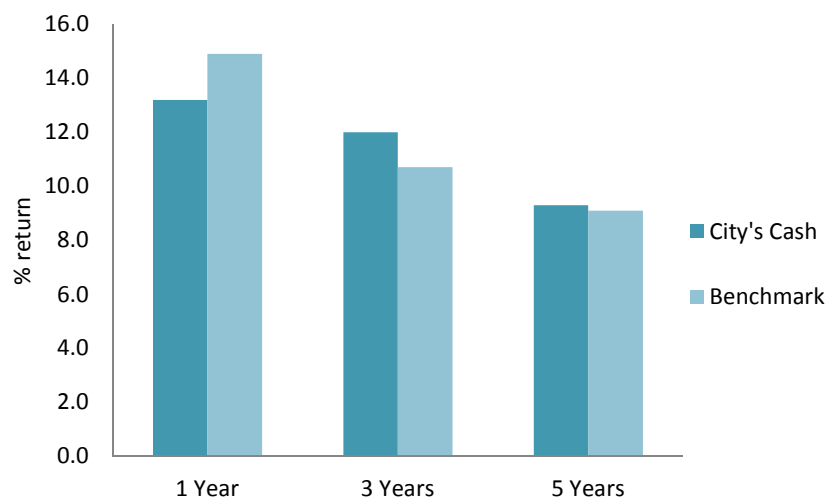


Income growth is broadly in line with the benchmark due to increasing rents as properties have refurbishments completed and as a consequence are able to be marketed at a higher rate than prior valuations expected. This has been noted on a number of properties where significant valuation increases have 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 apprised 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:
Finance Committee	17 November 2015
Subject: Financial Services Division - Quarterly Update	Public
Report of: The Chamberlain	For Information

Summary

Over the last quarter the key areas of work have been:

- Publication of the City Fund and Bridge House Estates Accounts; and the audit of the City's Cash;
- Transition of funds from a poorly performing fund manager to a new global equities fund manager;
- Implementation of departmental Service Based Review proposals and our contribution to the cross departmental workstreams; and
- Close down of the Oracle project, delivering the upgrade and improvement to our financial system.

Recommendation

Members are asked to note this report.

Main Report

Background

1. There are six main areas of work in Financial Service Division:

- Corporate Finance, providing a range of financial and management services including: stewardship of the City's finances and assets, budget setting, forecasting and monitoring; strategic financial advice to Members, Departments and the Corporation as a whole;
- City Revenues; responsible for the collection of most income due to the City of London Corporation: Council Tax, Business Rates, Commercial Rents, Residential Service Charges and Sundry Debts;
- Payments and Support Services, covering pensions administration, payroll, supporting our financial system - Oracle and administrative support to the department;

- Corporate Treasury, covering a range of services from investment securities portfolios and treasury management of cash balances to tax advice, financial appraisals, insurance and research;
 - Service Department facing Finance Units, promoting stewardship of the City's finances and assets as well as being active business partners, providing strategic financial advice and supporting departments as an integral part of their management teams; and
 - Chamberlain's Court, which carries out the ceremonial duties of the Chamberlain.
2. Following the Court of Common Council's approval, the post of Deputy Financial Services Director has been established. The Revenues and Payments & Support Services teams will be managed under an expanded Corporate Finance function. Further work is currently being carried out on establishing a sustainable structure for this new team.

Key performance indicators

3. The key performance indicators in the Chamberlain's business plan for the financial service division relevant for the last quarter (July-September) are:

FSD KPI's Balanced Scorecard							
				Quarterly update			
	Measure	2014/15 performance	2015/16 target	Qtr 1	Qtr 2	Qtr 3	Qtr 4
Business Rates collection	% collected (cumulative)	99.09%	99.75%	31.62%	58.10%		
Council Tax Collection	% collected (cumulative)	99.13%	97.5%	28.19%	53.17%		
Implementation of 2015/16 FSD SBR savings				Status:			On track
Publication of City Fund Accounts within Statutory Deadline				Status:			On track
Delivery of a balanced budget and Medium Term Financial Plan for City Fund, approved by Court of Common Council by 31 March				Status:			On track
PO Compliant Invoices	Percentage	-	>88%	93%	94%		
Income from Chamberlain's Court: Freedoms	Number of freedoms /period compared to same period in previous year (cumulative)	n/a	>1	-19	-6		

FSD KPI's Balanced Scorecard

				Quarterly update			
	Measure	2014/15 performance	2015/16 target	Qtr 1	Qtr 2	Qtr 3	Qtr 4
Professionally qualified accountancy staff as a % of total finance staff undertaking reporting, controls and decision support processes (measured annually)	CIPFA Indicator FS1	22.8%	24%	n/a	n/a	n/a	TBA
Provide a high quality service to our customers (measured annually)	Annual customer survey	Average lowest score 7.0	Average lowest score 7.5	n/a	n/a	TBA	
Increased staff engagement (measured annually)	Percentage of positive responses to Staff Survey Q5: "I understand how my work helps the Chamberlain's Department to achieve its objectives"	88%	92%	n/a	n/a	TBA	

Current Position

4. A few key areas to draw out from the division's work over the last quarter:
5. **Business Rates and Council Tax collection** levels are on track to achieve targets by year end.
6. On the **Service Based Review cross-departmental workstreams**, the key focus over the last quarter has been on the Operational Property Review. Key proposals have been identified and are currently being discussed with relevant Chairmen and Deputy Chairmen, to ensure that relative risks are evaluated and presented to Corporate Asset Sub (Finance) Committee and Resource Allocation Sub (Policy and Resources) Committee for consideration and agreement of opportunities. Work has also commenced to support the financial management workstream, the focus is on developing an effective operating model for the future.
7. The division's own Service Based Review savings are on track for delivery.
8. The City Fund Accounts and Bridge House Estates **Accounts** were published at the end of September 2015. Both received unqualified audit opinions. The audit has been completed on the City's Cash Accounts and the financial statements are currently progressing through Audit and Risk Management and Finance Committees for approval. An unqualified audit opinion is expected.

9. On the **financial position**, City's Cash and Bridge House Estates are in a healthy financial position across the medium term. City's Fund is forecast to breakeven across the medium term provided that departmental savings are implemented as agreed during the service based review and the Autumn Statement spending reductions are in line with forecasts. The City of London Police finances pose more of a challenge. The Force's funding from government continues to reduce. Corporate Finance has been working closely with Police colleagues to scope out a further savings programme and update the medium term financial plan. There is a deteriorating financial position until 2017/18, even after a significant savings plan has been implemented. There are several options for tackling the situation which are the subject of current discussions with members.
10. **Chamberlain's Court**: Between May (when the new fees came in) and September 2015 a total of 530 people were admitted to the freedom, a drop in just 6 applicants on the same period from 2014 (536).
11. We have recruited to the Deputy Clerk role and the successful candidate started her post in June 2015. She has adapted to court life very quickly in supporting the Clerk of the Chamberlain's Court.
12. Freedom orientated merchandise continues to sell well. The frames, City of London Corporation branded umbrellas and the children's book are the most profitable items. Information around the least profitable items, such as the silver cuff links, is now feeding into pricing and procurement decisions. We have been developing the mechanisms for merchandising profit targets and these will be reported in the next update.
13. The **Oracle project** was implemented in accordance with the revised timetable, and the programme closed in September 2015. There are, however, a small number of defects which were handed over from the programme. The CBIS team continue to support and develop these with progress being made to close the remaining defects and implement the system. Further work has been undertaken to introduce more automation in forecasting the year end position on Service Committee budgets and project spend on individual projects.
14. **New global equity fund manager**, a poorly performing fund manager was replaced. Three global equity fund managers were interviewed by a member panel. Funds have been transitioned to the successful fund manager.
15. In **Supporting and developing our people**, we continue with the programme of lunchtime learning and secondments throughout the divisions to improve learning and expand the skills base. The project to bring the City Revenues team from Walbrook Wharf to the Guildhall is gaining momentum. A number of small team moves have taken place, optimising the usage of office space and creating an area sufficiently large to accommodate the 50 or so staff that will be leaving Walbrook Wharf. The target date for completion of the move is 11 January 2016.

Conclusion

16. The division is delivering all its core objectives and contributing to the transformation agenda of the Corporation, whilst also supporting the development of staff. The key challenges over the next quarter will be embedding the new structures for Corporate Finance and Oracle system implementation.

Caroline Al-Beyerty

Financial Services Director

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Committee	Date:
Finance Committee	17 November 2015
Subject: Chamberlain's Business Plan - Second Quarter Update	Public
Report of: Chamberlain	For Information

Summary

This report provides Members with a brief update of assurance that the Chamberlain's department is making good progress in the delivery of the 2015/16 Departmental Business Plan.

Recommendation

Members are asked to note the report.

Main Report

Background

1. The Chamberlain's Department Business Plan for 2015-2016 was approved by Finance Committee on 14th April 2015. This report has been produced to provide Members with a summary of progress against key deliverables and performance in quarter two of the current financial year.

Current Position

2. It is a requirement of the Corporate Business Planning Framework that business plan delivery update reports be provided to Committee on a quarterly basis. This report builds upon the good progress reported in July.

Delivery against Key Improvement Objectives

3. Progress in the delivery of our Key Improvement Objectives (provide strategic financial management across the City Corporation, deliver effective service operations and enable change and transformation) is good. Two points are of note:
 - Successful implementation of Oracle R12 and effective implementation of related business changes (Provide Strategic Financial Management) – in accordance with the revised delivery timetable, the programme closed in September 2015. A small number of defects were handed over from the programme team to business as usual support and development resource, as is normal in such programmes, good progress is being made to close these remaining items.

- Business processes work efficiently and effectively (Provide Strategic Financial Management) – compliance with the No PO No Pay policy continues to exceed anticipated performance, peaking in quarter two at 95% of all relevant invoices paid matched to a purchase order, the cumulative performance to date is 94%, some 6% above target.

The remaining milestones are on track for delivery in accordance with agreed timescales and will be reported against as they become due or where timescales are amended.

Delivery against Key Performance Indicators

4. The Chamberlain's Performance Scorecard is shown as Appendix 1 to this report. Items of note are:
 - Accounts Payable Invoice Turnaround – while showing as amber, very good progress is being made towards achieving the stretched target of 97%, the direction of travel is positive and performance for the year to date is at 96%.
 - Council Tax Collection – slightly behind anticipated collection levels, although this is consistent with performance in previous years. This indicator is marked as amber to reflect the closer monitoring being applied by the City Revenues team.
 - Internal Audit Plan Delivery – this continues to be behind expected performance. A volume of work has been completed since the end of quarter two which will close the gap between performance and target. The profile for plan delivery has been adjusted to reflect the measures being taken to address the shortfall.

Conclusion

5. Members are asked to note that good progress is being made in the delivery of the Chamberlain's business plan. Performance for the first quarter of the year is in line with expectations although reported on limited information.

Appendices

- Appendix 1 – Chamberlain's Department Performance Scorecard

Background Papers

Report to Finance Committee 14/04/2015: Chamberlain's Business Plan 2015/16
Report to Finance Committee 21/07/2015: Chamberlain's Business Plan – First Quarter Update

Matt Lock

Head of Payments and Support Services

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Chamberlain's Department Performance Scorecard							
				Quarterly update			
	Measure	2014/15 performance	2015/16 target	Qtr 1	Qtr 2	Qtr 3	Qtr 4
Accounts Payable invoice turnaround (30 day)	% paid	90%	97%	95%	96%		
Accounts Payable invoice turnaround for SME ¹ (10 day)	% paid	77%	80%	86%	86%		
Business Rates collection	% collected (cumulative)	profile		28%	58%	89.25%	99.75%
		99.09%	99.75%	31.62%	58.10%		
Council Tax Collection	% collected (cumulative)	profile		27%	56.5%	79%	97.5%
		99.13%	97.5%	28.19%	53.17%		
Annual Procurement Savings	Savings achieved	£7m	£8.25m	£1.95m	£3.92m		
IT Application availability	Percentage	99.8%	99%	99.9%	99.9%		
Internal Audit Effectiveness	Audit Plan delivery (%)	profile			32%	73%	100%
		90%	95%	5% ²	21% ³		
Publication of City Fund Accounts within Statutory Deadline				Status:			✓
Delivery of a balanced budget and Medium Term Financial Plan for City Fund, approved by Court of Common Council by 31 March				Status:			On track
PO Compliant Invoices	Percentage	-	>88%	93%	94%		
Provide a high quality service to our customers (measured annually)	Annual customer survey	Average lowest score 7.0	Average lowest score 7.5	n/a	n/a		
Increased staff engagement (measured annually)	Percentage of positive responses to Staff Survey Q5: "I understand how my work helps the Chamberlain's Department to achieve its objectives"	88%	92%	n/a	n/a		

¹ SME = Small and Medium Sized Enterprise

² Although there is a shortfall in delivery of audit plan to draft report stage, a significant amount of fieldwork is in progress which will see return to expected progress before the end of the year.

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Committee:	Date:
Finance Committee	17 November 2015
Subject: Revenue Budget Monitoring to September 2015	Public
Report of: Chamberlain	For Information

Summary

Local Risk Budgets (Chief Officer Cash Limits)

Net local risk expenditure (excluding Police) at the end of September is £2.8m (4%) within the profiled budget of £62.9m. The forecast year end position is £2.2m (2%) within the budget of £142.7m, which represents an improvement of £1.6m compared to the forecast year end position at quarter one. The main variations are outlined in paragraph 3.

The latest forecast for the Police ring-fenced account indicates that a transfer from the general reserves of £3.6m will be required to remain within the cash limit of £57.5m. This is an increase of £1.6m from the original budget and the reason for this is set out in paragraph 4.

Central Risk Budgets

Year-end property investment income is anticipated to be better than budget for City's Cash and Bridge House Estates by £2.7m and £1.5m respectively.

The forecast for City Fund interest earnings has improved by £0.9m due to a more beneficial cash flow.

Risks

The Chamberlain's Department has indicated a cost pressure relating to the Oracle R12 Upgrade (paragraph 3).

The Commissioner has reported on risks to his budget due to a number of external funding agreements that are awaiting confirmation (paragraph 5).

Recommendation

Members are asked to note the report.

Main Report

Local Risk Budgets

1. Net local risk expenditure across all funds, excluding the ring-fenced Police account, was £2.8m (4%) within the budget profile at the end of September. The forecast year end position, excluding the ring-fenced Police account, is £2.2m (2%) within the budget of £142.7m.
2. A more detailed summary of the financial position on Chief Officers' local risk (cash limited) budgets as at 30 September is set out in Appendix 1. A comparison of the full year forecasts at the end of quarter one and quarter two is provided in Appendix 2.

Main Variations

3. The main variations together with a brief commentary are outlined below.

Chamberlain	YTD £389,000 (4%) worse, FY £74,000 (0%) better
<p>These variations exclude a £448,000 cost pressure relating to the Oracle R12 Upgrade for which a separate report will be submitted next month. The improvement in the underlying position – from an adverse variance of £389,000 at the half year to a positive variance of £74,000 forecast for year end – is mainly due to a correction in the charges from the IT managed service provider relating to the later than anticipated delivery of server support. Monthly invoices for the second half year are being reduced to rectify the position.</p>	

City Surveyor	YTD £705,000 (6%) better, FY £147,000 (1%) better
<p>The favourable year to date variance is mainly due to slippage on the cyclical works programme; however this is expected to catch up by year end. Favourable variances on staff vacancies and additional fee income are expected to continue until year end.</p>	

Director of the Built Environment, City Fund	YTD £717,000 (9%) better, FY £321,000 (2%) better
<p>The underspend for the year to date is due to additional car park income from increased activity, additional income from road closure licence fees, reduced advertising costs for Traffic Management, additional staff time recharged to capital projects at Hampstead Heath Ponds Project and staff vacancies in Town Planning following a restructure. These underspends are partly offset by a reduction in income from hoarding & scaffolding license fees and additional highways repairs & maintenance works programmed over the summer months. Additional Highways resurfacing and maintenance is planned during the remainder of the year to address the backlog of work required. This will partly reduce the positive variance anticipated at year end.</p>	

Director of Community and Children's Services	YTD £163,000 (4%) better, FY £299,000 (4%) better
<p>The underspend is due to the current mix of clients and their support needs including one high cost client who is now being fully funded from the NHS. At this stage it has been assumed that these savings will continue to year end – although the nature of the service is that a relatively small change in clients and their needs can have a disproportionate impact on overall expenditure levels.</p>	

Director of Culture, Heritage and Libraries, BHE	YTD £664,000 (150%) better, FY £1,000,000 (113%) better
<p>Income at Tower Bridge continues to be ahead of the profiled budget; at the mid year stage officers are now reasonably confident that this will continue and the year end forecast expects income to be 17% higher than budget, creating a surplus of around £800,000. In addition planned minor works, estimated to cost £200,000, have been postponed to 2016/17.</p>	

Director of Markets and Consumer Protection City Fund	YTD £201,000 (18%) better, FY £86,000 (4%) better
<p>The favourable variance to date is mainly due to additional income for the 'Passports for Pets' service at the Heathrow Animal Reception Centre which is expected to continue until year end. However this additional income will be partly offset by overspends projected at the Ports due to the creation of seven additional posts to meet an increased level of trade, and a new rates bill for the Border Control Post premises at the London Gateway Port.</p>	

Director of Markets and Consumer Protection City's Cash	YTD £206,000 (20%) better, FY £171,000 (8%) better
<p>The favourable variance to date is mainly due to an underspend at Smithfield Market relating to salary savings on vacant security posts which will continue to year end; savings on water and energy due to lower seasonal usage over the months to date; and on works projects being behind profile but which will be completed by year end.</p>	

Principal, Guildhall School of Music and Drama	YTD £397,000 (84%) worse, FY £357,000 (6%) worse
The budget includes a target saving of £491,000; however at the mid year stage no savings have been found and a deficit has been reported for the full year forecast.	

City of London Police

- The budget for the Police ring-fenced account was based on a contribution from the Police general reserve of some £1.7m in order to remain within the cash limit of £57.5m. The latest forecast indicates that a transfer from the general reserve of £3.6m will be required, an increase of £1.9m leaving the general reserve at £5m (still above the minimum reserve level of £4m agreed by Common Council). Since the original budget was set additional cost pressures have emerged, particularly on the IT spend required to ensure a stable and reliable service, and the New Street premises. The Government funding for Dedicated Security Posts is also below the level assumed in the original budget.
- There is an underlying risk to the Police budget insofar as a number of external funding agreements are pending confirmation. This reflects experience in previous years with some grants not being confirmed until towards the end of the financial year. However, until confirmed, external funding remains a financial risk to the Force.

Central Risk Budgets

Corporate Budgets

Chief Officer	Full Year Forecast				
	Budget	Forecast	(Better)/Worse		
	£000	£000	£000	%	
Property Investment Income					
City Surveyor - City Fund	(41,547)	(41,680)	(133)	(0)	√
City Surveyor - City's Cash	(42,794)	(45,458)	(2,664)	(6)	√
City Surveyor - Bridge House Estates	(17,936)	(19,475)	(1,539)	(9)	√
Interest on Cash Balances					
Chamberlain - City Fund	(1,635)	(2,500)	(865)	(53)	√
Chamberlain - City's Cash	(100)	(200)	(100)	(100)	√
Chamberlain - Bridge House Estates	(100)	0	100	100	x
Totals	(104,112)	(109,313)	(5,201)	(5)	√

6. The positive variation on Property Investment Income is due to a number of rental movements across the investment estates the main items being:

City's Cash (£2.7m)

- 209-212 and 216-219 Tottenham Court Road - a shorter void period before lease renewal; and
- 124 New Bond Street and Smithfield Commercial - backdated rent reviews have now been completed at a higher level than budgeted.

Bridge House Estate (£1.5m)

- 1-5 London Wall Buildings - refurbished space has been let more quickly than anticipated at higher than expected rent levels together with a lower vacancy factor;
- Colechurch House - short term tenancies have been extended pending redevelopment; and
- Electra House at 72-92 Moorgate - retail lease renewals have been agreed at a higher level than anticipated.

7. The anticipated improvement in interest earnings on City Fund cash balances reflects the latest assessment of cash flows and a less cautious approach in the light of experience in recent years' outturns. The assumed average interest rate for interest earnings remains at 0.5%.

Appendices

- Appendix 1 – year to date and forecast full year variances as at 30 September 2015.
- Appendix 2 – full year forecast comparison with the previous quarter
- Appendix 3 – summary of changes from the original budget to the 30 September 2015.

Financial Services Director

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Appendix 1

Chief Officer	Year To Date - 30 September				Full Year Forecast			
	Budget	(Better)/Worse			Budget	(Better)/Worse		
	£000	£000	%		£000	£000	%	
Chamberlain	10,430	389	4	x	20,349	(74)	(0)	√
City Surveyor - City Fund (CF)	2,057	19	1	x	5,079	(24)	(0)	√
City Surveyor - City's Cash (CC)	5,962	(399)	(7)	√	13,997	(140)	(1)	√
City Surveyor - Bridge House Estates (BHE)	1,146	(376)	(33)	√	2,291	(80)	(3)	√
City Surveyor - Guildhall Administration (GA)	3,164	51	2	x	6,329	97	2	x
Comptroller & City Solicitor	1,550	(90)	(6)	√	3,100	0	0	-
Director of the Built Environment - CF	7,830	(717)	(9)	√	15,660	(321)	(2)	√
Director of the Built Environment - BHE	123	(9)	(7)	√	245	0	0	-
Director of Community & Children's Services	4,306	(163)	(4)	√	7,918	(299)	(4)	√
Director of Culture, Heritage & Libraries - CF	4,127	1	0	x	8,250	0	0	-
Director of Culture, Heritage & Libraries - CC	145	(8)	(6)	√	290	0	0	-
Director of Culture, Heritage & Libraries - BHE	442	(664)	(150)	√	883	(1,000)	(113)	√
Director of Markets & Consumer Protection - CF	1,131	(201)	(18)	√	2,262	(86)	(4)	√
Director of Markets & Consumer Protection - CC	1,015	(206)	(20)	√	2,029	(171)	(8)	√
Director of Open Spaces	5,444	(262)	(5)	√	10,887	(251)	(2)	√
Head, City of London School	(1,545)	(55)	(4)	√	800	(30)	(4)	√
Headmaster, City of London Freeman's School	(1,714)	(1)	(0)	√	214	0	0	-
Headmistress, City of London School for Girls	(1,652)	(60)	(4)	√	231	(21)	(9)	√
Managing Director, Barbican Centre	8,925	(148)	(2)	√	16,754	(128)	(1)	√
Principal, Guildhall School of Music and Drama	473	397	84	x	5,685	357	6	x
Private Secretary & Chief of Staff to the Lord Mayor	1,256	(4)	(0)	√	2,365	(30)	(1)	√
Remembrancer	96	(25)	(26)	√	747	0	0	-
Town Clerk	8,178	(293)	(4)	√	16,345	(35)	(0)	√
Totals Excluding Police	62,889	(2,824)	(4)	√	142,710	(2,236)	2	√

Appendix 2

Original Budget	Chief Officer - Local Risk Budgets	Full Year Forecast as at 30th June			Full Year Forecast as at 30th September			Movement in Full Year Forecast variances from budget
		Latest Budget	(Better)/Worse		Latest Budget	(Better)/Worse		
		£000	£000	%	£000	£000	%	
	City Fund							
1,680	Chamberlain	1,680	0	0	1,680	0	0	0
5,024	City Surveyor	5,066	(32)	(1)	5,079	(24)	(0)	8
6,823	Director of Community & Children's Services	7,247	(156)	(2)	7,498	(239)	(3)	(83)
8,083	Director of Culture, Heritage & Libraries	8,083	0	0	8,250	0	0	0
2,102	Director of Markets & Consumer Protection	2,102	(58)	(3)	2,262	(86)	(4)	(28)
(600)	Director of Open Spaces	(600)	0	0	(565)	(251)	(44)	(251)
15,300	Director of the Built Environment	15,195	(390)	(3)	15,660	(321)	(2)	69
16,478	Managing Director, Barbican Centre	16,478	0	0	16,754	(128)	(1)	(128)
7,057	Town Clerk	7,102	0	0	7,678	0	0	0
61,947	Total City Fund (excluding Police)	62,353	(636)	(1)	64,296	(1,049)	(2)	(413)
	City's Cash							
66	Chamberlain	66	0	0	66	0	0	0
12,973	City Surveyor	13,801	62	0	13,997	(140)	(1)	(202)
335	Director of Community & Children's Services	335	0	0	420	(60)	(14)	(60)
(45)	Director of Culture, Heritage & Libraries	(45)	(5)	(11)	290	0	0	5
1,840	Director of Markets & Consumer Protection	1,840	(130)	(7)	2,029	(171)	(8)	(41)
11,273	Director of Open Spaces	11,284	0	0	11,452	0	0	0
800	Head, City of London School	800	0	0	800	(30)	(4)	(30)
200	Headmaster, City of London Freemen's School	200	0	0	214	0	0	0
231	Headmistress, City of London School for Girls	231	0	0	231	(21)	(9)	(21)
6,181	Principal, Guildhall School of Music & Drama	5,656	0	0	5,685	357	6	357
2,351	Private Secretary & Chief of Staff to the Lord Mayor	2,351	(15)	(1)	2,365	(30)	(1)	(15)
1,050	Remembrancer	1,050	0	0	1,060	0	0	0
663	Town Clerk	663	0	0	692	15	2	15
37,918	Total City's Cash	38,232	(88)	(0)	39,301	(80)	(0)	8
	Bridge House Estates							
2,304	City Surveyor	2,291	(80)	(3)	2,291	(80)	(3)	0
883	Director of Culture, Heritage & Libraries	883	0	0	883	(1,000)	(113)	(1,000)
245	Director of the Built Environment	245	0	0	245	0	0	0
1,095	Town Clerk	1,095	0	0	1,137	0	0	0
4,527	Total Bridge House Estates	4,514	(80)	(2)	4,556	(1,080)	(24)	(1,000)
	Guildhall Administration							
18,666	Chamberlain	18,654	57	0	18,603	(74)	(0)	(131)
6,329	City Surveyor	6,329	98	2	6,329	97	2	(1)
2,901	Comptroller and City Solicitor	2,975	0	0	3,100	0	0	0
(333)	Remembrancer	(333)	0	0	(313)	0	0	0
6,511	Town Clerk	6,548	0	0	6,838	(50)	(1)	(50)
34,074	Total Guildhall Administration	34,173	155	0	34,557	(27)	(0)	(182)
138,466	Grand Totals (excluding Police)	139,272	(649)	(0)	142,710	(2,236)	(2)	(1,587)

Appendix 3

Local Risk Budget Changes (Excluding Police)

	£'000	£'000
Original Local Risk Budget (excluding Police)		138,466
Previously reported budget movements		806
Adjusted Local Risk Budget (excluding Police)		<u>139,272</u>
Budgets reclassified from Central Risk to Local Risk	372	
Approved Local Risk carry forwards	2,428	
Chamberlain SBR saving	(100)	
Town Clerk additional resources for City Office in Brussels	500	
Barbican Centre Exhibition Hall compensation	116	
LLW adjustments	95	
Other minor adjustments	27	
		<u>3,438</u>
Latest Local Risk Budget (excluding Police)		<u>142,710</u>

Committee	Dated:
Finance Committee – For Information	17 November 2015
Subject: Chamberlain’s Department Risk Management – Quarterly Report	Public
Report of: Chamberlain	For Information

Summary

This report has been produced to provide Finance Committee with an update on the management of risks faced by the Chamberlain’s department.

Risk is reviewed regularly by the departmental Senior Leadership Team as part of the ongoing management of the operations of the Chamberlain’s department. In addition to the flexibility for emerging risks to be raised as they are identified, a process exists for in-depth periodic review of the risk register.

The Chamberlain’s department currently has three corporate risks and six risks on the departmental risk register. The most significant risks are:

- **CR19 - IT Service Provision** (Current Status **RED**)
- **CR14 - Funding Reduction** (Current Status: **AMBER**)

There are two new entries to the Chamberlain’s departmental risk register since the previous report to Finance Committee:

- **CHB009** – COL Payment Card procedures (Current Status: **AMBER**)
- **CHB010** – Procurement waivers (Current Status: **AMBER**)

Recommendation

Members are asked to note the report and the actions taken in the Chamberlain's department to monitor and manage effectively risks arising from our operations.

Main Report

Background

1. The Risk Management Framework of the City of London Corporation requires each Chief Officer to report regularly to Committee the key risks faced in their department. Finance Committee has determined that it will receive the Chamberlain’s risk register on a quarterly basis with update reports on **RED** rated risks at the intervening Committee meetings.

2. Chamberlain's risk management is a standing agenda item at the monthly Departmental Senior Leadership Team (SLT) meeting, over and above the suggested quarterly review. SLT receives the risk register for review, together with a briefing note highlighting any changes since the previous review. Consideration is also given as to whether any emerging risks exist for inclusion in the risk register as part of Divisional updates on key issues from each of the Directors, ensuring that adequate consideration is given to operational risk.
3. Between each SLT meeting, risk and control owners are consulted regarding the risks for which they are responsible, with updates captured accordingly.

Current Position

4. This report provides an update on the current risks that exist in relation to the operations of the Chamberlain's department and, therefore, Finance Committee.

Identification of new /emerging risks

5. New and emerging risks are identified through a number of channels, the main being:
 - directly by the Senior Leadership Team as part of the monthly review process
 - following monthly review of progress against actions/milestones identified in the departmental Business Plan
 - annual, fundamental review of the risk register, undertaken by the extended Senior Leadership team
6. The following risks have been added to the Chamberlain's departmental risk register since the previous report to Finance Committee:
 - CHB009 – COL Payment Card procedures (Current Status: **Amber**)
 - CHB010 – Procurement waivers (Current Status: **Amber**)
7. A new proposed corporate **RED** risk relating to the corporate approach to contract management is currently under review to redefine the risk, mitigating actions and target dates.

Summary of Key Risks

8. The Chamberlain's department currently has three corporate risks and six risks on the departmental risk register, attached as Appendix 1 to this report. The report includes 1 **RED** risk, 6 **AMBER** risks and 2 **GREEN** risks. These are:
 - **CR19 - IT Service Provision (Current Risk: Red – no change)**
The joint network refresh programme is in progress to resolve issues around network resilience and ensure we have diverse routes for network traffic, avoiding single points of failure. The risk is expected to reduce as infrastructure changes are implemented, however the resilience of the system is now much improved following the completion of mitigating actions such as replacement of network switches to improve response times and live backup of data enabling a quick restore of the system should there be a failure. Progress against the transition plan is measured regularly to ensure the risk continues to reduce towards the target status of **Green** by 31 December 2015.

- **CR16 – Information Security (Current Risk: Green – no change)**

Loss of personal or commercial information may result in major reputational damage to the City Corporation and possible sanction from the Information Commissioner. This risk includes the threat of a Cyber security attack, resulting in unauthorised access to City Corporation IT systems. While the Chief Information Officer is the risk owner, some mitigating controls are owned by Town Clerk's department. Chamberlain's department is responsible for managing the cyber security and technology aspects of this risk.

This risk is mitigated through regular organisation wide communications and the provision of mandatory training to all staff including all new starters. Data Protection compliance checks are carried out locally by Access to Information (AIN) representatives on an annual basis. Existing policies around cyber security and technology infrastructure have also been reviewed and refreshed. These policies are currently out for consultation with final sign off expected by 31 December 2015.

- **CR14 – Funding Reduction (Current Risk: Amber – no change)**

This risk describes the impact of future funding reduction on the financial viability of the City Corporation. Savings begin to be reflected in the budget for 2015/16 with full impact by or before 2017/18. 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 medium term financial strategy is being updated to address these likely reductions but cannot be finalised until the outcome of the Spending Review and Formula Review is known in late November/December. As savings proposals are implemented, it is anticipated that this risk will ultimately reduce to Green.

- **CHB001 – Oracle ERP delivery (Current Risk: Amber – decreased risk score)**

The Oracle Steering Group agreed the closure of the Oracle ERP Programme on 30 September 2015. Whilst the majority of work-streams are now complete, some remaining pieces of work were handed over to the operational support functions at the end of September to be managed under business as usual activities, which is to be expected with this level of change. This risk is expected to close shortly, following completion of these remaining tasks.

- **CHB002 – Oracle ERP Business Benefits (Current Risk: Amber – no change)**

This risk describes the failure to deliver required efficiencies and future revenue savings enabled through the Oracle ERP programme, consolidating other key systems and processes as appropriate. The governance framework for the consideration of future business improvements has been drafted and a strategic roadmap is in place. Business benefits realisation work is expected to commence shortly, following closure of the Oracle programme and completion of remaining tasks to bring the system to full functionality.

- **CHB006 – IT Service Outage (Current Risk: Green – no change)**
 This risk relates to the disruption to service delivery as a result of major information systems outage (e.g. network/technology infrastructure failure). The Joint Operational review is now at closure stage and has met its targets. Work has begun on actions flowing from the review to bring stability and improved resilience. The majority of the City Corporation’s infrastructure is now covered by a dual data centre. Limited IT continuity tests have been carried out which demonstrate that the infrastructure is resilient. Work on the renewal of the network infrastructure and update of the telephony system is in progress with a target completion date of December 2016.
- **CHB008 – Resourcing (Current Risk: Amber – no change)**
 The risk score is currently Amber, following successful recruitment of the Head of IT and Police Lead. Work on the Department’s workforce plan is in progress and will include an effective medium term resourcing plan covering recruitment, retention and staff development.
- **CHB009 (NEW) – COL Payment Card procedures (Current Risk: Amber)**
 Officers holding City of London Corporation payment cards (credit cards) do not consistently provide adequate explanations to support expenditure. With increased transparency around public sector spending there is a concern that public scrutiny may be directed towards value for money principles and the appropriateness of transactions. This could result in reputational damage and adverse publicity for the City Corporation.
 To mitigate this risk, new Payment Card guidance and policies have been developed and will be enforced. The new Purchasing card policy was approved by Finance Committee on 22 September 2015 and has been published on the intranet. The new policy will ensure that officers apply best practice principles across the City Corporation when using purchasing cards. Training on the policy will be made available on City Learning and staff will be notified when they are required to complete the eLearning module. The training programme is expected to be complete by 31 December 2015.
- **CHB010 (NEW) - Procurement waivers (Current Risk: Amber)**
 This risk relates to a lack of compliance with procurement regulations - City Procurement Code 2015. Officers may purchase works, goods and services below £50,000 (without going through a competitive exercise) by use of contract waivers. Excessive use can result in poor value for money, possible breach of UK Public Contract Regulations 2015, legal challenge and possible disciplinary action for staff that breach the code. Data on the use of waivers is currently shared at Procurement Steering group, Category Boards and with Senior Leadership Team. A planned approach to reduce reliance on waivers is being developed in appropriate phases, given other service priorities and capacity planning, whilst halting any illegal contract activities with immediate effect.

Conclusion

9. Members are asked to note the actions taken to manage these departmental and corporate risks in relation to the operations of the Chamberlain’s Department and the overall reducing level of current risk.

Appendices

- Appendix 1 - Chamberlain's Department detailed Risk Register

Background Papers

Report to Finance Committee 22 September 2015: Finance Committee Risk

Report to Finance Committee 21 July 2015: Finance Committee Risk

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CHB Detailed risk register

Report Author: Joy Ahwieh

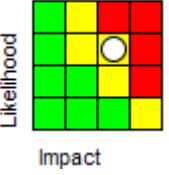
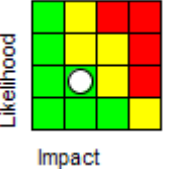
Generated on: 30 October 2015

Rows are sorted by Risk Score

Code & Title: CHB Chamberlain's Department Risk Register 6 CR Corporate Risk Register 3

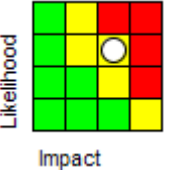
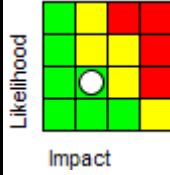
Risk No. & Title	Risk Description (Cause, Event, Impact)	Risk Owner	Current Risk Rating & Score	Risk Update	Target Risk Rating & Score	Target Date	Risk Trend
CR019 IT Service Provision	<p>Cause: The whole Police IT Estate and parts of the Corporation are in need of further investment.</p> <p>Event: For the Corporation, poor performance of IT Service and for the Police critical failure of the Police IT Service.</p> <p>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.</p>	Graham Bell	<p>16</p>	The risk is expected to reduce as Infrastructure changes are implemented however the resilience of the system is now much improved following the completion of mitigating actions such as replacement of network switches to improve response times and live backup of data enabling a quick restore of the system should there be a failure.	<p>4</p>	31-Dec-2015	↔

Action Code & Title	Action Description	Action Owner	Due Date	Action Update
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-2016	A Gateway 4/5 report will be presented for approval in December 2015.
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-Dec-2016	A Gateway 4/5 report will be presented for approval in December 2015.
CR19d CoLP Investment in any retained 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-2015	Report to Gateway Projects Sub-Committee in October, 4/5 report for approval in December 2015.
CR19k Unified Communications Programme	Replacement of desktop phones with soft phones and improved teleconferencing facilities.	Graham Bell	31-Dec-2015	Gateway 2 report for approval in December 2015.

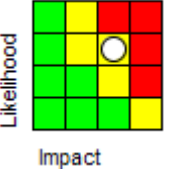
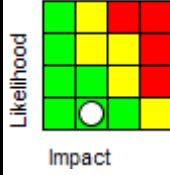
Risk No. & Title	Risk Description (Cause, Event, Impact)	Risk Owner	Current Risk Rating & Score	Risk Update	Target Risk Rating & Score	Target Date	Risk Trend
CHB002 Oracle ERP Business Benefits	<p>Cause: Plan not in place/not validated by the business users. Inadequate governance arrangements in place.</p> <p>Event: Failure to deliver required efficiencies and future revenue savings as part of the major project to upgrade CBIS to Oracle R12 and the implementation of an Enterprise Resource Planning (ERP) system, consolidating other key systems and processes as appropriate.</p> <p>Expected to Change: Following stabilisation post go-live.</p> <p>Effect: Efficiencies not delivered. System developments not controlled, resulting in proliferation of customisation or developments that deviate from core strategy.</p>	Peter Kane	 12	Business benefits realisation work cannot commence until CHB001 closes, the earliest that this could start is 1 October 2015, although consideration must be given to the impact of sustained change on those colleagues involved in development activity and continuation of the delivery of phase 1b activity. Commencement of benefits realisation work is likely to be deferred further.	 4	31-Dec-2015	↔

Action Code & Title	Action Description	Action Owner	Due Date	Action Update
CHB 002a Introduction of governance framework.	Introduction of governance framework.	Matt Lock	01-Oct-2015	Framework drafted

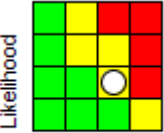
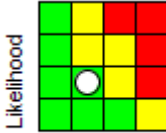
CHB 002b Rigorous stakeholder engagement.	Rigorous stakeholder engagement.	Matt Lock	01-Oct-2015	This is an ongoing task.
CHB 002f Future system road map.	Future system road map in development.	Matt Lock	01-Oct-2015	Strategic roadmap in place, requires cross referencing with IT Strategic Roadmap. Operational roadmaps for all modules to be in place to support the strategic roadmap.

Risk No. & Title	Risk Description (Cause, Event, Impact)	Risk Owner	Current Risk Rating & Score	Risk Update	Target Risk Rating & Score	Target Date	Risk Trend
CHB008 Resourcing	<p>Cause: The department has a number of highly specialist roles for which there is a higher demand, in both the public and private sector, than those with the necessary skills.</p> <p>Event: Difficult to recruit and retain specialist staff in IT and other areas such as Procurement as availability is dictated by the demands of the market.</p> <p>Effect: Recruitment and retention of these staff can take longer and causes gaps in capacity. Capability gaps impact on service delivery and ability to improve future performance.</p>	Peter Kane	 12	Better position following successful recruitment of Head of IT and Police Lead, although there is one key post still outstanding. Work has begun on a medium term plan for the whole Department.	 4	31-Mar-2016	↔

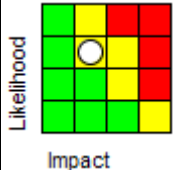
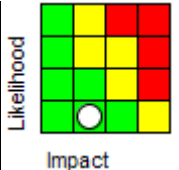
Action Code & Title	Action Description	Action Owner	Due Date	Action Update
CHB 008a Resourcing Plan	Chamberlain's Workforce plan to include an effective resourcing plan, covering recruitment, retention and staff development.	Matt Lock	31-Mar-2016	
CHB008b IT Resourcing	A resourcing plan to be developed for the IT Division.	Graham Bell	31-Dec-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
CHB010 Procurement waivers	<p>Cause: Lack of compliance with City Procurement Code.</p> <p>Event: Officers may purchase works, goods and services below £50,000 (without going through a competitive exercise), by use of contract waivers.</p> <p>Effect: Excessive use can result in poor value for money, possible breach of UK Public Contract Regulations 2015, legal challenge and possible disciplinary action for staff that breach the code.</p>	Christopher Bell	 <p>12</p>	Waivers reports shared at Procurement Steering group, Category Boards and with Senior Leadership Team. A planned approach to reduce reliance on waivers to be developed in appropriate phases, given other service priorities and capacity planning, whilst halting any illegal contract activities with immediate effect.	 <p>2</p>	31-Mar-2016	

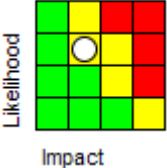
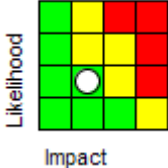
Action Code & Title	Action Description	Action Owner	Due Date	Action Update
CHB010e New Procurement regulations	Re-launch of new Procurement regulations – City Procurement Code 2015.	Christopher Bell	01-Nov-2015	
CHB010g Reduce over reliance	Planned approach to be developed to reduce over reliance on waivers.	Christopher Bell	31-Mar-2016	

Risk No. & Title	Risk Description (Cause, Event, Impact)	Risk Owner	Current Risk Rating & Score	Risk Update	Target Risk Rating & Score	Target Date	Risk Trend
CHB001 Oracle ERP Delivery	<p>Cause: System functionality not delivered, tested and deployed. Oracle Bugs and Service Requests (SRs) not resolved.</p> <p>Event: The Oracle Programme fails to deliver full functionality within planned timetable.</p> <p>Effect: Service Charge recovery fails. Closing of accounts and year end activity compromised. Adverse Audit Opinion.</p>	Peter Kane	 Likelihood Impact 8	The Oracle Steering Group agreed the closure of the Oracle ERP Programme on 30 September 2015. Whilst the majority of work-streams are now complete, some remaining pieces of work have been handed over to the operational support functions to be managed under business as usual activities, which is to be expected with this level of change. The transition was completed at the end of September.	 Likelihood Impact 4	30-Sep-2015	↔

Action Code & Title	Action Description	Action Owner	Due Date	Action Update
CHB 001c Post go-live delivery timetable.	Linked to Programme Risk R0.28. Post go-live delivery timetable in place.	Simon Purser	30-Sep-2015	Programme closed on 30 September 2015, handover to functional support/BAU.

Risk No. & Title	Risk Description (Cause, Event, Impact)	Risk Owner	Current Risk Rating & Score	Risk Update	Target Risk Rating & Score	Target Date	Risk Trend
CHB009 COL Payment Card procedures	<p>Cause: Officers holding City of London Corporation payment cards (credit cards) do not consistently submit adequate explanations on spend that would stand up to public scrutiny and display behaviours that reflect value for money principles.</p> <p>Event: Information on all expenditure through government payment cards online is shared as required under the Local Government Transparency Code 2014.</p> <p>Effect: Expenditure of public monies, perceived to be inappropriate, will be published. Poor evidence of value for money. Reputational damage and adverse publicity for the City Corporation.</p>	Christopher Bell		The new Purchasing Card Policy was approved by Finance Committee on 22 September and circulated via the Intranet on 1 October 2015. Training on the policy will be made available on City Learning for staff to complete by the end of December 2015. The new management system will enhance/improve reporting on non-compliance.		31-Dec-2015	↔

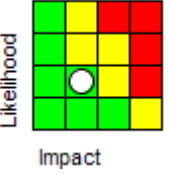
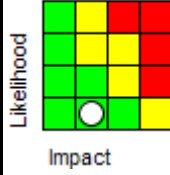
Action Code & Title	Action Description	Action Owner	Due Date	Action Update
CHB009e Training	Training of Payment card holders 01/10 - 31/12/2015	Christopher Bell	31-Dec-2015	
CHB009f New PCard Management System	New Payment Card Management System to be launched.	Christopher Bell	01-Dec-2015	

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	<p>Cause: Reduced funding from Central Government.</p> <p>Event: Reduced funding available to the City Corporation.</p> <p>Effect: City Corporation will be unable to maintain a balanced budget and healthy reserves in City Fund, significantly impacting on service delivery levels.</p>	Peter Kane	 <p>6</p>	<p>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</p>	 <p>4</p>	31-Mar-2018	↔

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.

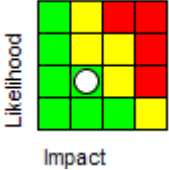
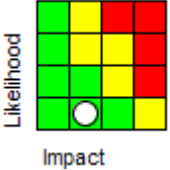
Further significant cuts are likely to Home Office Funding for Police services over the next four years as a result of the Spending Review. The separate review of Police Funding Formula may result in a further reduction. The medium term financial strategy is being updated to address these likely reductions but cannot be finalised until the outcome of the SR and Formula Review is known in late November/December.

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-2016	Second SBR Monitoring report to be provided to 15 September ESPC. Quarterly cycle of reporting agreed for remainder of 2015/16.
CR14b SBR Implementati Page 149	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-2016	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.
CR14f Monitoring of delivery of savings.	Robust monitoring of delivery of savings proposals – undertaken by Head of Finance, Projects.	Paul Nagle	31-Mar-2016	Second round of monitoring complete, third round to commence 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
CHB006 IT Service Outage	<p>Cause: Major information systems outage (e.g. network/technology infrastructure failure. Poor recovery time.</p> <p>Event: Disruption to IT service delivery.</p> <p>Effect: Provision of service operations compromised.</p>	Graham Bell	 Likelihood Impact	<p>The Joint Operational Review is now at closure stage and has met its targets. Work has begun on actions flowing from the review to bring stability and improved resilience, target date December 2016.</p>	 Likelihood Impact	31-Dec-2016	↔

Action Code & Title	Action Description	Action Owner	Due Date	Action Update
CHB006a Telephony changes	Update of telephony system.	Graham Bell	31-Dec-2016	
CHB006b Network infrastructure	Renewal of network infrastructure.	Graham Bell	31-Dec-2016	

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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
CR16 Information Security	<p>Cause: Breach of IT Systems resulting in unauthorised access to data by internal or external sources. Officer/ Member mishandling of information.</p> <p>Event: Cyber security attack – unauthorised access to COL IT systems. Loss or mishandling of personal or commercial information.</p> <p>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.</p>	Graham Bell	 Likelihood Impact	4 Draft policies and guidance will be published on the intranet in early October for consultation and final sign off by 31 December 2015. A Risk Management development workshop for Members is planned for February 2016.	 Likelihood Impact	2 31-Jan-2016	↔

Action Code & Title	Action Description	Action Owner	Due Date	Action Update
CR16a Review and refresh policy	Review and refresh existing policy around cyber security and technology infrastructure risk in partnership with Agilisys.	Christine Brown	31-Dec-2015	Consultation in October with final sign off by 31 December 2015.

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Committees:	Dates:
Finance Committee Planning & Transportation Committee Streets and Walkways Sub-Committee Court of Common Council	17 November 2015 17 November 2015 30 November 2015 14 January 2016
Subject: Annual On-Street Parking Accounts 2014/15 and Utilisation of Accrued Surplus on Highway Improvements and Schemes	For Information
Report of : The Chamberlain	Public

Summary

The City of London in common with other London authorities is required to report to the Mayor for London on action taken in respect of any deficit or surplus in its On-Street Parking Account for a particular financial year.

The purpose of this report is to inform Members that:

- the surplus arising from on-street parking activities in 2014/15 was £5.786m;
- a total of £6.452m, was applied in 2014/15 to fund approved projects; and
- the surplus remaining on the On-Street Parking Reserve at 31st March 2015 was £14.987m, which will be wholly allocated towards the funding of various highway improvements and other projects over the medium term.

Recommendation

It is recommended that Members note the contents of this report for their information before submission to the Mayor for London.

Main Report

Background

1. Section 55(3A) of the Road Traffic Regulation Act 1984 (as amended), requires the City of London in common with other London authorities (i.e. other London Borough Councils and Transport for London), to report to the Mayor for London on action taken in respect of any deficit or surplus in their On-Street Parking Account for a particular financial year.
2. Legislation provides that any surplus not applied in the financial year may be carried forward. If it is not to be carried forward, it may be applied by the City for one or more of the following purposes:
 - a) making good to the City Fund any deficit charged to that Fund in the 4 years immediately preceding the financial year in question;
 - b) meeting all or any part of the cost of the provision and maintenance by the City of off-street parking accommodation whether in the open or under cover;

- c) the making to other local authorities, or to other persons, of contributions towards the cost of the provision and maintenance by them, in the area of the local authority or elsewhere, of off-street parking accommodation whether in the open or under cover;
- d) if it appears to the City that the provision in the City of further off-street parking accommodation is for the time being unnecessary or undesirable, for the following purposes, namely:
- meeting costs incurred, whether by the City or by some other person, in the provision or operation of, or of facilities for, public passenger transport services;
 - the purposes of a highway or road improvement project in the City;
 - meeting the costs incurred by the City in respect of the maintenance of roads at the public expense; and
 - for an “environmental improvement” in the City.
- e) meeting all or any part of the cost of the doing by the City in its area of anything which facilitates the implementation of the Mayor’s Transport Strategy, being specified in that strategy as a purpose for which a surplus can be applied; and
- f) making contributions to other authorities, i.e. the other London Borough Councils and Transport for London, towards the cost of their doing things upon which the City in its area could incur expenditure upon under (a)-(e) above.

2014/15 Outturn

3. The overall financial position for the On-Street Parking Reserve in 2014/15 is summarised below:

	£m
Surplus Balance brought forward at 1st April 2014	(15.653)
Surplus arising during 2014/15	(5.786)
Expenditure financed during the year	6.452
Funds remaining at 31st March 2015, wholly allocated towards the funding of future projects	(14.987)

4. Total expenditure of £6.452m in 2014/15 was financed from the On-Street Parking Reserve, covering the following approved projects:

Revenue/SRP Expenditure :	£000
Highway Resurfacing and Maintenance	1,992
Concessionary Fares and Taxi Card Scheme	503
Barbican Area Strategy	58
Crossrail Moorgate Urban Integration	53
Special Needs Transport	24
Parking Enforcement Plan	19
Planting Maintenance	9
New Roads and Highway Improvement	9
Milton Court Highway Works	7
Off Street Parking Contribution	4
Cheapside Area Strategy and Stage 4A	1
Shoe Lane Phase 3 Wine Office Court	1
Total Revenue Expenditure	2,680
Capital Expenditure :	
Beech Gardens/Barbican Podium Waterproofing	2,904
Barbican Area Strategy - Silk Street	528
Farringdon Street Bridge	266
Milton Court Highway Works	110
St Giles Terrace & Ben Jonson Highwalk	40
Queen Street Pilot Project	24
Shoe Lane Phase 3 Wine Office Court	1
Holborn Circus Area Enhancement	(101)
Total Capital Expenditure	3,772
Total Expenditure Funded in 2013/14	6,452

5. The surplus on the On-Street Parking Reserve brought forward from 2013/14 was £15.653m. After expenditure of £6.452m funded in 2014/15, a deficit balance of £666k was carried forward to future years to give a closing balance at 31st March 2015 of £14.987m.
6. Currently total expenditure of some £33.591m is planned over the medium term up to 31st March 2019, by which time it is anticipated that the existing surplus plus those estimated for future years will be fully utilised. This total includes expenditures of £10.704m, £10.965m, £7.042m and £4.880m planned from 2015/16 until 2018/19 respectively, which are anticipated to reduce significantly the surpluses arising in those years.
7. The total programme covers a number of major capital schemes including funding towards the Barbican Podium Waterproofing, Street Lighting Strategy, repairs to Snow Hill Bridge and Holborn Viaduct, Barbican Area Strategy, Minories car park structural monitoring/work, 'Ring of Steel' traffic monitoring infrastructure, and various street scene projects as well as ongoing funding of revenue projects including highway resurfacing and road maintenance projects, concessionary fares and taxicards and contributions to the costs of Off-Street car parks. The progression of each individual scheme is, of course, subject to the City's normal evaluation criteria and Standing Orders.

8. A forecast summary of income and expenditure arising on the On-Street Parking Account and the corresponding contribution from or to the On Street Parking Surplus, over the medium term financial planning period, is shown below:

On-Street Parking Account	2014/15	2015/16	2016/17	2017/18	2018/19	Total
Reserve Projections 2014/15 to 2018/19	Actual £m	Forecast £m	Forecast £m	Forecast £m	Forecast £m	£m
Income	(8.5)	(7.4)	(7.6)	(7.7)	(7.9)	(39.1)
Expenditure (<i>Note 1</i>)	2.7	2.9	3.0	3.0	3.1	14.7
Net Surplus arising in year	(5.8)	(4.5)	(4.6)	(4.7)	(4.8)	(24.4)
Capital, SRP and Revenue Commitments	6.5	10.7	11.0	7.0	4.9	40.1
Net in year contribution from/(to) the surplus	0.7	6.2	6.4	2.3	0.1	15.7
Deficit/(Surplus) carried forward at 1 st April	(15.7)	(15.0)	(8.8)	(2.4)	(0.1)	
Deficit/(Surplus) carried forward at 31st March	(15.0)	(8.8)	(2.4)	(0.1)	0	

Note 1: On-Street operating expenditure relates to direct staffing costs, repair & maintenance of meters, VINCI contractor costs, fees & services (covering cash collection, pay by phone, postage & legal), IT software costs for enforcement systems, provision for bad debts for on-street income and central support recharges.

9. There is now a combined service for 'Civil Parking & Traffic Enforcement, including the Cash Collection Contract' which has resulted in on-going savings to the operating costs of the On-Street Parking Account.

Conclusion

10. So that we can meet our requirements under the Road Traffic Regulation Act 1984 (as amended), we ask that the Court of Common Council notes the contents of this report, which would then be submitted to the Mayor of London.

Consultees

11. The Comptroller & City Solicitor has been consulted in the preparation of this report and his comments have been included.

Background Papers

- Road Traffic Regulations Act 1984; Road Traffic Act 1991; GLA Act 1999 sect 282.
- Final Accounts 2014/15

Simon Owen

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Committee:	Date:
Finance Committee	17 November 2015
Subject: City of London Festival – Cash Flow Report	Public
Report of: Director of Culture, Heritage & Libraries	For Information

Summary

In 2014 your Committee agreed to a loan of £150,000 to the City Arts Trust, for the purchase of a pop-up venue for the City of London Festival (the Bowler Hat). This loan was to be repaid in five equal instalments of £30,000 per annum, beginning in 2015. Following cashflow difficulties after the 2014 Festival, the Finance Committee agreed in February 2015 that this loan repayment schedule should be deferred by one year. This report provides an update, as requested, on the Festival's cashflow situation and reassurance that loan repayments will begin in 2016 as promised.

Recommendations

Members are asked to note the contents of the report.

Main Report

Background

1. The Culture, Heritage & Libraries Committee has responsibility for awarding City of London Corporation funding to the City of London Festival (via its management body, the City Arts Trust), and for reviewing its programme and activities. The Finance Committee separately approved, in 2014, a loan of £150,000 to the Trust for the purchase of a new pop-up venue for the Festival (the Bowler Hat), to be repaid over a five-year period beginning in 2015.
2. The Festival, through its management board the City Arts Trust, receives two discrete blocks of funding from the Corporation. Its major grant (set at the level of £274,725) supports the Festival's core ticketed programme, while a smaller grant (£81,100) is devoted to a programme of free outdoor events. This smaller grant is itself divided between a summer programme, running alongside the core Festival, and a freestanding winter programme.
3. Cashflow difficulties at the Festival after the 2014 programme led to the Trust requesting a restructuring of its grant for 2015. This request was approved by the Culture, Heritage and Libraries Committee in January 2015. The Festival also requested a deferment of the annual repayment schedule for the Bowler Hat loan so that these commence in 2016, not 2015. This request was approved by the Finance Committee in February 2015. The Finance Committee also asked for the submission of an interim cashflow report after six months, which this report provides.

Current Position

4. These requests followed on from the financial outturn of the 2014 programme, which (notwithstanding artistic successes) ended with a deficit of c.£170,000. As a result, the Culture, Heritage & Libraries Committee postponed consideration of the grant request for 2016 until the 2015 outturn was known, towards the end of summer 2015. The resignation of the Festival Director (Paul Gudgin) provided a further opportunity to reflect on future options regarding the Festival's future scope and structure.
5. A number of meetings took place during August 2015, involving (among others) the Chairman and Deputy Chairman of the Culture, Heritage & Libraries Committee, the Chamberlain, and the Chairman of the City Arts Trust. The outturn figure for 2015 was a much improved small deficit of c.£12K and after considering various options it was agreed that the 2016 grant to the Trust should be awarded. The summary accounts for the 2015 Festival, as at September 2015, are attached as Appendix A. A projected cashflow for 2015-16 at Appendix B.
6. The Chairman of the Trust has provided assurances that the Festival will return to surplus and that Bowler Hat loan repayments (which are factored in to the 2016 cashflow) will begin on schedule. The Culture, Heritage & Libraries Committee, in discussing the Festival at its September 2015 meeting, noted the importance of regular communications between the Trust and the Committee, to ensure that clear models of accountability are in place both artistically and financially. The Trust has established a separate Finance and Risk Committee whose papers, along with those of the Trust Board, are to be shared with corporation officers on a regular basis.
7. The Trust is still in the process of recruiting a new Festival Director to succeed Paul Gudgin but an outline programme for 2016 has been devised. It has been made clear to the Trust that the Culture, Heritage & Libraries Committee will need to monitor the financial as well as the artistic success of the 2016 Festival and that any commitments will be dependent upon those outcomes.

Conclusion

8. The Festival and the City Arts Trust are in a period of some transition and regrouping and the situation will continue to be monitored. The current Chairman of the Trust believes strongly in its ongoing sustainability, subject to what is needed by way of recruitment and ongoing City funding, and there continues to be much support for the Festival as a distinctive part of the Square Mile's cultural offer. The Trust has reassured the Corporation that Bowler Hat loan repayments will begin in 2016 and the cashflow projection which they have supplied supports that. Further reports will be provided to the Culture, Heritage & Libraries and Finance Committees as necessary.

Appendices

- A. City of London Festival summary outturn report 2015
- B. City of London Festival cashflow projections 2016

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City of London Festival

Appendix A

Summary of changes between original budget and forecast out-turn
As at 7 September 2015

	<u>Original Budget</u> <u>To Board</u>	<u>Forecast</u> <u>out-turn</u>	<u>Variance</u>	
Income				
Ticket sales	179,000	131,969	(47,031)	
CoL core grant	297,000	297,000	0	
Sponsorship income	350,000	292,850	(57,150)	
Gifts in Kind	0			
Donations - Trusts and Foundations	145,000	47,350	(12,657)	
Donations - Public Funding	inc above	84,993		
City of London - other	87,676	87,676	0	
	<u>232,676</u>	<u>220,019</u>	<u>(12,657)</u>	
Advertising income	20,000	14,456	(5,544)	
Individual giving	80,000	54,859	(25,141)	
	682,676	582,184	(100,492)	
Street Guitar profits from extended loan	0	200	200	
Profit on interval drinks	0	1,100	1,100	
Investment income	0	0	0	
Bank interest earner	100	100	0	
TOTAL INCOME	<u>1,158,776</u>	<u>1,012,553</u>	<u>(146,223)</u>	overall reduction
Expenditure				
Overheads				
Staff costs				
Full-time salaried staff	280,000			
Freelance fees/volunteer expenses	34,000			
Sub-total	314,000	322,090	8,090	extra
Office and premises	61,500	57,700	(3,800)	saving
Other				
Staff expenses	inc below	1,500		
Financial and professional costs	inc below	7,403		
Development costs	inc below	4,850		
Other general costs	inc below	9,900		
Sub-total	14,000	23,653	9,653	extra
Equipment	0	0	0	
Depreciation and contingency				
Depreciation charges	29,990	30,132		
Contingency	10,000	0		
Sub-total	39,990	30,132	(9,858)	extra
Sub-total of overheads	429,490	433,575	4,085	extra
Performers	227,000	258,335	31,335	extra
Technical	209,000	140,115	(68,885)	saving
Event staffing	64,000	28,315	(35,685)	saving
Other event costs	36,000	32,910	(3,090)	saving
Marketing	95,000	91,009	(3,991)	extra
L&P	27,000	24,687	(2,313)	saving
FWS	18,000	15,825	(2,175)	saving
Outdoor	49,000 inc above	0	(49,000)	costs inc. above
TOTAL EXPENDITURE	<u>1,154,490</u>	<u>1,024,771</u>	<u>(129,719)</u>	overall saving
SURPLUS/(DEFICIT)	<u>4,286</u>	<u>(12,219)</u>	<u>(103,618)</u>	<i>From</i> Bowler Hat (BH)
			(2,175)	FWS
			(2,313)	L&P
			(3,991)	Marketing
			4,085	Overheads
			(108,012)	
			(21,707)	Remainder of savings from other event types, less BH
			<u>(129,719)</u>	

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Week ending:	Sept 15 b/f	Oct 15	Nov 15	Dec 15	Jan 16	Feb 16	Mar 16	Apr 16	May 16	Jun 16	Jul 16	Aug 16	Sep 16	Total	Cash in/out re Budget 2016	Debtors / Creditors at Sep16	Budget 2016	Figures for allocation
Income:																		
2015 Debtors b/f		50,000.00	49,533.00	-										99,533.00				
Fundraising and sundry income		6,260.00	-	3,443.00	14,085.00	36,621.00	4,382.00	4,382.00	62,600.00	39,751.00	28,170.00	102,977.00	10,329.00	313,000.00	313,000.00	20,000.00	333,000.00	313,000.00
Fundraising - grants, donations and public funding		1,072.50	247.50	6,600.00	3,960.00	3,300.00	11,385.00	17,655.00	16,830.00	85,140.00	2,475.00	15,840.00	495.00	165,000.00	165,000.00	30,000.00	195,000.00	165,000.00
Corporation - core/extra					91,575.00			91,575.00			91,575.00			274,725.00	274,725.00		274,725.00	274,725.00
Corporation - other					21,897.00						59,203.00			81,100.00	81,100.00		81,100.00	81,100.00
Box office VATable					1,580.00	15,800.00	1,580.00	23,226.00	28,914.00	31,600.00	17,380.00	37,920.00		158,000.00	158,000.00		158,000.00	158,000.00
Bank interest				10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00	100.00	100.00		100.00	100.00
VAT repayments														-				
TOTAL CASH IN		57,332.50	49,780.50	10,053.00	133,107.00	55,731.00	17,357.00	136,848.00	108,354.00	156,501.00	198,813.00	156,747.00	10,834.00	1,091,458.00	991,925.00	50,000.00	1,041,925.00	991,925.00
Cumulative income to date		57,332.50	107,113.00	117,166.00	250,273.00	306,004.00	323,361.00	460,209.00	568,563.00	725,064.00	923,877.00	1,080,624.00	1,091,458.00					
EXPENDITURE		Consolidated Items	Consolidated Items	Consolidated Items	Consolidated Items	Consolidated Items	Consolidated Items	Consolidated Items	Consolidated Items	Consolidated Items	Consolidated Items	Consolidated Items	Consolidated Items					
2015 creditors b/f		76,780.00												76,780.00				
2014 creditors b/f					14,882.15									14,882.15				
Artists		-	-	-	2,270.00	5,675.00	5,675.00	7,945.00	10,215.00	45,400.00	102,150.00	29,510.00	18,160.00	227,000.00	227,000.00		227,000.00	227,000.00
Corporation fund events		-	-	-	-	11,900.00	2,040.00	3,060.00	-	-	-	-	-	17,000.00	17,000.00		17,000.00	17,000.00
Venue and technical		-	-	-	-	-	3,370.00	3,370.00	5,055.00	45,495.00	25,275.00	50,550.00	35,385.00	168,500.00	168,500.00		168,500.00	168,500.00
Event staffing		-	-	-	-	-	-	-	4,700.00	5,640.00	6,110.00	25,850.00	4,700.00	47,000.00	47,000.00		47,000.00	47,000.00
Other event costs		-	-	-	-	-	-	-	-	420.00	280.00	27,300.00	-	28,000.00	28,000.00		28,000.00	28,000.00
Marketing		-	-	950.00	950.00	10,260.00	4,465.00	3,800.00	5,605.00	17,670.00	18,050.00	19,000.00	14,250.00	95,000.00	95,000.00		95,000.00	95,000.00
Administration fees		19,780.61	19,780.61	20,094.59	28,258.02	28,258.02	28,258.02	28,258.02	28,258.02	28,258.02	28,258.02	28,258.02	28,258.02	313,978.00	313,978.00		313,978.00	313,978.00
Office/premises expenses		722.83	1,890.47	10,008.36	1,890.47	2,335.28	8,062.29	1,723.66	2,835.70	14,790.13	1,056.44	1,946.07	8,340.30	55,602.00	55,602.00	3,798.00	59,400.00	55,602.00
Receptions/hospitality, Staff exps, Miscellaneo		217.85	217.85	217.85	2,062.27	2,178.45	2,033.22	2,178.45	116.18	1,452.30	2,178.45	217.85	1,452.30	14,523.00	14,523.00	3,477.00	18,000.00	14,523.00
Bowler Hat loan repayment - £150k over 5 yrs from 19 Mar 16							30,000.00							30,000.00	30,000.00		30,000.00	30,000.00
VAT payments														-	-		-	-
Depreciation & Contingency				100.00	250.00	250.00	350.00	450.00	2,000.00	4,500.00	1,300.00	800.00	10,000.00	10,000.00	19,666.00	29,666.00	10,000.00	10,000.00
TOTAL		97,501.29	21,888.93	31,270.80	50,412.90	60,856.75	84,153.53	50,685.13	57,234.91	161,125.45	187,857.91	183,931.94	111,345.62	1,098,265.15	1,006,603.00	26,941.00	1,033,544.00	1,006,603.00
Cumulative expenditure to date		97,501.29	119,390.21	150,661.01	201,073.91	261,930.67	346,084.20	396,769.33	454,004.24	615,129.69	802,987.60	986,919.53	1,098,265.15					
Surplus / month [-ve means loss]		(40,168.79)	27,891.57	(21,217.80)	82,694.10	(5,125.75)	(66,796.53)	86,162.87	51,119.09	(4,624.45)	10,955.09	(27,184.94)	(100,511.62)				8,381.00	
Cumulative surplus/deficit to date		(40,168.79)	(12,277.21)	(33,495.01)	49,199.09	44,073.33	(22,723.20)	63,439.67	114,558.77	109,934.31	120,889.41	93,704.47	(6,807.15)				30,000.00	
Cash at Bank projection	95,096.45	54,927.67	82,819.24	61,601.45	144,295.54	139,169.79	72,373.26	158,536.13	209,655.22	205,030.77	215,985.86	188,800.92	88,289.30	6,807.15			38,381.00	add back depreciation charge surplus per budget

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Agenda Item 13

Committee: Finance Committee	Date: 17 November 2015
Subject: Central Contingencies	Public
Report of: Chamberlain	For Information

1. Service Committee budgets are prepared within the resources allocated by the Policy and Resources Committee and, with the exception of the Policy and Resources Committee, such budgets do not include any significant contingencies. The budgets directly overseen by the Finance Committee therefore include central contingencies to meet unforeseen and/or exceptional items that may be identified across the City Corporation's range of activities. Requests for allocations from the contingencies should demonstrate why the costs cannot, or should not, be met from existing provisions.
2. In addition to the central contingencies, the Committee has a specific City's Cash contingency of £100,000 to support humanitarian disaster relief efforts both nationally and internationally.
3. The uncommitted balances that are currently available are set out in the table below. At the time of preparing this report, there were no further requests for use of the contingencies included on the agenda.

2015/16 Contingencies - Uncommitted Balances at 4 November 2015				
	City Fund £'000	City's Cash £'000	Bridge House Estates £'000	Total £'000
General Contingencies	434	612	50	1,096
National and International Disasters	0	80	0	80
Uncommitted Balances	434	692	50	1,176

4. The requests which the Committee has previously agreed against the 2015/16 contingencies are listed at Appendix 1.

Recommendation

5. Members are asked to note the report.

Stephen Telling

Chief Accountant

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Appendix 1 2015/16 Contingencies

2015/16 General Contingency – City’s Cash

Committee Date	Description	Responsible Officer	Allocation £	Contingency Balance £
	2015/16 Provision			950,000
	2014/15 Provision brought forward to fund commitments entered into in previous financial years			145,000
	Total Provision			1,095,000
10 Dec 2013	£55,000 (£30,000 in 2014/15 and £25,000 in 2015/16) for additional one-off revenue costs in respect of the Education/Community Programme to launch the Heritage Gallery; and the provision of retail stock to promote the opening and the City’s role in looking after London and the Nation’s heritage. The first £15,000 of income from the sale of the special retail stock will be credited centrally.	DCHL	25,000	
21 Oct 2014	Up to £98,500 in match funding (in partnership with the Mercers' Company) for a biography of Sir Thomas Gresham. Phased over 5 years - £33,500, £5,000, £5,000, £25,000 and £30,000 in 2014/15, 2015/16, 2016/17, 2017/18 and 2018/19 respectively.	TC	65,000	
13 Jan 2015	Funding to meet the transport and freight costs of taking the Guildhall School’s opera scenes to Shanghai in April 2015.	GSM	29,800	
17 Feb 2015	Grant funding for The Honourable The Irish Society (£25,000 p.a. for 2014/15 and 2015/16)	CH	25,000	
14 Apr 2015	“Founding Sponsor” contribution towards the cost of a major City spectacular in commemoration of the 350 th anniversary of the Great Fire of London.	DCHL	300,000	
21 Jul 2015	£33,000 to match fund a grant that The Honourable The Irish Society are making to the National Citizenship Scheme. £5,000 for the Lord Mayor to host a dinner in Belfast to mark the giving of this grant.	CH	38,000	
	Total allocations agreed to date			482,800
	Balance remaining prior to any requests that may be made to this meeting			612,200

Appendix 1 2015/16 Contingencies

2015/16 General Contingency – City Fund

Committee Date	Description	Responsible Officer	Allocation £	Contingency Balance £
	2015/16 Provision			800,000
	2014/15 Provision brought forward to fund commitments entered into in previous financial years			83,000
	Total Provision			883,000
13 Jan 2015	£50,000 (£25,000 in 2014/15 and £25,000 in 2015/16) for additional funding towards the LGPS Collective Investment Vehicle (CIV).	CH	25,000	
17 Feb 2015	£142,000 (£84,000 in 2014/15 and £58,000 in 2015/16) towards an appeal regarding Greater London Authority Roads.	CH	58,000	
9 Oct 2015	£366,000 to fund the cost of urgent waterproofing and drainage works at Frobisher Crescent.	DCCS	366,000	
	Total allocations agreed to date			449,000
	Balance remaining prior to any requests that may be made to this meeting			434,000

2015/16 General Contingency – Bridge House Estates

Committee Date	Description	Responsible Officer	Allocation £	Contingency Balance £
	2015/16 Provision			50,000
	Total allocations agreed to date			0
	Balance remaining prior to any requests that may be made to this meeting			50,000

Appendix 1 2015/16 Contingencies

2015/16 National & International Disasters Contingency – City’s Cash

Committee Date	Description	Responsible Officer	Allocation £	Contingency Balance £
	2015/16 Provision			100,000
	2014/15 unspent provision brought forward			30,000
	Total Provision			130,000
27 Apr 2015 Urgency	British Red Cross, Nepal Earthquake Appeal	TC	25,000	
1 May 2015 Urgency	Disasters Emergency Committee, Nepal Earthquake Appeal	TC	25,000	
	Total allocations agreed to date			50,000
	Balance remaining prior to any requests that may be made to this meeting			80,000

Key to Responsible Officers:

CH: Chamberlain

DCHL: Director of Culture, Heritage and Libraries

GSM: Principal, Guildhall School of Music and Drama

TC: Town Clerk

DCCS: Department of Community and Children’s Services

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Committee: Audit and Risk Management Finance Committee	Date: 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.

Contact:

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