



Audit and Risk Management Committee

Date: TUESDAY, 10 OCTOBER 2017
Time: 2.00 pm
Venue: COMMITTEE ROOMS, 2ND FLOOR, WEST WING, GUILDHALL

Members:

Alderman Ian Luder (Chairman)	Deputy Jamie Ingham Clark (Ex-Officio Member)
Alderman Nick Anstee (Deputy Chairman)	Kenneth Ludlam (External Member)
Randall Anderson	Paul Martinelli
Alexander Barr	Caroline Mawhood (External Member)
Chris Boden	Jeremy Mayhew (Ex-Officio Member)
Alderman Charles Bowman	Hugh Morris (Ex-Officio Member)
Henry Colthurst	
Hilary Daniels (External Member)	
Alderman Peter Estlin	

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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 of the meeting held on 24 July 2017.

For Decision
(Pages 1 - 10)
4. **OUTSTANDING ACTIONS OF THE COMMITTEE**
Report of the Town Clerk.

For Information
(Pages 11 - 12)
5. **COMMITTEE WORK PROGRAMME**
Report of the Town Clerk.

For Information
(Pages 13 - 14)
6. **INTERNAL AUDIT RECOMMENDATIONS FOLLOW UP**
Report of the Head of Internal Audit and Risk Management.

For Information
(Pages 15 - 26)
7. **RISK MANAGEMENT UPDATE**
Report of the Chamberlain.

For Decision
(Pages 27 - 58)
8. **DEEP DIVE RISK REVIEWS**
Report of the Chamberlain.

For Information

 - a) **Road Safety (Pages 59 - 70)**
Report of the Director of the Built Environment
 - b) **Safeguarding (Pages 71 - 78)**
Report of the Director of Community and Children's Services.

9. **CITY FUND AND PENSION FUND FINANCIAL STATEMENTS - AUDIT COMPLETION REPORTS**
Report of the Chamberlain.

For Information
(Pages 79 - 124)

10. **CITY'S CASH FINANCIAL STATEMENTS 2016/17**

For Decision
(Pages 125 - 228)

11. **CITY'S CASH TRUST FUNDS AND SUNDRY TRUST FUNDS ANNUAL REPORTS AND FINANCIAL STATEMENTS 2016/17**
Report of the Chamberlain.

For Decision
(Pages 229 - 234)

12. **FUTURE ARRANGEMENTS FOR THE APPOINTMENT/RE-APPOINTMENT OF EXTERNAL MEMBERS**
Town Clerk to be heard.

For Decision

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

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

15. **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.

For Decision

Part 2 - Non-Public Agenda

16. **DEMAND AND VALUE FOR MONEY REVIEW - SHORT TERM RECOMMENDATIONS AND NEXT STEPS; INCLUDES INDICATIVE TIMELINE**
Report of the Commissioner, City of London Police.

For Information
(Pages 235 - 258)

17. **DEMAND AND VALUE FOR MONEY REVIEW**
Report of the Commissioner of Police.

For Decision
(Pages 259 - 290)

18. **NON-PUBLIC QUESTIONS ON MATTERS RELATING TO THE WORK OF THE COMMITTEE**
19. **ANY OTHER BUSINESS THAT THE CHAIRMAN CONSIDERS URGENT AND WHICH THE COMMITTEE AGREE SHOULD BE CONSIDERED WHILST THE PUBLIC ARE EXCLUDED**

AUDIT AND RISK MANAGEMENT COMMITTEE

Monday, 24 July 2017

Minutes of the meeting of the Audit and Risk Management Committee held at Guildhall on Monday, 24 July 2017 at 2.00 pm

Present

Members:

Randall Anderson	Alderman Ian Luder (Chairman)
Chris Boden	Kenneth Ludlam (External Member)
Hilary Daniels (External Member)	Paul Martinelli
Sheriff & Alderman Peter Estlin	Caroline Mawhood (External Member)
Deputy Jamie Ingham Clark (Ex-Officio Member)	Jeremy Mayhew (Ex-Officio Member)

In Attendance

Officers:

John Barradell	-	Town Clerk
Peter Lisley	-	Assistant Town Clerk/Cultural Hub Director
Gary Locker	-	Town Clerks
Neil Davies	-	Town Clerks
Julie Mayer	-	Town Clerks
Peter Kane	-	Chamberlain
Caroline Al-Beyerty	-	Deputy Chamberlain
Philip Gregory	-	Chamberlain's
Pam Raphael	-	Chamberlain's
Karen Atkinson	-	Chamberlain's
Kate Limna	-	Chamberlain's
Pat Stothard	-	Head of Internal Audit and Risk Management
Andrew Carter	-	Community and Children's Services
Jacquie Campbell	-	Community and Children's Services
Paul Murtagh	-	Community and Children's Services
Leigh Lloyd-Thomas	-	External Auditor, BDO
Nick Bennett	-	External Auditor, Moore Stephens
Deputy Catherine McGuinness	-	Chairman of Policy and Resources – items 5&6
Susan Pearson	-	Deputy Chairman Barbican Residential Committee – items 5&6
Graham Wallace	-	Chairman of Barbican RCC – items 5&6 (Residents Consultation Committee)

1. APOLOGIES

Apologies were received from Alderman Charles Bowman, Alderman Nick Anstee, Henry Colthurst, and Hugh Morris.

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

There were no declarations.

3. **MINUTES OF THE PREVIOUS MEETING**

The public minutes and summary of the meeting held on 23 May 2017 were approved.

Members noted that, following the appointment of Deputy Jamie Ingham Clark as Deputy Chairman of the Finance Committee, he was automatically appointed as an ex-officio Member of the Audit and Risk Management Committee and, therefore, the Committee was carrying a vacancy. The vacancy had been advertised at the last 2 Court meetings but no nominations had been forthcoming.

4. **OUTSTANDING ACTIONS OF THE COMMITTEE**

Members noted the Committee's outstanding actions list and updates since the last meeting of the Committee.

5. **DEEP DIVE: CR01 RESILIENCE - EVENT OR SITUATION RELATED TO TERRORISM OR OTHER SERIOUS EVENT/MAJOR INCIDENT**

The Committee received a report of the Town Clerk in respect of Corporate Risk CR01 (Resilience), which identified issues for which the City of London Corporation had primary responsibility and control. The report concentrated on the preparedness of the City of London Corporation to respond effectively to an emergency situation related to a major incident, particularly in light of the recent terrorist attacks and the Grenfell Tower block fire, to which a number of City of London Corporation staff had been seconded. The Town Clerk advised that, in light of the recent terrorist attacks, the Police advised that current response levels were the 'new normal'. Members noted there would be a number of de-briefs during August.

During the discussion and questions, the following points were noted:

- The Royal Borough of Kensington and Chelsea has very active community groups, which had set up 5 reception centres, offering support and respite and immediate aftercare.
- The management of expectations in respect of temporary housing had been an issue for Kensington and Chelsea. The City of London Corporation would offer emergency accommodation in local hotels and longer term accommodation but not always in the immediate locality. Members noted that a significant number of Grenfell residents in local hotels had not accepted longer term offers of accommodation. Members suggested that the City of London Corporation should publicise how they would respond and what would be offered, in order to manage expectations. The Town Clerk explained that, whilst alternative housing could be provided, the impact on local health and social care services was likely to be an issue in the alternative areas, as had been the case with Kensington and Chelsea.

- Whilst Grenfell's communications had been very strong and immediate there were local political issues, particularly the negative public perception of Kensington and Chelsea's response.
- The pictures of Grenfell Tower, during and immediately after the incident, had caused residents in tower blocks to lack confidence in the advice to 'stay put'. However, this advice had been reiterated by the Fire Brigade, unless residents were in immediate danger. Furthermore, the Fire Brigade would manage orderly containment and evacuation, avoiding the use of loud speakers and alarms.
- Members noted that there was no cladding, like that used on Grenfell Tower, in any of the City Corporation tower blocks.
- The City Corporation had printed and published a fire safety leaflet for all City residents and officers would demonstrate exit routes, if residents were unsure.

The Chairman thanked officers for this comprehensive report and the excellent work of City Corporation officers in assisting in the recent tragedies.

RESOLVED, that – the report be noted.

6. **FIRE SAFETY IN THE CITY'S RESIDENTIAL BLOCKS**

The Committee received a report of the Director of Community and Children's Services in respect of Fire Safety in the City's residential blocks, following the fire at Grenfell Tower. Members noted that the report had been prepared soon after the incident and presented to the Community and Children's Services and Housing Management and Almshouses Sub Committee. The Audit and Risk Management Committee had asked to see the report to seek assurance that the risk was being managed effectively.

The Director of Community and Children's Services updated Members on developments since the report had been drafted in respect of sprinklers, alarms and fire doors. Members noted that the Department was taking a measured and strategic approach, which included testing fire doors from each block, silent alarms to a call centre and fire risk assessments, which had strongly endorsed a 'stay put' policy. The work had also included signage, exits, clearing exit routes and a series of drop in sessions at all estates, attended by the Fire Brigade.

During the discussion and questions, the following points were noted:

- A full, independent fire inspection had taken place in August/September 2016 and would continue annually. Frankham Risk Assessments Ltd had been selected from a pool of specialists, in consultation with the Fire Brigade, and officers were very confident of their expertise.

- Members welcomed the swift action of officers in producing a report which was measured and proportionate.
- Officers would take Counsel's opinion as to whether some of the additional safety works could be recharged to Leaseholders.
- Blocks have 1 or 2 exits and this had been taken into consideration as part of the Risk Assessments. Some fire doors in the City of London Corporation's estates gave up to 1 hour of protection but 60-minute fire doors were also very heavy. Members suggested that future reports would benefit from showing the siting and number of exits from each block.

In concluding, the Chairman thanked officers for providing assurance to Members of the Audit and Risk Management Committee and would welcome a further update as work progressed.

RESOLVED, that - the report be noted.

7. **ANNUAL GOVERNANCE STATEMENT 2016/17**

The Committee considered a report of the Town Clerk in respect of the Annual Governance Statement.

Members asked for the following items to be added:

- Reference to the lessons learnt from recent cyber security breaches; eg the NHS earlier in the year.
- The frequency of Business Continuity Plan testing.

In respect of attendance details of Committee Members, the Town Clerk agreed to check whether this was general practice.

The Chamberlain confirmed that the Department of Communities and Local Government had not changed the agreement to maintain medium term funding in response to the City of London Corporation's Efficiency and Sustainability Plan.

RESOLVED, that:

1. Subject to amendments reflecting the comments above, the Annual Governance Statement, as set out in Appendix 1 to the report, be approved for signing by the Chairman of the Policy and Resources Committee and the Town Clerk and Chief Executive.
2. The AGS be published alongside the 2016/17 City Fund and Pension Funds Statement of Accounts.
3. The future developments in paragraph 74 of the AGS, to improve the governance framework, be noted.

4. Authority be delegated to the Town Clerk and Chief Executive, in consultation with the Chairman and Deputy Chairman of this Committee, to amend the AGS for any significant events or developments relating to the governance arrangements which might occur prior to the date on which the Statement of Accounts is signed by the Chamberlain.

8. **CITY FUND AND PENSION FUNDS AND BRIDGE HOUSE ESTATES FINANCIAL STATEMENTS 2016/17**

The Committee considered a report of the Chamberlain in respect of the City Fund and Pension Fund Financial Statements for 2016/17. Members noted that the audit work on these accounts was almost complete and a clean opinion on the accounts was anticipated, with just a couple of minor, non-significant adjustments.

The External Auditors, BDO, were in attendance and confirmed that the risks highlighted in the reports were very standard. BDO also confirmed they expected to give an independent and objective opinion, on a set of true and fair accounts, in respect of the City Fund and Pension Fund. BDO further highlighted that the letter of representation appended to their report was similar to last year and included items in the estimate methodology.

The Chamberlain commended the excellent work of the team in bringing the accounts in early, in preparation for the new timetables to be introduced next year and on the closure of all recommendations from last year's action plan.

The Chamberlain had held 2 Member briefings the previous week in respect of the City Fund, Pension Fund and Bridge House Estates Financial Statements and the notes taken at those sessions had been circulated to Members. The Chamberlain advised that, should any material changes be required for the final sign off of the accounts, under the delegated authority recommended, they would be circulated to all Members of the Finance and Audit and Risk Management Committees.

During the discussion on the accounts, the following points were noted:

- The two sets of auditors had disagreed on treatment of deferred income but, during the meeting, BDO confirmed that they would accept 'receipts in advance' if they were shown as 'deferred income'.
- The Finance Committee had agreed to increase the employer's pension contribution from 17.5% to 21% and to set the deficit recovery period at 17 years (from 2017/18). Three Members of the Finance Committee, along with the Chamberlain, Deputy Chamberlain and Corporate Treasurer had reviewed and challenged the assumptions used by the Actuary and reached the same conclusion in that the City of London Corporation was acting prudently.
- The Auditors had not insisted on 'segment reporting' this year as they felt that enough information was present in the notes to the accounts for a user to understand the nature of the organisation. Furthermore, the auditors and the Chamberlain were working with CIPFA to 'de-clutter' Local Government

Accounts and it was felt this was a good example of whether further requirements did not necessarily add value.

- The favourable outturn position (£9.3m) was noted and the Chamberlain advised that, whilst this was largely due to the over-achievement of income targets, it was being closely monitored. However, the 2% efficiency savings required from 2018/19 would provide an opportunity to tighten the position.

RESOLVED, that:

1. The contents of BDO's reports on the City Fund and Pension Fund be noted and the City Fund and Pension Fund Financial Statements for the year ended 31 March 2017 be recommended for approval to the Finance Committee.
2. Authority be delegated to the Town Clerk, in consultation with the Chairman and Deputy Chairman of the Audit and Risk Management Committee, approval of any material changes to the financial statements required before the signing of the audit opinion by BDO - which is expected to be by the end of August or early September. *(NB. Any material changes will be circulated to Members of the Audit and Risk Management and Finance Committees)*

BRIDGE HOUSE ESTATES ANNUAL REPORT AND FINANCIAL STATEMENTS (Item of Urgent Business)

The Committee considered a report of the Chamberlain in respect of the Bridge House Estates (BHE) Annual Report and Financial Statements for the year ended 31 March 2017. The Chamberlain was pleased to advise Members that these accounts had been prepared 2-3 months earlier than expected and commended staff and auditors on their excellent work in bringing the accounts in so early. The Chairman had therefore agreed to accept this set of accounts and the report under 'Urgent Business'.

Members noted that the accounts were almost complete, with a couple of minor queries and an unqualified opinion was expected, with no errors identified and no accountancy presentation changes. The auditors had made 5 recommendations in respect of governance but none relating to the accounts. Members noted that Governance and the Trustees' role were under review and recommendations would be made on the latest guidance, following release by the Charities Commission of a new Governance Code. The External Auditors, Moore Stephens, were in attendance and confirmed this position.

Members noted the improved narratives and streamlined format of this report, with an overview, and noted that BHE was the 7th largest charity in the UK, by asset value, as at 31 March 2016.

During the discussion, the following points were noted:

- The Sundry Trusts list would be included in the final report.

- All patching reports were due to complete this week.
- Given that BHE Accounts were prepared in accordance with the Charities SORP2015, FRS102, it was unlikely that the value of the bridges would need to be included in the accounts in the near future. However, the bridges were valued for insurance purposes.
- Could the 3 Trusts within COLAT be identified.

In concluding, the Chairman commended both the Chamberlain's staff and the Auditors for their excellent work in presenting such good quality accounts, earlier than expected.

RESOLVED, that :

1. The contents of Moore Stephens reports on Bridge House Estates be noted and the Bridge House Estates Financial Statements for the year ended 31 March 2017 be recommended for approval to the Finance Committee.
 2. Authority be delegated to the Town Clerk, in consultation with the Chairman and Deputy Chairman of the Audit and Risk Management Committee, approval of any material changes to the financial statements required before the signing of the audit opinion by Moore Stephens - which is expected to be in mid- September. *(NB. Any material changes will be circulated to Members of the Audit and Risk Management and Finance Committees)*
9. **EXTERNAL RISK REVIEW - RISK APPETITE**
 The Committee received a report of the Chamberlain in respect of the external review into risk appetite. The Chamberlain advised that he would shortly contact Members and invite them to take part in a survey, along with Chairmen of Grand Committees and Senior and Chief Officers, the results of which would be reported back in the autumn. The Chamberlain advised that refresher training in risk management/appetite for all senior managers was also underway.

RESOLVED, that – the report be noted.

10. **INTERNAL AUDIT UPDATE**
 The Committee received a report of the Head of Internal Audit and Risk Management which provided an update on Internal Audit work. Members noted that, for the 3 outstanding audits for 2016/17, the fieldwork was complete and reports would be ready shortly. The Head of Internal Audit and Risk Management advised that the reviews had taken a little longer than expected, whilst ownership of some of the recommendations had been determined across corporate issues.

RESOLVED, that – the report be noted.

11. INTERNAL AUDIT RECOMMENDATIONS FOLLOW-UP REPORT

The Committee received a report of the Head of Internal Audit and Risk Management in respect of the follow up on Internal Audit recommendations. In respect of Appendix 2 to the report, which showed recommendations which had either been partially or not implemented, Members noted that this had been due to time-sensitive work on contracts and agreeing the ownership of some corporate recommendations.

During the discussion, the following points were noted:

- Whilst there may be good reasons for some slippages, they should not be repeated as it might present a risk to the organisation. Members were particularly concerned that some recommendations dated back to 2015/16 and would like more assurance in respect of the 39% of high priority recommendations awaiting implementation. The Chairman noted that 8 of these had implementation dates before the next meeting of the Audit and Risk Management Committee and asked for them to be added to the outstanding actions list.
- The Chairman of the IT Sub Committee, who is also a Member of the Audit and Risk Management Committee, agreed that the IT Sub Committee would follow up on the IT issues – i.e. IT asset management and the disposal policy.
- The number of audit days for next year's plan would be provided with the next Internal Audit Plan report but this information could be provided to Members separately, before the next Committee meeting.

RESOLVED, that – the report be noted.

12. COMMITTEE WORK PROGRAMME

Members noted the Committee's Work Programme.

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

There were no questions

14. ANY OTHER BUSINESS THAT THE CHAIRMAN CONSIDERS URGENT

The Chairman agreed to accept an item of urgent business in respect of the early production of the Bridge House Estates Accounts, which were considered under Agenda Item 8.

15. **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 1 of Schedule 12A of the Local Government Act.

Item no	Para
16	3,7
16 – 18	3

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

The non-public minutes of the meeting held on 23 May 2017 were approved.

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

The meeting ended at 15.40

Chairman

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AUDIT AND RISK MANAGEMENT COMMITTEE - Outstanding Actions- September 2017 update

Date Added	ITEM	Action	Officer responsible and target date
23.5.2017	HMIC - CITY OF LONDON POLICE INSPECTION -UPDATE	Deloitte review of economy, effectiveness and the workforce plan - results to be provided to the Audit and Risk Management Committee in the Autumn.	<i>Commissioner, City of London Police</i> October/November 2017
23.5.2017	EXTERNAL REVIEW OF INTERNAL AUDIT IN THE CITY OF LONDON CORPORATION	Members suggested that the action plan distinguish <u>low, medium and high</u> priority risks and be more outward focussed.	Head of Internal Audit and Risk Management November 2017
23.5.2017	INTERNAL AUDIT CHARTER	Members asked for cyber awareness to be more visible in all internal audit reviews and suggested that this be more explicit in the Charter.	<i>Head of Internal Audit and Risk Management</i> This will be actioned for all audits going forward. A section will be added to the Charter for the next review by the ARMC.
23.5.2017	HEAD OF INTERNAL AUDIT OPINION AND ANNUAL REPORT 2016/17	Members requested: <ol style="list-style-type: none"> 1. An update on the 5 red risks. 2. The numbers of greens, ambers and reds would give greater assurance than just stating the number of reds. 3. Future opinion reports include the quality of internal audit and coverage. 	<i>Head of Internal Audit and Risk Management</i> <ol style="list-style-type: none"> 1. Included in the 'follow up' report on the agenda for 24 July. 2 & 3 – To be included in the next HolA Opinion in May 2018
23.5.2017	INTERNAL AUDIT PLAN 2017/18	Members requested: <ol style="list-style-type: none"> 1. Could there be a review of significant areas every 3 years and an indication of the type of work which would be covered over the course of the year. 	<i>Head of Internal Audit and Risk Management</i> <ol style="list-style-type: none"> 1. This will be actioned for the next Audit Plan.

AUDIT AND RISK MANAGEMENT COMMITTEE - Outstanding Actions- September 2017 update

		<p>2. Whether future reviews could include an analysis of efficiency and include resources and training.</p>	<p>2. This will be considered as part of the forthcoming planning process.</p>
24.7.2017	<p>INTERNAL AUDIT RECOMMENDATIONS FOLLOW UP</p>	<p>1. Members sought more assurance in respect of the 39% of high priority recommendations awaiting implementation and asked for an update on the 8 recommendations which have implementation dates before the next meeting of the Audit and Risk Management Committee</p> <p>2. Provide the number of days for next year's Audit Plan</p>	<p><i>Head of Internal Audit and Risk Management</i></p> <p>1 & 2. Before or at the next meeting of the Audit and Risk Management Committee.</p> <p>2 – Circulated 22/9/2017</p>

Audit & Risk Management Committee - Work Programme

Meeting dates:	28/11/17	16/1/18	6/3/18	29/5/18	17/7/18
Financial Statements/External Audit					
					City Fund and Pension Fund Financial Statements
Internal Audit					
	Internal Audit Update		Internal Audit Update	Head of Internal Audit Annual Opinion (Internal Audit Update)	Internal Audit Update
	External Quality Assessment update	Internal Audit Recommendation Follow-up		Internal Audit Recommendation Follow-up	Internal Audit Recommendation Follow-up
	Internal Audit Recommendation Follow-up		Internal Audit Plan for 2018/19		
			Internal Audit Charter/Strategy		
Governance					
		Annual Governance Statement Methodology		Annual Governance Statement 2017/18	

Meeting dates:	28/11/17	16/1/18	6/3/18	29/5/18	17/7/18
	Actions arising from Committee Effectiveness Survey				
Risk Management					
	Risk Appetite	Risk Update	Risk Update		
	CR19 IT Provision	tbc	tbc		
Anti-fraud and Corruption					
	Anti-Fraud Investigations Update			Anti-Fraud Investigations Update	
External Inspections					
Risk Challenge Sessions					
	City Surveyor	tbc	tbc		
	Mansion House				

Committee:	Date:
Audit & Risk Management Committee	10 October 2017
Subject:	Public
Internal Audit Recommendations Follow-up	
Report of:	For Information
Chamberlain	

Summary

Since the previous A&RMC meeting, Internal Audit has implemented a revised process for the monitoring of the implementation of recommendations, increasing the frequency of updates, accepting only evidenced recommendations as implemented, and reinforcing the expectation of implementation by agreed target dates.

This report provides an update on the outcome of a recent follow-up exercise focused on red and amber priority recommendations due for implementation by 31/08/17.

As at mid-September 2017 there are no overdue red priority actions from reviews previously concluded and reported to this Committee. There is one live red priority recommendation which is not yet due for implementation.

Audit testing has confirmed that 59% of high priority recommendations were fully implemented at the time of follow up, 25% were partially implemented, and recommendations had not been implemented in 16% of cases. **Appendix 1** summarises the outcomes by department.

Where high priority recommendations were outstanding in full or in part at the time of audit follow-up, further updates have been sought from management to confirm timescales for resolution. Analysis of amber priority recommendations not fully implemented is shown at **Appendix 2**, Internal Audit will continue to liaise with recommendation owners to confirm timescales for implementation where these are not currently known.

Members are asked to:

- Note the recommendations follow-up report.

Main Report

Implementation of Recommendations - Revised Monitoring Process

1. Following concerns raised by members at the July 2017 A&RMC meeting, Internal Audit has implemented a revised process for the monitoring of the implementation of recommendations. The key changes are as follows:

- The frequency of updates has been increased from bi-annually to quarterly;
 - The status of “implemented” will be allocated only to recommendations which have been evidenced as completed by Internal Audit, rather than advised by Management;
 - Where evidence is not provided, the recommendation will be assessed as partially or not implemented and a revised target date will be agreed.
2. Management have been reminded that it is the A&RMCs view that there should only be one extension to Management’s agreed implementation deadline and that it is expected that the action should be fully implemented by the revised deadline date. Any actions which are extended beyond the revised target date may be subject to A&RMC challenge and call in of Managers to provide an explanation for additional extensions.

Formal Audit Follow-ups

3. The corporate follow-up exercise has recently been completed in respect of all live red and amber priority recommendations due for implementation by 31/08/17. Status updates were sought from recommendation owners and evidence was requested of progress in implementation.
4. There were three red priority recommendations due for implementation by 31/08/17 and therefore within the scope of the follow-up exercise: IT Asset Management: hard-drive stockpiling, IT Network Infrastructure: security management, and IT Asset Management: disposal policy. Evidence has been provided to demonstrate full implementation of these recommendations.
5. A summary of follow-up outcomes by department is shown at **Appendix 1** and demonstrates that:
- Implementation was confirmed for 59% of high priority recommendations, including the three red priority recommendations within scope
 - 25% of high priority recommendations have been partially implemented
 - 16% of high priority recommendations have not been implemented
6. Amber priority recommendations not implemented or only partially implemented are summarised at **Appendix 2** and a comparison of revised target dates to original agreed dates is shown where available. Recommendation owners have been advised of revised follow-up arrangements and the need to provide evidence of full implementation in order for recommendations to be closed down. Internal Audit has also reiterated that revised timescales should be set only in exceptional circumstances.
7. There is one live red priority recommendation with a revised target date of 31/12/17. This Chamberlain’s IT recommendation arose as part of the audit of Wi-Fi arrangements and the implementation action is linked to replacement of both the Guest (Open Mediated Wifi) and the Corporate Wi-Fi services. It is understood that additional security measures have been implemented to improve assurance of this service.

Conclusion

8. The recent corporate follow-up exercise has confirmed that there are no overdue red priority recommendations as at mid-September 2017 and there is only one live red priority recommendation not yet due for implementation. Follow-up testing determined that 59% of recommendations had been implemented in full, 25% had been partially implemented and 16% had not been implemented at this time. Internal Audit work is ongoing to confirm revised target dates for full implementation where these have not been supplied by recommendation owners, reiterating that these should be extended only in exceptional circumstances.

Appendices

- **Appendix 1 – Summary of formal follow up outcomes**
- **Appendix 2 – Analysis of recommendations not implemented**

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Corporate Follow-Up Exercise Outcomes – Recommendations due by 31/08/17

High Priority (Red & Amber) Recommendations

Department	Implementation Evidenced	Partially Implemented	Not Implemented	Total	Comments
Chamberlain's (City Procurement)	2	0	0	2	
Chamberlain's (IT Division)	12	3*	2* 1	18	3 red priority recommendations implemented
City of London Freeman's School	2	0	0	2	
City of London School	2	4	0	6	
City of London School for Girls	4	1* 1	1* 1	8	
City Surveyor	1	1*	0	2	
Community & Children's Services	4	3*	0	7	
City of London Police	3	0	3	6	
Mansion House	1	0	0	1	
Open Spaces	1	1*	0	2	
Town Clerk's (HR)	1	0	1	2	
TOTAL	33	14	9	56	
Percentage of total recommendations	59%	25%	16%		

** Revised target dates have been agreed with recommendation owners

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High Priority Recommendations Partially Implemented / Not Implemented

Amber priority recommendations outstanding at time of September 2017 follow-up exercise (recommendations due for implementation by 31st August 2017)

Department & Audit Area (‘Not implemented’ listed first)	Original Target Date	Revised Target Date	Implementation Status		Management Comment
			Not	Partial	
Chamberlain’s (IT Division): IT Network Infrastructure (SekChek) - Audit Policy	30/07/17	31/12/17	3	3	An Audit Policy (part of a raft of security related policies) will be produced and approved as part of the raft of IT policies being developed by the IT Transformation Programme (proposed new delivery date, end Dec 2017.) With the new contract deliverables matrix being in place to ensure delivery against policy.
IT Network Infrastructure (SekChek) – Audit Policy Alerts	30/07/17	28/02/18			As the policies are drafted and developed with partners and customers, a project Manager has been contracted to implement them. The design, implementation, use and regular review of audit logs will require careful planning. There is currently no SIEM (Security Information & Event Management) at CoL or DLP team, this is being addressed within CR16 and the recent Risk Treatment Plan including ten Steps to Security. A multi-strand project which is underway.
IT Asset Management – Software License Asset Register	30/06/17	10/07/17			Internal Audit are awaiting evidence of implementation.
ITIL – Version Control	31/03/17	31/12/17			The Head of IT Business Management and Performance advised that the starters, movers and leavers policy and process is currently being worked on, along with 50 others, in line with the transformation project, the aim is to get these fully implemented before 31/12/17.
Remote Access – New User Access Authorisation	30/05/16	31/12/17			The IT Business Manager has confirmed with the Service Desk that anyone can complete the new user form on the City of London Self-Services portal and that there is no approval that goes to the line manager of the relevant team. This is to be addressed by the new IT

Department & Audit Area (<i>'Not implemented'</i> listed first)	Original Target Date	Revised Target Date	Implementation Status		Management Comment
			Not	Partial	
WiFi – Penetration Tests	13/10/16	31/10/17			<p>Business Manager with the Service Desk to ensure tighter controls on authorisation of new user access authorisation.</p> <p>The IT Health check is complete, with one high risk vulnerability relating to Corporate WiFi. A plan to remediate against the Health check recommendations has been drafted by COL IT and Agilisys teams. The plan aims to complete the remediation, ready for our PSN compliance application deadline before the end of October 2017.</p>
City of London School Institutional Review – Governor Training Institutional Review – Procurement Card Management Institutional Review – Inventory Maintenance Institutional Review – Debt Management Roles, Responsibilities, Procedures	31/12/16 01/04/16 31/12/16 31/12/16	TBC TBC TBC TBC	0	4	<p>Internal Audit is in the process of liaising with the Town Clerk's Department and all of the Independent Schools to obtain assurance that responsibilities for Governor training and development are clear, mechanisms are in operation to ensure that all mandatory is undertaken as a minimum, and comprehensive training records are available to facilitate review.</p> <p>A recent audit of Financial Management at the School has confirmed partial implementation of these recommendations. New high priority recommendations are to be raised in these areas to incorporate some additional findings arising from audit fieldwork and suitable implementation timescales will be agreed with management.</p>
City of London School for Girls ICT Disaster Recovery Test	11/12/15	15/12/17	2	2	<p>CLSG Bursar: we understand the need for procedures for controlled restoring of data but we already have these in place along with a very good track record of keeping our systems on line (and have been able to do so even when colleagues in Guildhall have been suffering IT and telephony outages). We remain far from complacent about our IT resilience and we continue to review our procedures and systems and we are just completing an upgrade of our network which further enhances this resilience. We will take a look at whether a desk based</p>

Department & Audit Area (<i>'Not implemented' listed first</i>)	Original Target Date	Revised Target Date	Implementation Status		Management Comment
			Not	Partial	
ICT Penetration Testing	01/12/15	TBC			scenario (paper exercise) such as is set out below would be a useful addition to run at some point. We are about to change Systems Manager at the school at the end of this month. I will ask the new systems manager to run a paper exercise by the end of this term. CLSG Bursar: We have been researching the cost of a penetration test but the cost would be prohibitive e.g. around \$10,000. The school cannot afford to do this.
Institutional Review – Governor Training	30/06/16	TBC			CLSG Bursar: There are no legislative standards in this area. The Headmistress and Governors between them agree what training is appropriate. We are content for some of the training/induction to our particular school to be led by us. However, the issue is that many of the Governors also sit on other committees which have similar training requirements. Understandably, they do not want to have to repeat training multiple times just to meet requirements of individual departments or committees. This is where the Town Clerk's come in as Governors have asked for centrally provided training to be maintained by Clerks and then shared with Departments as required. This is outside the remit and control of the school. We can ask for the information to be provided but we are not responsible for maintaining the central training records.
Institutional Review – Inventory Maintenance	08/07/16	30/09/17			CLSG Bursar: We would normally run inventory checks during the summer when the equipment is all in one place and school is not in session. However, we have not been able to do this recently due to the refurbishment works taking place in school. However, I am confident that our checks are robust, for instance we were able to identify that some iPads were missing from their normal place of storage which has led to investigations to find their whereabouts.
City Surveyor (Action owner is CHB – IT) BMS Configuration	31/12/11	30/04/18	0	1	A series of workshops are underway attended by Schneider (the new

Department & Audit Area (<i>'Not implemented' listed first</i>)	Original Target Date	Revised Target Date	Implementation Status		Management Comment
			Not	Partial	
					BMS sub-contractor), IS networks, Agilysis and the City Surveyor's Department to consider the options to meet the Government's Code of Connection compliance criteria. To achieve compliance the parties are considering how the BMS can best be segregated from the main IS network. At the end of this exercise Schneider will report to the City on the options, costs and implications. This is expected to complete by the end of October 2017. Revised date for resolution of risk: 30 April 2018.
City of London Police Monitoring of Fuel Cards in Circulation Fuel Card List Accuracy Fuel Card Transaction Checking	30/09/16 30/09/16 30/11/16	31/12/17 31/12/17 31/12/17	3	0	The Police are currently in the process of procuring a new fuel card contract and an audit will be undertaken when the new contract comes into operation. A transaction list of all fuel card spend is circulated to the relevant departments by the Vehicle Fleet Manager. The Vehicle Fleet Manager does not have the resources to follow up on these and is reliant on departments checking the reports. The Police are advised to seek feedback from departments that transaction reports are being reviewed to 'close the loop.'
Community & Children's Services Valuation of Contract Variations Provisional Sums & General Contingencies Issue of Contract Instructions	31/03/15 31/03/15 31/03/15	31/12/17 31/12/17 31/12/17	0	3	DCCS now have a contract management checklist which will address the requirements of all three live high priority recommendations. Internal Audit need to review checks operating in practice post December 2017 as the current four projects are only just getting under way.
Open Spaces Lodges - Mole Valley Contract and Financial Regulations	30/12/16	31/12/17	0	1	The lodge review is complete – this has either reduced the number of staff in lodges or the position has remained static. The Mole Valley contract has been discussed and it is felt to be a useful and necessary service. However different sites have reported varying levels of

Department & Audit Area (<i>'Not implemented' listed first</i>)	Original Target Date	Revised Target Date	Implementation Status		Management Comment
			Not	Partial	
					satisfaction. Regular meetings are being established with Mole Valley to address this. An initial investigation of alternative providers did not find any suitable alternatives, so we will now take steps to review the market more fully with a procurement process.' As the procurement process is still to be undertaken, the recommendation has been recorded as partially implemented.
Town Clerk's HR Vetting Policies & Procedures	28/02/17	31/12/17	1	0	HR Operations Manager: I can confirm a review of the Recruitment and Selection Policy, together with the Pre-employment Vetting Policy has not yet been completed due to conflicting work commitments but it is now on the objectives of one of my team to complete this year with the support of the Policy team.
TOTAL			9	14	
Percentage of follow-up activity			%	%	

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Committee(s)	Dated: 10 October 2017
Audit and Risk Management Committee	
Subject: Risk Management Update	Public
Report of: Dr Peter Kane, Chamberlain	For Decision
Report author: Paul Dudley, Chamberlain's department	

Summary

This report provides the Committee with an update on the corporate and top red departmental risk registers following the review by the Chief Officer Risk Management Group (CORMG) on 4 July 2017 and Summit Group on 27 July 2017.

There are currently 12 corporate risks (11 in May 2017) of which are five are rated as red and seven as amber risks. All corporate risks have been reviewed and updated where appropriate.

There were two notable changes to the corporate risk register since May 2017:

- **CR20** Road Safety, moved from a risk score of red 16 to amber 12 (completed works at Bank Junction).
- A new corporate risk **CR 24 Operational security** has been added to the register following approval by the Summit Group at their meeting on 27 July 2017. The Committee is asked to confirm the inclusion of this risk on the corporate risk register.

The total number of top departmental red risks is now 11 (10 in May 2017). There has been some significant movement within the register with four risks being removed and five new risks added since the May 2017.

A total of 335 risks (310 as at May 2017) have been identified by departments providing a wide range of risks that may affect service delivery. Departments have used the Corporation's Risk Management Strategy (May 2014) to ensure a consistent approach to the way risks are described and scored.

Recommendations

The Committee is asked to:

1. confirm the addition of **CR24** Operational Security on to the corporate risk register.
2. Note the other changes to both the corporate and top red departmental risk registers outlined in the report.

Main Report

1.0 Background

- 1.1 The corporate risk register was last reviewed by the CORMG on 4 July 2017 and the Summit Group on 27 July 2017.
- 1.2 In accordance with the established risk framework, each risk has been reviewed and where appropriate updated by the responsible risk owner and departmental management teams.
- 1.3 A total of 335 wide ranging risks have been identified by departments comprising of 29 red, 179 amber and 127 green risks. This compares with total of the 310 risks in May 2017 which included 28 red, 163 amber and 119 green risks.
- 1.4 Of the 335 total risks, there are 12 corporate, and 11 top red departmental level risks. There are another 73 amber and 52 green risks recorded at departmental level. The remaining 187 are recorded as either service or team level risks.
- 1.5 Departments have used the City Corporation's Risk Management Strategy (May 2014) to ensure that there is a consistent approach to the way risks are described and scored. Attached as appendix 1 is the corporate risk matrix which illustrates the likelihood and impact ratings as well as the definitions for red, amber and green risks.

2.0 Corporate risk register

- 2.1 There are currently 12 corporate risks (five red and seven amber risks). There have been two notable changes since May 2017:

- **CR 20 Road Safety** moved from a risk score of red 16 to an amber 12 following the completion on the Bank Junction works.
- The Summit Group approved a new corporate risk - **CR 24 Operational Security** (Town Clerks) and scored as a red 24. The risk description is set out below. Full details of this risk can be found in appendix 3:

***Cause:** Inadequate, poorly maintained or time expired security infrastructure; lack of security culture within the organisation; poor training or organisation of staff; insufficient staff.*

***Event:** Security of an operational property is breached.*

***Effect:** Unauthorised access to building by criminals/protestors/terrorists; disruption of business/ high profile events; reputational damage; injury or potential loss of life amongst staff or members of the general public.*

A copy of the corporate risk register is attached as appendix 2.

Table 1 below – List of current corporate risks as at 5 September 2017 (Risk score order)

Risk no	Risk title	Risk rating	Current Risk score	Risk score change
CR24	Operational Security	Red	24	New
CR19	IT Service Provision	Red	16	↔
CR16	Information Security	Red	16	↔
CR21	Air Quality	Red	16	↔
CR22	Barbican fire safety risk	Red	16	↔
CR09	Health and Safety Risk	Amber	12	↔
CR01	Resilience Risk	Amber	12	↔
CR20	Road Safety	Amber	12	↓
CR23	Police Funding	Amber	12	↔
CR02	Loss of Business Support for the City	Amber	8	↔
CR10	Adverse Political Developments	Amber	8	↔
CR17	Safeguarding	Amber	8	↔

4.0 Top departmental red risks

4.1 There are currently 11 top departmental red risks (10 in May 2017). The following changes have been made to the top red departmental risk register (see appendix 3 for the top red detailed risk register):

Risks removed:

- **DCCS PE 002** – Expansion of Sir John Cass Primary School (see 4.2 below)
- **DCCS HS 003** – Lone working
- **SUR SMT 004** – Inability to deliver savings required by Service Based Review
- **TC CCC 002** – Security breach at Central Criminal Court

New risks:

- **BBC H&S 012** - Basquiat Exhibition (see 4.3 below)
- **BBC H&S 002** - Failure to deal with Emergency /Major Incident or Risk of Terrorism
- **CLF 012** – Master Plan 2016
- **SUR CBT 006** - City Bridges: Bridge House Estates - Wanton Damage / Terrorism
- **SUR CB 007** – City Bridges: Bridge House Estates - Tunnelling for the Thames Tideway Tunnel

4.2 The highest top red departmental risk was **DCCS PE 002**. However the number of pupil applications for Sir John Cass Foundation Primary School for 2017/18 has not been as high as anticipated. The governing body of the Sir John Cass's Foundation Primary School decided not to pursue expansion at the present time. The level of demand for places does not demonstrate the need for expansion. The school is presently financially viable as a one form

entry school. This risk has therefore been removed from the top red departmental risk register.

- 4.3 One of the new risks, **BBC H&S 002** – The Basquiat Exhibition was added on to this register on 30 June 2017 to reflect the importance and value of this exhibition. It has been scored as a red 24. An update on progress in mitigate this risk is included in appendix 3.

5.0 Responding to a major incident (CR 01 Resilience)

- 5.1 In the light of the recent two London based terrorist attacks and the Grenfell tower block fire tragedy in north Kensington, CORMG, at their meeting on 4 July 2017 invited Peter Lisle, Assistant Town Clerk, to discuss the City Corporation's emergency management arrangements, some of the immediate lessons from these events and how they might be incorporated into our own plans. These discussions were reported to Summit Group on 27 July 2017. CORMG will be reviewing progress on these lessons learnt at its next meeting on 19 September 2017. Members are asked to note that a deep dive report on the corporate risk CR01 Resilience was presented to the Audit and Risk Management Committee on 24 July 2017.
- 5.2 The Committee also received a report from the Director of Community and Children services on fire safety on City Corporation residential accommodation to the Audit and Risk Management Committee on 24 July 2017.

6.0 Conclusion

- 6.1 The corporate and top red departmental risk registers were reviewed by CORMG, 4 July 2017 and Summit Group on 27 July 2017. The CORMG provides additional assurance to the Summit Group, Chief Officer Group and the Audit and Risk Management Committee that corporate and top red departmental risks are appropriate and being actively managed.

Appendices:

APPENDIX 1 – Corporate Risk Matrix

APPENDIX 2 – Corporate risk register (detailed)

APPENDIX 3 – Top Red departmental risks (detailed).

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



City of London Corporation Risk Matrix (Black and white version)

Note: A risk score is calculated by assessing the risk in terms of likelihood and impact. By using the likelihood and impact criteria below (top left (A) and bottom right (B) respectively) it is possible to calculate a risk score. For example a risk assessed as Unlikely (2) and with an impact of Serious (2) can be plotted on the risk scoring grid, top right (C) to give an overall risk score of a green (4). Using the risk score definitions bottom right (D) below, a green risk is one that just requires actions to maintain that rating.

(A) Likelihood criteria

	Rare (1)	Unlikely (2)	Possible (3)	Likely (4)
Criteria	Less than 10%	10 – 40%	40 – 75%	More than 75%
Probability	Has happened rarely/never before	Unlikely to occur	Fairly likely to occur	More likely to occur than not
Time period	Unlikely to occur in a 10 year period	Likely to occur within a 10 year period	Likely to occur once within a one year period	Likely to occur once within three months
Numerical	Less than one chance in a hundred thousand (<10-5)	Less than one chance in ten thousand (<10-4)	Less than one chance in a thousand (<10-3)	Less than one chance in a hundred (<10-2)

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(B) Impact criteria

Impact title	Definitions
Minor (1)	Service delivery/performance: Minor impact on service, typically up to one day. Financial: financial loss up to 5% of budget. Reputation: Isolated service user/stakeholder complaints contained within business unit/division. Legal/statutory: Litigation claim or find less than £5000. Safety/health: Minor incident including injury to one or more individuals. Objectives: Failure to achieve team plan objectives.
Serious (2)	Service delivery/performance: Service disruption 2 to 5 days. Financial: Financial loss up to 10% of budget. Reputation: Adverse local media coverage/multiple service user/stakeholder complaints. Legal/statutory: Litigation claimable fine between £5000 and £50,000. Safety/health: Significant injury or illness causing short-term disability to one or more persons. Objectives: Failure to achieve one or more service plan objectives.
Major (4)	Service delivery/performance: Service disruption > 1 - 4 weeks. Financial: Financial loss up to 20% of budget. Reputation: Adverse national media coverage 1 to 3 days. Legal/statutory: Litigation claimable fine between £50,000 and £500,000. Safety/health: Major injury or illness/disease causing long-term disability to one or more people objectives: Failure to achieve a strategic plan objective.
Extreme (8)	Service delivery/performance: Service disruption > 4 weeks. Financial: Financial loss up to 35% of budget. Reputation: National publicity more than three days. Possible resignation leading member or chief officer. Legal/statutory: Multiple civil or criminal suits. Litigation claim or find in excess of £500,000. Safety/health: Fatality or life-threatening illness/disease (e.g. mesothelioma) to one or more persons. Objectives: Failure to achieve a major corporate objective.

(C) Risk scoring grid

		Impact			
		Minor (1)	Serious (2)	Major (4)	Extreme (8)
Likelihood	X				
	Likely (4)	4 Green	8 Amber	16 Red	32 Red
	Possible (3)	3 Green	6 Amber	12 Amber	24 Red
	Unlikely (2)	2 Green	4 Green	8 Amber	16 Red
	Rare (1)	1 Green	2 Green	4 Green	8 Amber

(D) Risk score definitions

RED	Urgent action required to reduce rating
AMBER	Action required to maintain or reduce rating
GREEN	Action required to maintain rating

This is an extract from the City of London Corporate Risk Management Strategy, published in May 2014.

Contact the Corporate Risk Advisor for further information. Ext 1297

October 2015

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Corporate risks - detailed report EXCLUDING COMPLETED ACTIONS

Report Author: Paul Dudley

Generated on: 12 September 2017

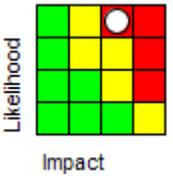
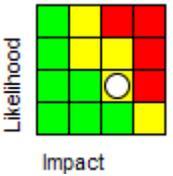
Rows are sorted by Risk Score

Risk no, title, creation date, owner	Risk Description (Cause, Event, Impact)	Current Risk Rating & Score		Risk Update and date of update	Target Risk Rating & Score		Target Date	Current Risk score change indicator
P 24 Operational Security 07-Jun-2017 Peter Lisley	<p>Cause: Inadequate, poorly maintained or time expired security infrastructure; lack of security culture within the organisation; poor training or organisation of staff; insufficient staff.</p> <p>Event: Security of an operational property is breached.</p> <p>Effect: Unauthorised access to building by criminals/protestors/terrorists; disruption of business/ high profile events; reputational damage; injury or potential loss of life amongst staff or members of the general public</p>	<p>Likelihood</p> <p>Impact</p>	24	A number of Boards have been created to ensure good governance of processes and funding. The Town Clerk chairs the overarching Security Board to ensure that security issues are dealt with in a timely fashion. A Security Strategy is now in place and an Action Plan is being implemented. Security teams across the operational estate are now fully resourced. 04 Sep 2017	<p>Likelihood</p> <p>Impact</p>	16	31-Mar-2018	

Action no, Action owner	Description	Latest Note	Managed By	Latest Note Date	Due Date
TC TCO 06D	Deliver a programme of security infrastructure	A programme of security infrastructure enhancements to key City of London Corporation sites	Paul Wilkinson	04-Sep-	31-Dec-

Appendix 2

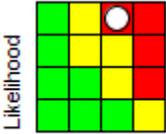
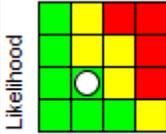
	enhancements	has been agreed.		2017	2017
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Risk no, title, creation date, owner	Risk Description (Cause, Event, Impact)	Current Risk Rating & Score	Risk Update and date of update	Target Risk Rating & Score	Target Date	Current Risk score change indicator
CR16 Information Security <div style="writing-mode: vertical-rl; transform: rotate(180deg); position: absolute; left: -40px; top: 50%; font-weight: bold;">Page 34</div> 22-Sep-2014 Peter Kane	<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: Cybersecurity 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. Reputational damage to Corporation as effective body.</p>	<div style="display: flex; align-items: center;"> <div style="writing-mode: vertical-rl; transform: rotate(180deg); font-size: small; margin-right: 5px;">Likelihood</div>  </div> <p style="text-align: center; margin-top: 5px;">16</p>	<p>Following key tasks have now been completed:</p> <ul style="list-style-type: none"> Go-live and soft launch of Security Incident Reporting System Purchase and installation of Metacompliance Triple A system (Audit, Awareness and Accountability) corporate communications engaged with future development of security campaign dedicated technical resource to security programme starts 31/07/17 recruitment campaign for dedicated staff is scheduled in next reporting period <p style="margin-top: 10px;">30 Aug 2017</p>	<div style="display: flex; align-items: center;"> <div style="writing-mode: vertical-rl; font-size: small; margin-right: 5px;">Likelihood</div>  </div> <p style="text-align: center; margin-top: 5px;">8</p>	30-Apr-2018	

Action no, Action owner	Description	Latest Note	Managed By	Latest Note Date	Due Date
CR16b	For all major systems establish data owner and retention policy for information therein.	Paper was approved by Summit Group in December and is being progressed through the relevant Committee processes and project governance where relevant.	Sean Green	30-Aug-2017	30-Apr-2018
CR16h	Online training to be made available to Members following workshop in February 2016.	Induction training provided - Gary Brailsford Hart is supporting this risk.	Gary Brailsford-Hart	30-Aug-2017	30-Apr-2018

Appendix 2

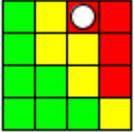
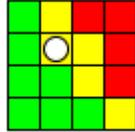
CR16i	The Development and implementation of more technical security infrastructure	Paper regarding improving technical security was approved by IT Sub-Committee in January 17. Now proceeding with the implementation of the recommendations.	Sean Green	30-Aug-2017	30-Apr-2018
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Risk no, title, creation date, owner	Risk Description (Cause, Event, Impact)	Current Risk Rating & Score		Risk Update and date of update	Target Risk Rating & Score		Target Date	Current Risk score change indicator
CR19 IT Service Provision Page 35 14-Jul-2015 Sean Green	<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 (may also lead to low staff morale). Possible failure of critical Corporation and Policing activities. Reputational damage.</p>	 <p>Likelihood</p> <p>Impact</p>	16	The primary focus of the team is on stabilisation, a more robust approach to managing change has been adopted, reducing the risk of service interruption. Team level approach to risk management is now aligned fully to the top level approach. IT Division is assessing how additional funds approved by Committee should be distributed to undertake more risk mitigation activity. The risk is expected to reduce to Amber by December 2017 followed by steady progress to Green in the following months. 30 Aug 2017	 <p>Likelihood</p> <p>Impact</p>	4	31-Dec-2017	

Action no, Action owner	Description	Latest Note	Managed By	Latest Note Date	Due Date
CR19c	Investment in any retained IT infrastructure to ensure that this meets the same standards of resilience and continuity as delivered by the IaaS infrastructure.	Delivery of the new solution will take place throughout 2017. The LAN hardware is being procured. IT will award the contract for the LAN design, build and support by the end of July 2017.	Sean Green	30-Aug-2017	31-Dec-2017
CR19d	Investment in any retained IT infrastructure to ensure that this meets the same standards of resilience and continuity as delivered by the IaaS infrastructure	Remediation will continue throughout 2017.	Sean Green	30-Aug-2017	31-Dec-2017
CR19e	This is the first phase of the revised project to fully replace	Procurement phase is in progress.	Sean Green	30-Aug-	30-Jun-

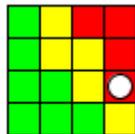
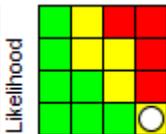
Appendix 2

	ageing unsupportable networking hardware from the City and City Police's infrastructure.			2017	2017
CR19f	The full delivery of a new network for the Corporation and city Police.	The WAN work has started. Remediation of communications rooms underway. LAN hardware has been procured. In the process of recruiting a LAN services partner.	Sean Green	30-Aug-2017	31-Mar-2018

Risk no, title, creation date, owner	Risk Description (Cause, Event, Impact)	Current Risk Rating & Score		Risk Update and date of update	Target Risk Rating & Score		Target Date	Current Risk score change indicator
CR21 Air Quality 07-Oct-2015 Jon Avern Page 36	<p>Cause: Small particulate pollution has chronic health impacts from long term exposure at very low concentrations and is in evidence within the City and central London. There is also a health impact associated with long term and short term exposure to nitrogen dioxide.</p> <p>Event: Under certain atmospheric conditions there is a higher probability of poor air quality within the City and it is more likely that residents, workers and visitors would suffer the acute consequences.</p> <p>Effect: The consequences both acute and chronic may include: An increase in hospital referrals placed upon both emergency services and the NHS for those already suffering from respiratory or cardiovascular conditions (it may also place a strain on City social services). An increase in deaths, particularly of those already suffering from respiratory or cardiovascular conditions (both residents and workers). Economic costs such as acting as a deterrent of businesses coming to London or staying and financial penalties for non-compliance with air quality limits. Persistent poor air quality may affect the longer term health of the City population. Persistent poor air quality may attract adverse media coverage making the City seem a less attractive place to live and work.</p>	 <p>Likelihood</p> <p>Impact</p>	16	No change from previous assessment. 29 Aug 2017	 <p>Likelihood</p> <p>Impact</p>	6	31-Dec-2020	

Appendix 2

Action no, Action owner	Description	Latest Note	Managed By	Latest Note Date	Due Date
CR21e	Develop and implement a plan for reducing the impact of diesel vehicles on air pollution in the Square Mile. This is to complement the work being undertaken by the Mayor of London to reduce air pollution in the central zone through the implementation of the Ultra Low Emission Zone.	An initial feasibility study has been undertaken to look at options for reducing levels of pollution in Beech Street through vehicle management Vehicles have been restricted passing through Bank Interchange, the air quality impact is being assessed Several measures have been implemented in the City Low Emission Neighbourhood including: greening at a number of locations including Moor Lane, installation of 90 secure cycle parking spaces, audit of construction sites, detailed air quality monitoring, business engagement and workshops, business air quality grant scheme, freight surveys, clean air footprints and the provision of zero emission equipment for open spaces dept.	Jon Avern	29-Aug-2017	31-Dec-2018

Risk no, title, creation date, owner	Risk Description (Cause, Event, Impact)	Current Risk Rating & Score		Risk Update and date of update	Target Risk Rating & Score		Target Date	Current Risk score change indicator
CR22 Barbican Centre Fire Risk Page 37	<p>Cause: Fire engineering solutions, fire precautions and procedures not fully scoped, effective and/or fully understood at the Barbican.</p> <p>Event: Emergency incident or fire occurs and management procedures or protective mechanisms do not function or works as designed</p> <p>Impact: Effective/partial Art gallery evacuation compromised Damage to artworks Effective concert hall evacuation delayed or implemented unnecessarily for CO incident Ineffective cooperation and coordination of health and safety arrangements with contractors Fire and smoke damage not limited Risk of injury or death to performers, audience, staff, contractors, technical and fire responder teams Adverse effect on the Centre's reputation Financial loss Enforcement action incurring a fine</p>	 <p>Likelihood</p> <p>Impact</p>	16	Whilst good progress has been made with the fire risk assessments and other areas as discussed at the last risk assessment meeting, it was agreed following discussions between the Centre's Fire Strategy Management Group, including Peter Dempsey and Team, and between Jonathon Poyner and Paul Dudley, the Centre has requested that it remain on the Corporate Risk Register for the September meeting. This shows the Centre's commitment to continued progress and also reflects the importance of fire risk and its rating within the City. The Centre's Team expects to receive its 19 fire risk assessments in September as committed to the Chairman and will then use the findings of these fire risk assessments to review and reprioritise its ongoing plan so as to ensure that we provide a legal, compliant and safe	 <p>Likelihood</p> <p>Impact</p>	8	30-Jun-2017	

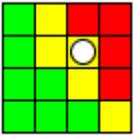
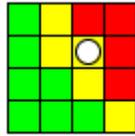
Appendix 2

10-Nov-2016				<p>environment for our staff and customers. Additional resource has been provided and will be provided to enable the works from the fire risk assessments to be completed. Directorate has been very supportive of the plan and progress made and continues to put health and safety and risk at the top of its agenda.</p> <p>04 Sep 2017</p>			
Jonathon Poyner							

Action no, Action owner	Description	Latest Note	Managed By	Latest Note Date	Due Date
CR22a	To provide robust evacuation procedure for CO incident in concert hall. Review evacuation procedures for areas not covered by public evacuation procedures for contractors/artists that take into account recently gained fire knowledge to ensure the safety of staff with fire responsibilities and the safe evacuation of occupant's .Engineering to document gas procedure.	Current procedures are robust, following the issue of all FRAs a full review be conducted.	Jonathon Poyner	29-Aug-2017	29-Sep-2017
CR22c	Ensure that Fire systems are maintained and tested in accordance with the Corporate Building Health & Safety compliance standards.	A full review will be conducted following the FPA issue of FRAs and full maintenance capture of existing PPM	Jonathon Poyner	29-Aug-2017	29-Sep-2017
CR22d	Produce a competency Fire Matrix which will identify and inform the levels of training, knowledge and experience required appropriate to the management of a building of the complexity of the Barbican. Review this against in house resource.	Current road map is continually being reviewed, we have employed additional resources to support with this output.	Jonathon Poyner	29-Aug-2017	29-Sep-2017
CR22e	An up to date Fire Safety Policy that records clear lines of responsibility, communication and accountability.	Interim policy has been prepared in line with CoL comments/feedback.	Jonathon Poyner	29-Aug-2017	29-Sep-2017
CR22f	To demonstrate suitable and sufficient event led Fire Risk Assessments are in place for the management of the Barbican activities such as Art Gallery, Events, Hall, and	Completed, pending CoL review for formal integration into the process.	Jonathon Poyner	29-Aug-2017	29-Sep-2017

Appendix 2

	Exhibitions & Theatre/Concert Productions.				
CR22g	Ensure that Building Fire Risk Assessments are in place that meets the basic requirements of PAS 79 but ideally the corporate guidance.	The FRA issue has been slightly delayed due to FPA internal QA review process.	Jonathon Poyner	29-Aug-2017	29-Sep-2017
CR22h	Following the new zoning submit all Fire Risk Assessments for the Barbican Centre operation in order to allow verification of their suitability through sampling by the health and safety section.	FPA have started the buildings risk assessments on 27th June and will be doing this by all zones for a 10- week- period until risk assessments are completed fully.	Jonathon Poyner	28-Jun-2017	29-Sep-2017
CR22i	Fire Management Plans should be produced based on Fire Risk Assessments, prioritised according to risk and recommendations.	It was agreed by the Interim Fire Safety Manager with Terence Short this would be progressed once Fire Risk Assessment have been completed.	Jonathon Poyner	28-Jun-2017	30-Sep-2017
Cr22j	Implement CO Incident Report recommendations not already addressed by Actions a - i above.	A full review is required to look at compartmentation, fire stopping which may be reviewed as a project post issue of all FRAs	Jonathon Poyner	29-Aug-2017	29-Sep-2017

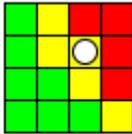
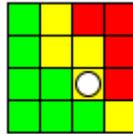
Risk no, title, creation date, owner	Risk Description (Cause, Event, Impact)	Current Risk Rating & Score		Risk Update and date of update	Target Risk Rating & Score		Target Date	Current Risk score change indicator
Page 3 001 Resilience Risk 20-Mar-2015	Cause - Lack of appropriate planning, leadership and coordination Event - Emergency situation related to terrorism or other serious event/major incident is not managed effectively Effect - Major disruption to City business, failure to support the community, assist in business recovery. Reputational damage to the City as a place to do business.	 Likelihood Impact	12	the Status of this risk has been reviewed in the light of the recent events in London, the overall rating has not been increased. The CoL's own business continuity is heavily dependent on resilient IT. networking equipment is being re-located to 6th floor server room, which is expected to be complete by the end of this year. Work is currently on-going to improve IS data centres and network bandwidth across the corp. (Chamberlains IT leading on this). It is felt that the preventative and mitigating actions in place are as good as possible in the current climate. 05 Sep 2017	 Likelihood Impact	12	31-Dec-2017	■

Appendix 2

John Barradell							
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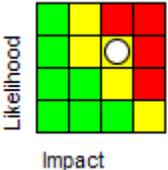
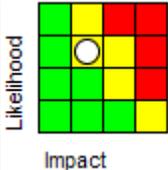
Action no, Action owner	Description	Latest Note	Managed By	Latest Note Date	Due Date
CR01D	Working with the IS division, remove potential single points of failure from business continuity processes.	networking equipment is being re-located to 6th floor server room. This is expected to be completed by the end of this year, once complete testing of resilience of the systems and the removal of the single point of failure will recommence. Work is currently on-going to improve IS data centres and network bandwidth across the corp. (Chamberlains IS leading on this).	Gary Locker	29-Jun-2017	31-Dec-2017
CR01H	Participate in the planning and exercising of resilience arrangements around the 2017 Lord mayors Show	Planning has begun for this years' event, an exercise is planned for September 19 with the resilience team and other CoLC colleagues.	Gary Locker	29-Jun-2017	11-Nov-2017
CR01J	Following the terrorist attack at London Bridge - review processes, collate the lessons learned and implement the actions arising.	Review process complete recommendations to follow	Gary Locker	05-Sep-2017	30-Sep-2017
CR01K	Ensure that the City of London Corporation exceeds the minimum London Resilience Standard, working with partner London Boroughs to share best practice and increase capacity.	Initial work has commenced with partner boroughs towards attaining the common standard.	Gary Locker	05-Sep-2017	31-Mar-2018

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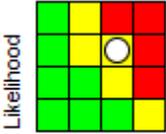
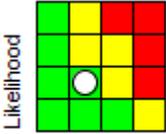
Risk no, title, creation date, owner	Risk Description (Cause, Event, Impact)	Current Risk Rating & Score	Risk Update and date of update	Target Risk Rating & Score	Target Date	Current Risk score change indicator
CR09 Health and Safety Risk 22-Sep-2014 Chrissie Morgan	<p>Cause - Safety is treated as a low priority by the organisation, lack of training of staff and managers, management complacency, poor supervision and management</p> <p>Event - Statutory regulations and internal procedures relating to Health and Safety breached and/or not complied with.</p> <p>Effect - Possible enforcement action/ fine/prosecution by HSE, Employees/visitors/contractors may be harmed/injured, Possible civil insurance claim, Costs to the Corporation, Adverse publicity /damage to reputation, Rectification costs</p>	<div style="display: flex; align-items: center;"> <div style="writing-mode: vertical-rl; transform: rotate(180deg); font-size: small; margin-right: 5px;">Likelihood</div>  <div style="margin-left: 10px;">12</div> </div> <p style="margin-left: 20px;">Impact</p>	<p>This risk was reviewed on 1 September 2017, there is no change to the assessment at this time. The programme of compliance audits and inspections has been produced for 2017-18 and is underway.</p> <p>05 Sep 2017</p>	<div style="display: flex; align-items: center;"> <div style="writing-mode: vertical-rl; transform: rotate(180deg); font-size: small; margin-right: 5px;">Likelihood</div>  <div style="margin-left: 10px;">8</div> </div> <p style="margin-left: 20px;">Impact</p>	31-Dec-2017	■

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Action no, Action owner	Description	Latest Note	Managed By	Latest Note Date	Due Date
CR09F	Deliver a series of health and safety audits and compliance checks to provide corporate assurance that the organisation is being managed safely	The programme for 2017-18 has been completed and the practical inspections and audits have commenced to plan.	Justin Tyas	05-Sep-2017	31-Mar-2018

Risk no, title, creation date, owner	Risk Description (Cause, Event, Impact)	Current Risk Rating & Score		Risk Update and date of update	Target Risk Rating & Score		Target Date	Current Risk score change indicator
CR20 Road Safety Page 41 23-Oct-2015 Carolyn Dwyer	Cause: Limited space on the City's medieval road network to cope with the increased use of the highway by vehicles and pedestrians / cyclists within the City of London. Interventions & legal processes take time to deliver Event: The number of casualties occurring in the City rises instead of reducing. Effect: The City's reputation and credibility is adversely impacted with businesses and/or the public considering that the Corporation is not taking sufficient action to protect vulnerable road users; adverse coverage on national and local media		12	The risk is unchanged. Monitoring of the Temporary Scheme continues to take place, with the consultation survey now live until the end of November. Lessons learned will be applied to the permanent scheme which remains on track for Gateway 4 scheduled for June 2018 and construction starting in Q3 of 2019. 11 Aug 2017		6	31-Oct-2017	

Action no, Action owner	Description	Latest Note	Managed By	Latest Note Date	Due Date
CR20b	Permanent Bank Junction redesign	Monitoring of the Temporary Scheme continues to take place, with the consultation survey now live until the end of November. Lessons learned will be applied to the permanent scheme which remains on track for Gateway 4 scheduled for June 2018 and construction starting in Q3 of 2019.	Steve Presland	11-Aug-2017	30-Sep-2019

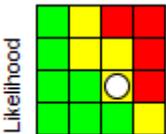
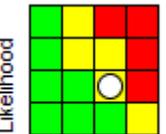
Risk no, title, creation date, owner	Risk Description (Cause, Event, Impact)	Current Risk Rating & Score		Risk Update and date of update	Target Risk Rating & Score		Target Date	Current Risk score change indicator
CR23 Police Funding 21-Nov-2016 Peter Kane	<p>Cause: Reduction in government funding and growing demand in Policing services leading to pressures for the City Fund -Police.</p> <p>Event: Reduction in government funding. The Government's stated intention is that the shortfall should be met from an increase in the precept (in the City's case, the business rate premium)</p> <p>Effect: City of London Police will be unable to maintain a balanced budget and current service levels as reflected in their Medium Term Financial Plan.</p> <p>Potential adverse reaction from business community to increased premium following significant rise in business rates in April 2017 in the City (following the government's revaluation exercise).</p>	 <p>Likelihood</p> <p>Impact</p>	12	<p>The Deloitte review into Police value for money and efficiency has been completed and a workshop was held on 20 July to discuss the report. An action plan will be agreed during the Autumn.</p> <p>30 Aug 2017</p>	 <p>Likelihood</p> <p>Impact</p>	4	31-Mar-2018	

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Action no, Action owner	Description	Latest Note	Managed By	Latest Note Date	Due Date
CR23a	Limited opportunities in 2017/18 to make in year savings against front line police officer budgets without impacting adversely on delivery of key policing plan objectives. Police staff numbers subject to further scrutiny as part of in-year savings exercise.	CoLP Finance have been asked to provide an analysis of the more favourable than anticipated outturn in 2016/17 (see CR23b) between slippage to future years (i.e. costs deferred to 2017/18) and on-going savings which will flow through to 2017/18.	Philip Gregory	30-Aug-2017	30-Sep-2017
CR23b	Exhaust the Police Reserves by 31 March 2018	<p>The actual drawdown on reserves in 2016/17 was £0.6m, an improvement of £2m compared to the forecast position.</p> <p>A specific Police outturn report (prepared by CoLP Finance) will go to the July Police Committee.</p>	Pam Raphael	30-Aug-2017	31-Mar-2018
CR23c	The Town Clerk, the Chamberlain and the Commissioner, to commission a review of the Police operating model, focusing on future demand modelling and how best to secure VFM, to identify options to address the, as yet unfunded, projected deficits of £5.6m in 2018/19 and £3.8m in 2019/20.	<p>The Deloitte review into Police value for money and efficiency has been completed and a briefing was held on 20 July to discuss the report.</p> <p>Police colleagues have prepared a high level action plan which will be discussed and agreed with Chamberlain's over the summer.</p>	Caroline Al-Beyerty	30-Aug-2017	31-Aug-2017

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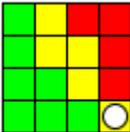
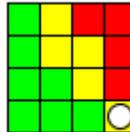
		An action plan for the short term wins will then be agreed with Members during the Autumn.			
CR23d	Consider increase in the business rates premium in future periods	Will be considered as part of the medium term financial planning for 2018/19.	Caroline Al-Beyerty	30-Aug-2017	31-Mar-2018

Risk no, title, creation date, owner	Risk Description (Cause, Event, Impact)	Current Risk Rating & Score		Risk Update and date of update	Target Risk Rating & Score		Target Date	Current Risk score change indicator
CR02 Loss of Business Support for the City 22-Sep-2014 John Barradell Page 43	Cause - The City Corporation's actions to promote and support the competitiveness of the business City do not succeed. Event - The City's position as the world leader in international financial services is adversely affected Effect - The City loses its ability to attract and retain high value global business activity, both as a physical location and in mediating financial and trade flows; the City Corporation's business remit is damaged and its perceived relevance is diminished. Reputational damage to the City as a place to do business and to Corporation ability to govern effectively	 Likelihood Impact	8	The risk assessment/scoring remains the same in the light of the post-brexite global political environment. The City Corporation is taking major steps to mitigate this risk. 05 Sep 2017	 Likelihood Impact	8	30-Apr-2018	

Action no, Action owner	Description	Latest Note	Managed By	Latest Note Date	Due Date
CR02A	Appointment of former Foreign Office Minister, Jeremy Browne, to new position to enhance our engagement with EU policy makers.	Since the UK's decision to leave the EU, Jeremy Browne has been visiting several key EU Member States to reengage the City's key stakeholders in Europe. Jeremy has enhanced his engagement with EU Member States, EU institutions and the UK Government, as well as City practitioners, since the commencement of the negotiations and in support of the IRSG's work in promoting the City's view in those negotiations.	Giles French	05-Sep-2017	31-Dec-2017
CR02C	City Corporation providing opportunities for informing the debate on the terms of Brexit, and representing the views of the financial and professional services sector	The IRSG has commissioned three Brexit related workstreams examining, Third Country status; Global Competitiveness and Regulatory coherence, all of which will help inform the governments negotiations. The latest report on a potential financial services chapter of an FTA is due to be published in September.	Damian Nussbaum	05-Sep-2017	30-Dec-2017
CR02D	Appointment of Sherry Madera to a new position to enhance our engagement with policy makers and opinion	Sherry Madera was appointed in January 2017 and has been working through the priorities for Asia to assist the UK in its trade an policy relationships with Asian countries, particularly	Giles French	29-Jun-2017	31-Dec-2017

Appendix 2

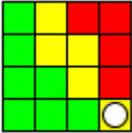
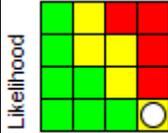
	formers in Asia	China and India Sherry Madera was appointed in January 2017 and has been working through the priorities for Asia to assist the UK in its trade and policy relationships with Asian countries, particularly China, India and Singapore. Sherry has focussed the team on priority areas for engagement across Asia post-Brexit, to promote our status as the world's global financial centre. She has worked closely with HM Treasury and DIT to deepen links through the established Economic and Financial Dialogues, and regular visits to government and stakeholders across Asia.			
CR02E	Recruit and embed a new global exports and investment team in the new structure of Economic Development	New GE&I team provide relationship management services with financial and professional firms aimed at retaining and attracting FDI, and assisting UK based firms to export.	Giles French	05-Sep-2017	31-Dec-2017

Risk no, title, creation date, owner	Risk Description (Cause, Event, Impact)	Current Risk Rating & Score		Risk Update and date of update	Target Risk Rating & Score		Target Date	Current Risk score change indicator
CR10 Adverse Political Developments Page 44 22-Sep-2014 Paul Double	<p>Cause: Financial services issues that make the City Corporation vulnerable to political criticism; local government devolution proposals that call into question the justification for the separate administration of the Square Mile; overarching political hostility.</p> <p>Event: Functions of City Corporation and boundaries of the City adversely affected.</p> <p>Impact: Damage to the City's reputation as a place to do business. The City of London Corporation could be compromised if the City's position as a world leading business and professional services centre were undermined.</p>	Likelihood  Impact	8	There has been close engagement with those responsible for formulating proposals to enable the devolution of responsibilities while safeguarding the City. Constant attention is given to the form of legislation affecting the City. Making known the work of the City Corporation among opinion formers, particularly in Parliament and central Government, is necessary so that the City Corporation is seen to remain relevant and "doing a good job" for London and the nation and this is seen to be an objective assessment. The Office also provides advice on the City Corporation's approach to important political developments in particular, the process to leave the EU and the general parliamentary mood. 11 Sep 2017	Likelihood  Impact	8	31-Dec-2017	

Appendix 2

Action no, Action owner	Description	Latest Note	Managed By	Latest Note Date	Due Date
CR10a	Monitoring of Government legislation and proposed regulatory changes.	Relevant Bills in the Government's legislative programme will be identified and City Corporation departments alerted to issues of potential significance as the measures are introduced in the new Session. Action taken through negotiation with departmental officials or amendments tabled in Parliament as required. The legislative consequences of Britain leaving the EU as they may affect the Corporation and the City more generally as an international financial centre are a particular focus.	Paul Double	11-Sep-2017	31-Dec-2017
CR10b	Provision of information to Parliament and Government on issues of importance to the City.	Briefing has been provided for parliamentary debates including on air quality, immigration, housing, planning, the creative industry, trade and investment, apprenticeships, economic crime, Fintech and broadband.	Paul Double	11-Sep-2017	31-Dec-2017
CR10c	Engagement with key opinion informers in Parliament and elsewhere. Programme of work to monitor and respond to issues affecting the reputation of the City Corporation.	Liaison with the City's MP and other MPs, Peers and Select Committee of both Houses on matters of importance to the City, including increased engagement on Brexit-related issues. Working with other organisations, including the Financial Markets Law Committee, to analyse the legal framework following exit from the EU. Continuing engagement on devolution in London and liaison with London Councils and Central London Forward on the application of devolution to the London boroughs and the City, either directly from Central Government or the Mayor.	Paul Double	11-Sep-2017	31-Dec-2017

Appendix 2

Risk no, title, creation date, owner	Risk Description (Cause, Event, Impact)	Current Risk Rating & Score		Risk Update and date of update	Target Risk Rating & Score		Target Date	Current Risk score change indicator
CR17 Safeguarding 22-Sep-2014 Andrew Carter	Cause: Not providing appropriate training to staff, not providing effective management and supervision, poor case management Event: Failure to deliver actions under the City of London' safeguarding policy. Social workers and other staff not taking appropriate action if notified of a safeguarding issue Effect: Physical or mental harm suffered by a child or adult at risk, damage to the City of London's reputation, possible legal action, investigation by CQC and or Ofsted	 Likelihood	8	The Corporate safeguarding audit is not yet completed as field work has been extended. The report is awaited. 05 Sep 2017	 Likelihood	8	31-Mar-2018	

Action no, Action owner	Description	Latest Note	Managed By	Latest Note Date	Due Date
Page 46 CR17k	The role of Safeguarding Champions to be reviewed and to consider if Domestic Violence can be added to the role	The Corporate Safeguarding Audit has not been completed- field work has been extended by the Audit team looking specifically into the issue of DBS checks across the Corporation. Once this is completed the report will be presented to Chief Officers and Audit and Risk Management Committee. The revision of the Safeguarding Champions Group will be implemented once the Audit report is published	Chris Pelham	05-Sep-2017	30-Nov-2017
CR17m	The Adult Social Care Team will be working with the City of London Police to raise the profile of financial abuse and scams	Continues on track with regular meetings and attendance from Partners. A financial scams awareness raising campaign will be started at the end of July. It is intended to deliver seminar/ conference by end of calendar year.	Chris Pelham	05-Sep-2017	31-Dec-2017
CR17o	A review is being conducted into the safeguarding arrangements within the independent schools within the City of London. It is anticipated that the report will be available at the start of December. If the report makes recommendations these will be implemented within agreed timescales.	Review completed. A monitoring group chaired by Principal GSMD and represented by Safeguarding Leads at GSMD and CCS has been set up to oversee the implementation of the action plan. Monitoring meetings are planned for September and November.	Andrew Carter	05-Sep-2017	31-Dec-2017



Top Red departmental risks - detailed report EXCLUDING COMPLETED ACTIONS

Report Author: Paul Dudley

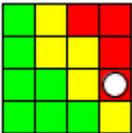
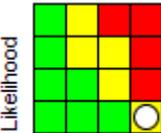
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Risk no, title, creation date, owner	Risk Description (Cause, Event, Impact)	Current Risk Rating & Score		Risk Update and date of update	Target Risk Rating & Score		Target Date	Current Risk score change indicator
<p>BBC Arts 011 Concert Hall – Stage Riser System – Spiral Lift Failures Jan 17 17-Feb-2017 Louise Jeffreys; Jonathon Poyner</p>	<p>Cause: The riser system suffered a total of four failures, the first on 20th January. One Spiralift was replaced successfully by Stage Technologies but that repair was followed by three further breakdowns. We have been warned by Stage Technologies that the riser system is nearing the end of its life. As part of the Stage Riser control system consultancy in 2016, we had been advised that we had many years of usage left in the system. Event: Concert Hall risers are not fully operational and there is risk of further failure (28 lifts in total). Impact: It took 4 minutes previously to reset the stage, it's now taking 40. Risk to performances not being able to go ahead. Risk of injury or death, reputational risk. Additional labour cost, (estimated£24k annually), to facilitate LSO get-ins due to reduced functionality of stage riser system.</p>	<p>Likelihood</p> <p>Impact</p>	16	<p>Subject to the approval of CASC and RASC a budget for these works will be available from April 2018.</p> <p>11 Sep 2017</p>	<p>Likelihood</p> <p>Impact</p>	4	18-Mar-2018	

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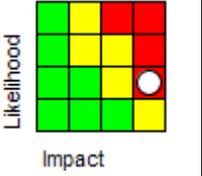
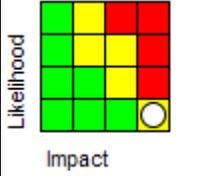
Action no, Action owner	Description	Latest Note	Managed By	Latest Note Date	Due Date
BBC Arts 111d	Quotes for fee proposals to produce a spec and oversee the works from two companies to add to quotes for carrying out the works have been requested. Once full costs are outlined including all fees and management of the work, a decision will then be made on when and how to fund the project.	Project included in draft CWP bid for 2018-19 and subject to the approval of CASC & RASC a budget will be available from April 2018.	Louise Jeffreys; Jonathon Poyner	11-Sep-2017	30-Mar-2018
BBC Arts 011c	Three stage risers have failed, with more expected to fail in the near future. It is anticipated that the system will need replacing entirely.	Head of Finance has undertaken to liaise with Chamberlain re early access to budget for production of specification and seeking of tenders.	Louise Jeffreys; Jonathon Poyner	11-Sep-2017	31-Mar-2018

Risk no, title, creation date, owner	Risk Description (Cause, Event, Impact)	Current Risk Rating & Score		Risk Update and date of update	Target Risk Rating & Score		Target Date	Current Risk score change indicator
BBC Arts 012 Basquiat Exhibition, Barbican Art Gallery 21 Sept 17 - 28 Jan 18 and touring to Schirn 16 Feb - 27 May 18	<p>Cause: The exhibition <i>Basquiat: Boom for Real</i> is the highest value exhibition ever to be staged in Barbican Art Gallery. Total value of items to be covered currently estimated at £626,000,000. Most items already confirmed as being covered by Government Indemnity (GIS), with commercial cover for our minimum liability of 1%. Commercial cover for some loans is being secured at lender request.</p> <p>Event: The market for Basquiat is very 'hot' at the moment following a sale of a work by him recently for \$110million. This creates various financial risks: Some lenders may decide to increase value of works, requiring us to have to renegotiate GIS. Some lenders may sell works before the show opens, meaning the work may be withdrawn, necessitating a replacement and associated unknown transport costs. Final transport costs for some works are still being negotiated. The Schirn may choose not to take some works in the exhibition, leaving Barbican with return costs. There are also security and reputational risks associated with a high value exhibition – e.g. deliberate damage & theft.</p>	 <p>Likelihood</p> <p>Impact</p>	16	<p>The team has continued to work with various bodies including the UK security advisor and various insurance companies and legal team. We have worked to the acknowledges industry international and UK Standard in all instances and have used industry experts at each stage, including for example during transportation.</p> <p>We have conducted thorough and ongoing risk assessments and have liaised with our Risk Committee Chairman and have carried out BCP (Business Continuity Planning) sessions so as to challenge our assumptions and the risks. We have carried out additional security audits with the UK Assessor and have worked in line with the Arts Council guidelines. We have also conducted</p>	 <p>Likelihood</p> <p>Impact</p>	8	30-Sep-2019	

<p>30 Jun-2017 Louise Jeffreys; Jonathon Poyner</p>	<p>Impact: Impact of financial risks is escalating exhibition budget, or withdrawal of works from exhibition. Impact of security risk is as described under BBC Arts 007 Gallery Security. Reputational risk from any of the above could lead to Gallery failing to secure loans for exhibitions in the future.</p>			<p>much work as regards fire, security and contingency planning with our colleagues at the City of London.</p> <p>We are applying Kaizen continual improvement, and any learning will be applied throughout this exhibition and passed to Germany where the exhibition goes to nett so they can apply any learning in advance. The team continues to meet on a regular basis so as to ensure we share any learning across the Centre.</p> <p>We have a 16 page risk assessment which we will be willing to run through with you orally. Our Risk Committee Chairman has been through this list with us and is content.</p> <p>11 Sep 2017</p>				
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Action no, Action owner	Description	Latest Note	Managed By	Latest Note Date	Due Date
Arts 012d	Completion of Project Plan based on the 16 page risk assessment and business continuity planning sessions	Business continuity planning session scenarios have included theft, vandalism, protests, management of crowds and queues, intimidating behaviour, negative PR. The 16 page risk assessment captures risks and mitigating measures in detail.	Louise Jeffreys; Jonathon Poyner	12-Sep-2017	19-Sep-2017

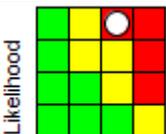
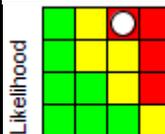
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Risk no, title, creation date, owner	Risk Description (Cause, Event, Impact)	Current Risk Rating & Score		Risk Update and date of update	Target Risk Rating & Score		Target Date	Current Risk score change indicator
BBC H&S 002 Failure to deal with Emergency /Major Incident or Risk of Terrorism Page 50 25-Feb-2015 Jonathon Poyner	Cause: Failure to deal with a major incident, emergency or risk or impact of a terrorist attack Recent wave of terrorist related attacks and general raising of alert state ,increase in hostile reconnaissance in the UK and Europe. Event: Potential loss of life or serious injury to staff, customers, clients, visitors and contract workers; damage to major services within the building as well as the building itself; delays to emergency services due to lack of information; potential reputational risk to organisation due to lack of delivery of information to staff, family members and management team in order to manage public/press statements; failure to deal with situation due to lack of plans/incomplete plans/inadequate staff training Impact: Injury/damage compounded by Centre failures leading to insurance claims/liability claims/liability and/or prosecution; public confidence in ability to manage major incident would be compromised.		16	Since the last review, we have conducted much training and business continuity sessions with our partners including our contractors,(including security, cleaning and catering), our staff, our management, our comms team and the management and comms teams of our partner organisations including LSO, Guildhall School and Guildhall Juniors and residents. We are also continuing to roll out tool box talks and have continued to work with AECOM and the City of London Police to ensure that the hardware when fitted is fit for purpose and that should a major terrorist incident occur, the police will be able to respond with the relevant resources within a very short timeframe. 11 Sep 2017		8	30-Sep-2017	■

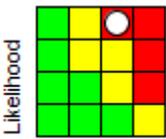
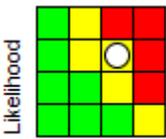
Action no, Action owner	Description	Latest Note	Managed By	Latest Note Date	Due Date
BBC H&S 002a	In order to mitigate the risks, evacuation plans and protocols are held for all venues, and plans are revised and reissued for specific performances where appropriate. All relevant staff are briefed, when required, on procedures and training is provided. Further mitigation measures to reduce the risk rating could include the introduction of planned "practice" large-scale evacuations for staff and	Ongoing.	Jonathon Poyner	11-Sep-2017	01-Apr-2018

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	customers and creation of a "Foyers Evacuation Team".				
BBC H&S 002b	Major Incident and Business Continuity plan for the Centre reviewed at least once a year and at other times in cases of significant changes. Departmental plans, the responsibility of individual Heads of Department, should be updated at the same frequency as a minimum. Front line staff trained at least once a year using table top exercises and briefing sessions. Partial evacuation takes place throughout the year with frequent fire alarm activations (on average 20 - 24 per annum).	Ongoing. The Director of Operations and Buildings met with Commander Richard Woolford and the Chairman of the Barbican Board on 14th February. Further site meetings to review most likely methods of attack have taken place since. Mitigation will include 'hard' solutions, (e.g. CCTV and Hostile Vehicle Mitigation) as per the ongoing CoL Gateway Process, and 'soft' measures such as staff awareness training, Police 'train the trainer', review of processes and the review of some on site mitigation measures from previous CTSA Reports , including review of Silk Street carpark access control barrier.	Jonathon Poyner	11-Sep-2017	31-May-2018

Risk no, title, creation date, owner	Risk Description (Cause, Event, Impact)	Current Risk Rating & Score		Risk Update and date of update	Target Risk Rating & Score		Target Date	Current Risk score change indicator
CLF-012 Masterplan 2016 Nov-2016 Susan Williams	Cause(s): Inability to progress plans. Lack of central City support. City committee programme delays. Event: Funding not available in time to progress plans. City departments unable to provide sufficient resources for School to progress plans through the gateway process. Effect: School declines as not able to remain competitive.	 Likelihood	16	Risk reviewed. No Change 11 Sep 2017	 Likelihood	16	31-Mar-2018	

Action no, Action owner	Description	Latest Note	Managed By	Latest Note Date	Due Date
CLF-012A	Work with Chamberlain and Surveyor's Departments to develop and implement plan. Drive fundraising initiatives to ensure plan is achievable.	Gateway process delayed again - Governors involved to rectify/remedy. The Headmaster has written a detailed report for Policy and Resources over the Summer. The Chamberlain's department have made some further suggestions and a meeting is scheduled in late September.	Susan Williams	07-Sep-2017	15-Dec-2017
CLF-012B	Investigate opportunities to increase boarding numbers to increase surplus.	Boarding opportunities being discussed with Head of Boarding and Marketing team.		11-Sep-2017	31-Dec-2017

Risk no, title, creation date, owner	Risk Description (Cause, Event, Impact)	Current Risk Rating & Score		Risk Update and date of update	Target Risk Rating & Score		Target Date	Current Risk score change indicator
MCP-SM 001 HGV Unloading Operations 24-Feb-2015 Mark Sherlock	<p>Cause: A lack of suitable and sufficient training and adequate management controls in relation to Heavy Goods Vehicle banksman activities undertaken by staff employed by Smithfield Market tenants.</p> <p>Event: Serious or life changing injury to members of the public, market staff and other service users caused by uncontrolled or unguided reversing vehicles.</p> <p>Effect: Realisation of this risk could result in a prosecution, fine and reputational damage for the City.</p>	 <p>Likelihood</p> <p>Impact</p>	16	<p>Work with the SMTA towards the completion of the allocated actions has been agreed and the SMTA commissioned training for its Banksmen using the Freight Transport Association as provider. Training was completed 29 June 2017.</p> <p>04 Sep 2017</p>	 <p>Likelihood</p> <p>Impact</p>	12	29-Dec-2017	

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Action no, Action owner	Description	Latest Note	Managed By	Latest Note Date	Due Date
MCP-SM 001f	Work with the Market Tenants' Association to review sender delivery practices.	<p>Aug September partnership work continues;</p> <p>Stakeholder actions review meetings agreed with the SMTA to take place until all recommendations of the FTA report are fully implemented, next October 2017.</p> <p>Achieved evidenced improvements e.g. local audits of actions with the Superintendent's ongoing and continuous operational site audits.</p> <p>All banksmen training is completed, the SMTA now working with FTA to produce driver guidance.</p> <p>Implemented immediate lock-offs by the Head of Constabulary where unsafe & unmanaged activities are identified.</p> <p>The Superintendent is evaluating the opportunity to remove certain potential human errors in the process and to replace with software controlled and inter-lock interfaces before the lock-on process is safely complete.</p> <p>The FTA has acknowledged improvements made to date i.e. <i>It is clear from this review that a number of physical safety improvements have been made at Smithfield Market and that these improvements will reduce the risks identified...measures such as increased warning signage, loading bay traffic lights and retractable barrier</i></p>	Mark Sherlock	05-Sep-2017	28-Sep-2017

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		<i>Working with partners</i> The M&CP will achieve a safe loading operation, and by doing so will reduce the risk, with SMTA co-operation, from its current red status to amber, to be discussed at the next partnership meeting in October 2017			
MCP-SM 001g	Produce a pamphlet containing site rules and a map showing delivery points for each stand.	The SMTA confirm that it is currently working with the FTA to provide a guidance for drivers information document. This is to be completed during September prior to the next meeting of the group in October 2017.	Mark Sherlock	29-Aug-2017	28-Sep-2017
MCP-SM 001h	Monitor market traffic routes.	August 2017 has seen continued checks of loading bays by the constabulary and improvements have been recorded. However, frequent offenders are now being looked at, the 31st August will see both Superintendent and Operations Manager for the Market work overnight to assess progress to date. The Market Superintendent will continue to write to offenders to drive further improvement. This will be covered at the FTA action meeting of October 2017	Mark Sherlock	29-Aug-2017	28-Sep-2017
MCP-SM 001i	Work with the Market Tenants' Association to review unloading practices.	Work with the SMTA towards the completion of the allocated actions continues and progress has been made acknowledged by the FTA. The single most important outstanding action was the SMTA commissioning training on behalf of the tenants for their Banksmen using the FTA as provider. This has now been completed. Now that the banksman training is complete, a jointly signed letter from the Superintendent and Chairman of the SMTA was issued on 20th July 2017 to all freight transport companies which deliver to the Market, confirming the improved operational safety standards required and the consequential lock-off of the delivery bays if these standards are not met. Along with this letter is a site plan outlining the delivery process, and site rules.	Mark Sherlock	05-Sep-2017	28-Sep-2017
MCP-SM 001j	Review and implement the local forklift truck management scheme.	The Policy was to be discussed at a joint COL/SMTA meeting due to be held on the 22nd August 2017. However the meeting has been postponed due to the unavailability of SMTA members and rescheduled for a provisional date of the 28th September.	Mark Sherlock	29-Aug-2017	28-Sep-2017

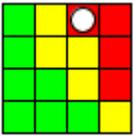
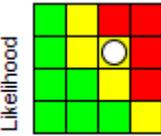
Risk no, title, creation date, owner	Risk Description (Cause, Event, Impact)	Current Risk Rating & Score		Risk Update and date of update	Target Risk Rating & Score		Target Date	Current Risk score change indicator
OSD 005 Pests and Diseases 10-Mar-2015 Colin Buttery	Causes: Inadequate biosecurity; purchase or transfer of infected trees, plants, soil and/or animals; 'natural' spread of pests and diseases from neighbouring areas. Event: Sites become infected by animal, plant or tree diseases e.g. Oak Processionary Moth (OPM), foot and mouth, Massaria, Ash Die Back, <i>Salmonella</i> (DT 191a), Leaf Miner Moth Impact: Service capability disrupted, public access to sites		16	The department continues to monitor for pests and diseases at all sites. The red rating reflects the continued concern about the spread of OPM and diseases such as Ramorum 30 Aug 2017		6	31-Mar-2019	

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restricted, animal culls, tree decline, reputational damage, increased cost of monitoring and control of invasive species, risk to human health from OPM or other invasives, loss of key native species, threat to existing conservation status of sites particularly those with woodland habitats. invasives							
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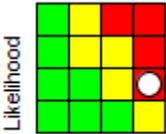
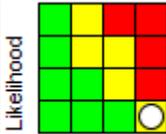
Action no, Action owner	Description	Latest Note	Managed By	Latest Note Date	Due Date
OSD 005 g	Implement the actions associated with the following divisional risks: OSD CC 011 OSD EF 007 OSD EF 008 OSD NLOS 004 OSD P&G 004 OSD TC 004	Ramorum has been tackled at Epping, although we are monitoring additional outbreaks. Steps are being taken to monitor the spread of OPM across our sites, and can be found in detail in divisional risk registers.	Andy Barnard; Gary Burks; Martin Rodman; Paul Thomson; Bob Warnock	30-Aug-2017	01-Apr-2019

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Risk no, title, creation date, owner	Risk Description (Cause, Event, Impact)	Current Risk Rating & Score		Risk Update and date of update	Target Risk Rating & Score		Target Date	Current Risk score change indicator
OSD 006 Impact of Housing and/or transport development 10-Mar-2015 Colin Buttery	Cause: Pressure on housing and infrastructure in London and South East; failure to monitor planning applications and challenge them appropriately; challenge unsuccessful; lack of resources to employ specialist support or carry out necessary monitoring/research, lack of partnership working with Planning Authorities Event: Major development near an open space Impact: Increase in visitor numbers, permanent environmental damage to plants, landscape and wildlife, air and light pollution, ground compaction and resulting associated effects on tree and plant health. Wear and tear to sports pitches. Lack of budget to facilitate repairs, potential for encroachment.	 Likelihood Impact	16	This continues to present significant risk to our sites. Officers are monitoring and taking action locally, and best practice is being shared across the department to try to manage or reduce the impact of these developments. 30 Aug 2017	 Likelihood Impact	12	31-Mar-2019	

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Action no, Action owner	Description	Latest Note	Managed By	Latest Note Date	Due Date
OSD 006 d	Implement the actions associated with the following divisional risks: OSD EF 010 OSD P&G 007 OSD TC 002 OSD NLOS 011	Officers throughout the department continue to monitor this risk on a divisional basis and address planning issues as they appear.	Andy Barnard; Martin Rodman; Paul Thomson	30-Aug-2017	01-Apr-2019

Risk no, title, creation date, owner	Risk Description (Cause, Event, Impact)	Current Risk Rating & Score		Risk Update and date of update	Target Risk Rating & Score		Target Date	Current Risk score change indicator
OSD 007 Maintaining the City's water bodies 29 Oct-2016 Gavin Buttery	The City is responsible for a number of water bodies, some of which are classified as "Large Raised Reservoirs" under the provisions of the Reservoirs Act 1975 and the Flood & Water Management Act 2010. Failure to adequately manage and maintain the City's reservoirs and dams could result in leaks, dam collapse or breach. For some of the City's large raised reservoirs there is the potential for loss of life, damage to property and infrastructure in the event of dam collapse or breach, and the associated reputational damage.	 Likelihood	16	Given the recent pattern of heat waves and heavy rainstorms, maintenance of water bodies remains a high priority and risk for the department. 30 Jun 2017	 Likelihood	8	31-Mar-2018	

Action no, Action owner	Description	Latest Note	Managed By	Latest Note Date	Due Date
OSD 007 a	Implement the actions associated with the following divisional risks: OSD EF 004 OSD TC 006	Water bodies are monitored locally as part of the actions and items listed in the description. Any major issues are escalated to SLT or beyond as necessary.	Andy Barnard; Paul Monaghan; Paul Thomson; Bob Warnock	03-May-2017	31-Mar-2018
OSD 007 a	A workshop will be held with the City Engineers to consider the risks associated with each of the water bodies. A summary document will be produced which summaries	Safety monitoring is conducted divisionally with the City Engineers. Risk actions have been developed where necessary. Further detail can be found in divisional risk registers.	Andy Barnard; Paul Monaghan;	03-May-2017	31-Mar-2018

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the risks and other factors such as cascades, shared ownership, damn condition and any required works.		Paul Thomson; Bob Warnock
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Risk no, title, creation date, owner	Risk Description (Cause, Event, Impact)	Current Risk Rating & Score	Risk Update and date of update	Target Risk Rating & Score	Target Date	Current Risk score change indicator
SUR CB 006 City Bridges: Bridge House Estates - Wanton Damage / Terrorism Page 56 Jun-2017 Paul Wilkinson	Cause: Wanton Damage / Terrorism Event: Collapse or become unusable Impact: Reputational damage, disruption to traffic, additional costs to repair / replace	 Likelihood Impact	16 A review is being undertaken since the London Bridge incident (June 2017) Awaiting information from the Police to assess the threat level The temporary mitigation by the Metropolitan Police reduces this risk slightly but this is not full Hostile Vehicle Mitigation (HVM) and does not protect all of the bridges 25 Aug 2017	 Likelihood Impact	4 31-Mar-2018	

Action no, Action owner	Description	Latest Note	Managed By	Latest Note Date	Due Date
SUR CB 006a	Security	There is Police presence but the bridges are located outside the security cordon. Tower Bridge has cameras and security requirements for visitors Temporary mitigation by the Metropolitan Police but not full Hostile Vehicle Mitigation - Ongoing.	Paul Monaghan	25-Aug-2017	31-Mar-2018

Risk no, title, creation date, owner	Risk Description (Cause, Event, Impact)	Current Risk Rating & Score		Risk Update and date of update	Target Risk Rating & Score		Target Date	Current Risk score change indicator
SUR CB 007 City Bridges: Bridge House Estates - Tunnelling for the Thames Tideway Tunnel 19-Jun-2017 Paul Wilkinson	Cause: Bridges may become inoperable due to settlement Event: Tunnelling for the Thames Tideway Tunnel Impact: Closure, reputational damage, disruption to traffic, additional costs to repair / replace	 Likelihood Impact	16	Involvement to agree least disruptive route and agree best mitigation measures. 25 Aug 2017	 Likelihood Impact	16	31-Mar-2017	

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Action no, Action owner	Description	Latest Note	Managed By	Latest Note Date	Due Date
SUR CB 007a	Asset protection Agreements	DBE to negotiate asset protection Agreements in conjunction with Comptroller and City Solicitor.	Paul Monaghan	11-Aug-2017	31-Mar-2018

Risk no, title, creation date, owner	Risk Description (Cause, Event, Impact)	Current Risk Rating & Score		Risk Update and date of update	Target Risk Rating & Score		Target Date	Current Risk score change indicator
TC TCO 05 Customer Relationship Management System 20-Nov-2015 John Barradell	Cause: Outdated software that is no longer supported stops working or will no longer work with our network environment Event: Failure of the CRM system Effect: Loss of critical data, Contact Centre, C.O.D team unable to effectively carry out their duties.	 Likelihood Impact	16	The strategic approach to replace the Corporate CRM system was approved by the Summit Group in May 2017. Approval was given to the funding of the project via the Corporate Gateway process in July 2017. 11 Sep 2017	 Likelihood Impact	4	31-Mar-2018	

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Action no, Action owner	Description	Latest Note	Managed By	Latest Note Date	Due Date
TCTO05A	Tender for a transactional CRM system to provide on-line and Contact Centre services functionality	Tender process has began and has a target completion date of the end of October 2017.	Sean Green	11-Sep-2017	31-Oct-2017

Committee(s)	Dated:
Audit & Risk Management	10102017
Subject: Deep Dive Risk Review - CR20 – Road Safety	Public
Report of: Director of the Department of Built Environment	For Information

Summary

This report considers actions proposed to mitigate corporate risk CR20: Road Safety and track the progress made to date against previously agreed actions.

During the past year, City officers have been working closely with the City of London Police in delivering this year’s Road Danger Reduction (RDR) programme. It included a combination of: effective enforcement, radical street design programmes such as Bank on Safety, production of safer active travel routes such as the Quietways, work on goods delivery fleet safety through promotion of Fleet Operators Recognition (FORS) Scheme and a significant increase in City Business engagement.

The RDR programme has improved awareness with the City’s community, and garnered praise from lobby groups representing cyclists and pedestrians:

“The London Cycling Campaign recognises and values the important work that the City of London has been undertaking to reduce road danger in the City and the rate of collisions, deaths and serious injuries to pedestrians and cyclists”. Dr Ashok Sinha, Chief Executive, London Cycling Campaign

“Living streets view the City as one of the leading organisations in terms of trying to address road danger to vulnerable road users”. Joe Irvin, CEO Living Streets

Our programme of activities in recent years has significantly improved the casualty rate in the City. However, the increase in the numbers of cyclists and pedestrians has led to little more than a plateauing in absolute casualty numbers. Considering that numbers of cyclists and pedestrians are predicted to rise in coming years, it is therefore imperative to adopt more radical interventions such as Bank on Safety in order to meet our casualty reduction targets.

The report demonstrates how the work programme aims to reduce the current number of casualties and for engaging with City of London workers, residents and the wider public. This document also sets out actions and further proposals to strengthen our public relations activity in order to increase public awareness of the City’s activities being undertaken in this field.

Recommendation(s)

Members are asked to note the report.

Main Report

Background

1. The current Road Danger Reduction (RDR) plan has two important objectives. The first is to reduce casualties and to achieve our agreed targets, gradually achieving no Killed or Seriously Injured people (KSI) on our streets. The second objective is to increase awareness of road danger and along with awareness of the breadth and scope of the work by the City Corporation on reducing road danger.
2. The City's strategy to reduce casualties is based on three elements. Firstly, changing the highway infrastructure based upon casualty analysis and trend data. Secondly, working with the City of London Police to target enforcement activity and thirdly working with partners to deliver programmes of education, training and promotion to raise awareness.
3. In recent years the City has delivered a wide range of engineering measures:
 - Junction redesign – e.g. Holborn, Aldgate
 - Filtered Permeability – closing streets to certain classes of vehicles to reduce risk to vulnerable road users at accident hotspots – e.g. Bank on Safety
 - Introduction of contraflow cycling lanes, providing a Quietways and Cycle Superhighway schemes to move cyclists away busy streets
 - Courtesy crossings to slow traffic at pedestrian crossing points
 - Highway redesign e.g. Cheapside
4. For all engineering projects officers evaluate the outcomes based against the agreed success criteria. For example, in the case of Holborn junction, comparing the 18 months before and after the completion of the improvement scheme casualties fell by some 50% with Cyclist casualties falling by over 90% compared with the same period before the works, as reported in the Gateway 7 report. According to the latest available data from TfL overall casualties are still down. A Case Study of Holborn Circus will be found at Appendix 4.
5. The City of London Police's support is crucial in addressing road danger. In particular City Police have actively enforced the City's 20 mile per hour speed limit and through the Commercial Vehicles Unit have implemented a targeted enforcement campaign towards Heavy Goods Vehicles.
6. The City of London has been experiencing a rapid and sustained growth in numbers of Vulnerable Road Users; surveys show cyclists now represent over 25% of all road users between 7am and 7pm. Employment in the City of London has increased by almost 100,000 since 2010, which puts further pressure on the street network.

7. After high profile collisions the focus has been on cycling, which has been successful in reducing numbers of KSI pedal cyclists despite the increased numbers cycling. Cyclist KSI dropped from an average of 23 KSI per year (2012 – 2014) to 10 KSI in 2015 and 13 KSI in 2016.
8. Despite this success, the total number of all injuries and KSI has plateaued.
9. The Mayor's target and the City's are absolute numbers and are not set as percentage reductions. The recent Mayor's Transport Strategy includes a Vision Zero approach to road safety, which sets a target of zero KSI by 2041 alongside challenging interim targets. Therefore, whilst we aim to retain the best of what we currently do, we must strive for more innovative and radical ways of tackling road danger.

Progress on existing and additional Mitigating Controls

10. Bank Junction was the number one hotspot for collisions that caused injury. In May 2017 the City introduced Bank on Safety. Extensive modelling showed that by limiting motorised vehicle access (weekdays, 7am – 7pm) would significantly reduce the risk of casualties. While the trial is still underway, early results appear to show that casualties have been significantly reduced. Data is still being gathered and an update report will be submitted to Streets and Walkways Committee for review later in 2017.
11. In June 2017 the City launched the new Quietway routes for cyclists. These routes are intended for less experienced cyclists, taking them off the more heavily trafficked routes, and thus reducing their exposure to danger.
12. In 2016 the Active City Network was established as a platform for engagement with City of London employers and employees. This group engages with over 200 businesses ranging from SMEs to large businesses including Nomura Bank, Deloitte, Bank of England. Through the Network we have promoted RDR initiatives with events and publications. Over 2,000 City of London workers have participated, with an estimated 50,000 viewing the related advertising or news releases.
13. Heavy Goods Vehicles are disproportionately involved in collisions that cause death or serious injury. The City has developed a RDR Award scheme called 'City Mark' through our Considerate Contractor Scheme. Through City Mark we are developing a procedure to ensure better work related road safety compliance: trained drivers and safer vehicles at City of London construction sites.
14. In May, the Finance Committee agreed a report approving the addition of a RDR clause in all contracts. This clause requires contractors to ensure better trained drivers and safer vehicles are used in all contracts supplying the Corporation.
15. In March a RDR Communications Strategy was agreed by the Planning & Transport Committee. Following this strategy, articles have appeared in industry press, including FORS magazine, Local Transport Today and the Taxi magazine, and also publicity of our campaigns City AM and the Evening Standard.

Future Actions

16. Despite success in reducing casualty rate, we recognise that a more innovative and radical approach is needed if we are to achieve the absolute casualty reduction targets. This autumn we will focus on addressing inattention of all road users through a high profile campaign. Development of this programme is under way, through arrangement of Focus Groups of the target audience, surveys and stakeholder engagement. The target is to raise awareness about the road risks and support the RDR team's wider goal of reducing KSI.
17. Officers are working with Transport for London (TfL) to explore what more can be done to reduce casualties. 45% of the City's KSI are on TfL controlled TLRN.
18. Officers are producing a report setting out comparisons with and learning from the experiences of successful cities and other local authorities
19. One of the keys to reducing accidents is focused training and education of City's workforce, supported by the business community. The Active City Network seeks to do exactly this. A series of events and publicity will be delivered to increase its reach and effectiveness.
20. An updated Road Danger Reduction and Active Travel Strategy are currently under development for delivery 2018/23. This will be consulted on early in the coming months with a view to formal adoption by summer 2018.

Conclusion

21. Whilst the current programme of activities and those of recent years has been successful in delivering an improvement in the casualty rate in the City, the programme has only achieved a plateauing of absolute casualty numbers.
22. If we are to achieve our absolute casualty reduction targets and meet the even more challenging Mayor's Vision Zero targets, we need to develop a new, more innovative and radical approach. To do this we will learn from success in the UK and abroad and embed these with successful elements of our existing strategy.
23. Intelligence led decision making and further targeted physical interventions (such as Holborn, Aldgate and Bank) remain a crucial strand of our RDR and casualty reduction strategy.
24. The Active City Network is an important element in promoting the work of the road danger team and heightening individual awareness of the issue with the City of London business community.
25. High profile and hard hitting campaigns are necessary to achieve behavioural change and in particular to address current concerns around 'inattention'. Campaigns also address the reputational risk that the City is not being seen to do enough on RDR for our communities.

Appendices

- Appendix 1 – CR20: Road Safety Risk
- Appendix 2 – Road Injury statistics for the City of London 2011 – 2016
- Appendix 3 – Road Injuries in the City of London: 2011 – 2016 in relation to 2020 targets (Transport for London, Stats19)
- Appendix 4 – Holborn Circus Case Study

Background Papers

None

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Action no, Title, Owner	Description	Latest Note	Managed By	Latest Note Date	Due Date
CR20b Permanent Bank Junction redesign	Permanent Bank Junction redesign	Monitoring of the Temporary Scheme continues to take place, with the consultation survey now live until the end of November 2017. The Temporary Scheme needs to be made permanent by November 2018. Lessons learned will be applied to the permanent scheme.	Steve Presland	12-Sept-2017	22-Nov-2018
CR20f Development of the Road Danger Reduction & Active Travel Strategy	In accordance with the agreed work plan the Road Danger Reduction & Active Travel Strategy is being prepared. Indicative milestones are (1) draft for informal consultation with stakeholders by end of October 2017; (2) draft to Planning & Transportation Committee in early 2018; (3) Public Consultation in early/mid 2018; & (4) revised strategy presented to Planning & Transportation committee with recommendation for adoption after recess 2018.	Added to mitigations; on target.		12-Sept-2017	30-Sep-2018
CR20g Pilot Behaviour Change Campaign	In accordance with the approved Communication Strategy this is the initial pilot of the Behaviour Change Campaign. The process will be (1) use focus groups to identify options; (2) conduct attitudinal survey of road users; (3) prepare campaign delivery plan; (4) deliver campaign; (5) evaluate and report to Members in March 2018	(1) use focus groups to identify options - completed September 2017. Outstanding stages include (2) conduct attitudinal survey of road users (to be completed by late October); (3) prepare campaign delivery plan (by mid-November); (4) deliver campaign (launch by end of November); (5) evaluate and report to Members in March 2018.		12-Sept-2017	31-Mar-2018
CR20h Neighbouring Borough Comparison	By comparing ourselves against our neighbouring boroughs we will learn and understand how and where other authorities have been successful in reducing casualties. The results of this comparison will be reported to Members in March 2018.	Initial interviews have taken place.		12-Sept-2017	31-Mar-2018
CR20i Active City Network	As agreed in the Work Plan engagement with the City communities on Road Danger Reduction would be delivered through the Active City Network. We deliver two major events a year, provide monthly road shows at businesses and provide employers, residents and visitors with a platform for two way communications regarding strategies to deliver road safety improvements. Progress will be reported to Members in March 2018.	To date we have developed the branding and structure of the network, delivered, two business conference events with over 200 people representing at least 90 City organisations. 10 business roadshows, led rides and walks, community events, published a best practice guide and send quarterly newsletters.		12-Sept-2017	31-Mar-2018
CR20j Safer Goods Vehicles	By 31st March 2018 all active construction sites in the City of London will have been visited to audit their level of compliance with the national CLOCS (Construction Logistics and Community Safety) scheme. The objective is to provide appropriate support to enable 75% of sites to be CLOCS compliant.	Half of sites have been visited of which 50% supplied evidence they were CLOCS compliant (and have, therefore, been awarded the City Mark road safety sign).		12-Sept-2017	31-Mar-2018

Appendix 2

Road Injuries in the City of London: 2011 - 2016

Serious Injuries in the City of London

	2011	2012	2013	2014	2015	2016
Pedestrian	12	17	22	18	21	27
Pedal Cycle	23	25	19	20	10	14
Powered 2 Wheeler	12	9	12	8	7	5
Car	1	1	0	3	0	0
Taxi	0	1	2	0	1	1
Bus Or Coach	1	2	4	2	3	2
Goods Vehicle	0	0	0	0	0	0
Other Vehicle	0	0	0	0	0	0
Private Hire	0	0	0	0	0	0
Sum	49	55	59	51	42	49

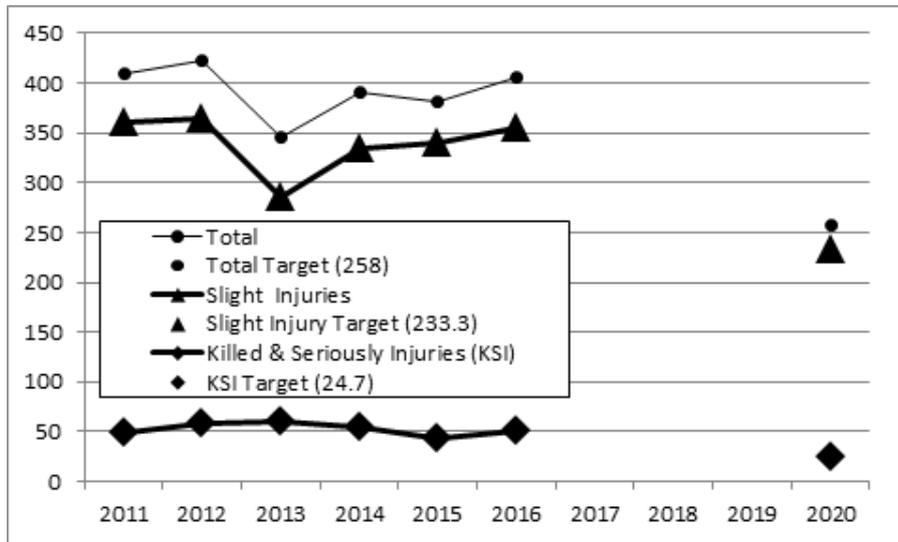
Fatal Injuries in the City of London

	2011	2012	2013	2014	2015	2016
Pedestrian	0	2	0	1	0	1
Pedal Cycle	0	1	1	3	1	0
Powered 2 Wheeler	0	0	0	0	0	1
Car	0	0	0	0	0	0
Taxi	0	0	0	0	0	0
Bus Or Coach	0	0	0	0	0	0
Goods Vehicle	0	0	0	0	0	0
Other Vehicle	0	0	0	0	0	0
Private Hire	0	0	0	0	0	0
Sum	0	3	1	4	1	2

Slight Injuries in the City of London

	2011	2012	2013	2014	2015	2016
Pedestrian	86	83	70	95	98	83
Pedal Cycle	126	124	106	116	123	130
Powered 2 Wheeler	59	64	49	70	48	66
Car	40	41	27	17	30	27
Taxi	16	23	9	9	15	20
Bus Or Coach	21	20	20	22	16	16
Goods Vehicle	8	10	4	5	9	12
Other Vehicle	4	0	0	1	0	0
Private Hire	0	0	0	0	0	0
Sum	360	365	285	335	339	354

Appendix 3



Road Injuries in the City of London: 2011 – 2016 in relation to 2020 targets (Transport for London, Stats19)

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Appendix 4

Holborn Circus Area Enhancement – Highways Improvements

For many years, Holborn Circus was amongst the most dangerous junctions in the City of London and the London Borough of Camden. In addition to being a dangerous junction, it provided poor pedestrian facilities, with formal pedestrian crossing facilities only provided on one of the six arms of the junction.

It is worth noting that the majority of people using this junction are vulnerable road users – in March 2011, the morning peak hour flow through the junction was 5,680 pedestrians and 930 cyclists, compared with 2,510 motorised vehicles. Half of accidents at the junction involved vulnerable road users.

Detailed analysis of collisions taking place at the junction revealed that a significant proportion of the accidents were either side-swipe collisions caused by weaving movements, or side-impact collisions caused by confusion as to how the junction operated.

Further analysis revealed that the main contributor to these accidents was the Grade II Listed Prince Consort Statue at the centre of the junction. The statue's location resulted in:

- Confusion as to whether the junction operated as a six-arm signalised junction, or a roundabout;
- Poor sightlines across the junction, with drivers/cyclists unable to properly see on-coming traffic;
- A slight deflection in the junction. This meant that drivers/cyclists in the inside lanes tended to drive straight across the junction, whilst drivers in the outside lanes tended to slightly swerve to avoid the statue, often causing side-swipe collisions.

Whilst it was recognised that certain elements of the junction geometry were contributing towards the existing poor accident record, a projection of likely future accident occurrence made worrying reading. A number of major redevelopment projects (plus a new Crossrail Station) were to be constructed in the area surrounding the junction, meaning that pedestrian (and cyclist) movement through the junction was certain to increase. It was therefore considered essential to address both the existing problems at the junction, and to safeguard the junction against projected increases in pedestrian and cyclist volumes.

Key to transforming the junction was the relocation of the Grade II Listed statue. This allowed a complete re-design of the junction. By relocating the statue (for which Listed Building Consent was required), the junction could be made physically smaller. The tightening of the junction allowed the signals to operate much more efficiently, as stop lines were brought closer together.

Further, one of the minor arms of the junction was diverted, reducing the number of junction arms to five. Another minor arm was converted to one-way movement, further reducing the number of arms that fed traffic into the junction. This made the junction less confusing to navigate, and allowed a more efficient junction signal phasing.

Through tightening the junction, and reducing the number of traffic arms feeding into it, traffic signal time was released; this allowed us to introduce pedestrian phases on all of the

main junction arms without the need to increase the junction cycle time. Through reducing carriageway space, significant space could also be reallocated for pedestrian use – including the creation of a new pedestrianised public space.

Finally, following consultation with the Department for Transport, eight metre long Advance Stop Lane reservoirs were introduced on all arms of the junction, with mandatory cycle lanes leading into the ASLs.

The junction has been fully operational now for over three years.

The table below (taken from the Gateway 7 report dated July 2016) illustrates the overall accident statistics for the 17 month period before and after the scheme construction period.

	17 Months Before	17 Months After	Reduction
Fatal	0	0	
Serious	3	0	
Slight	13	8	
Total	16	8	50%

As can be seen, accidents overall have reduced by 50%, with serious accidents being eradicated completely.

We have undertaken a further analysis of the impact of the scheme upon accidents involving vulnerable users (cyclists and pedestrians) for the same period. The following table summarises that analysis.

	17 Months Before	17 Months After	Reduction
Pedestrians	2	2	0%
Cyclists	11	1	91%
Total	13	3	77%

A comparison of before and after traffic surveys indicates that junction capacity has remained unaffected by the scheme, and vehicle journey times through the junction broadly similar both before and after scheme introduction.

The total cost of the scheme was £3.1 million, funded by a combination of TfL funds and developer contributions. Before committing funds for the construction phase, TfL required a full Benefit Cost Ratio calculation; the BCR was calculated as 3.2, more than justifying expenditure on the scheme.

Based upon projections of on-going casualty reduction at the junction, and using DfT guidance on the prevention costs per reported casualty, it is estimated that the scheme will result in an on-going casualty saving of £995,000 per annum.

Committee(s)	Dated:
Audit and Risk Management Committee	10 October 2017
Subject: Deep Dive: CR 17 Safeguarding	Public
Report of: Director of Community and Children’s Services	For Information
Report author: Sharon McLaughlin, Business Support Manager	

Summary

This report is to update members on the work undertaken to mitigate the Strategic Risk - SR 17 Safeguarding, relating to the protection of children and adults at risk, defined as an adult with social care needs, who is or may be at risk of significant harm.

Failure to follow the safeguarding policies and the arrangements in place designed to prevent harm to children and adults at risk may result in harm to service users and risks to the City of London’s reputation, possible investigation and a reduction in public confidence in the services provided.

The City of London is a strategic partner alongside the London Borough of Hackney in relation to safeguarding and the City and Hackney Safeguarding Children Board (CHSCB) and the City and Hackney Safeguarding Adult Board (CHSAB) monitor the effectiveness of work to safeguard and promote the welfare of children and adults, championing good practice and analysing data to inform service planning. The Director for Community and Children Services and the Assistant Director (AD) People Services sit on both Boards. The City specific sub-committees, which meet bi-monthly, for both children and adults and report on the work of the sub-committees into the main Boards, are Independently chaired and have representation from the City of London Corporation, City of London Police, Health , Education and other agencies , for example from the Voluntary Sector, who work across the City of London.

Community and Children Services Grand Committee has a Safeguarding Sub Committee for Children and Adults. This sub- committee oversees the City of London’s responsibilities to safeguard children and adults at risk, the sub-committee. Annual reports on both Children and Adults Safeguarding are presented to this sub-committee; these reports provide background information regarding the governance arrangements, membership, partnership engagement and performance information in respect of safeguarding activity for Children and Adults.

The number of child protection investigations and adult Safeguarding alerts is very low compared to other local authorities. The City of London aims to be proactive in the response to safeguarding and is seeking to promote a broader understanding of safeguarding. This is reflected in a focus on the prevention of abuse as well as a robust response to incidents of abuse. The importance of strong strategic links with other key partners such as the City of London Police, Education and Health is recognised as essential in order to ensure that all our residents are safeguarded both within the community and in their homes.

Mitigating actions include the delivery of safeguarding training programmes, the Adoption of a Corporate Safeguarding Policy, the appointment of Safeguarding Champions across the City of London, campaigns to raise awareness and an audit of safeguarding within the City's Family of schools.

The gross risk is currently assessed as AMBER with the likelihood rated as rare and the impact serious, see appendix 1.

Despite a range of mitigating actions to protect children and adults at risk, they cannot entirely eliminate the risk and the potential impact on individuals, public confidence and the reputation of the City of London and this is reflected in the risk score assigned to this important statutory duty.

Recommendation(s)

Members are asked to:

- Note the report.

Main Report

Background

1. As part of the Children Act 2004, all local authorities were required to establish Local Safeguarding Children Boards to further improve safeguards for children. The Local Safeguarding Children Board is the key statutory partnership which agrees how the relevant organisations in each local area will work together to safeguard and promote the welfare of children, and for ensuring the effectiveness of what they do.
2. The partnership arrangements for safeguarding adults in the City of London have been developed in accordance with statutory requirements set out in the Care Act 2014 and best practice standards developed by the Association of Directors of Social Services (ADASS) "Safeguarding Adults 2005". The City of London works in partnership with Hackney on the City and Hackney Safeguarding Adults Board.
3. Both Boards are independently chaired. The Executive Boards have Sub Committees who are chaired by partner agencies and cover areas such as quality assurance, training and finance.

4. The City of London responds positively to the findings of national enquiries and safeguarding reviews such as the, “Munro Review of Child Protection” and to recommendations arising from quality assurance audits and external inspections of services such as Ofsted Inspections.

Current Position

5. The Adults and Children’s Social Care teams continue to meet CQC and Ofsted performance targets in respect of children and adults and work has been done to develop a performance framework that places more emphasis onto qualitative data available rather than focusing solely on the quantitative information to measure the effectiveness of safeguarding arrangements across the partnership.
6. A wide ranging safeguarding raising awareness campaign “Notice the Signs” was undertaken during the autumn of 2015. The aim of the campaign was to highlight that the safeguarding of vulnerable members of the community was everyone’s business and to clearly set out what the arrangements are for reporting concerns promptly, effectively and appropriately. Since the completion of the campaign there has been an increase in safeguarding alerts. There have also been a number of other campaigns run across the City of London including;
 - Child Sexual Exploitation(2016)
 - Private Fostering (2016/17)
 - Missing from Education (2016)
 - Financial Abuse of Older People (2017)
 - Safeguarding and Social Media (2017)
7. A Safeguarding in Education Forum has engagement from all City of London Schools- this meets on a termly basis and provides updated information regarding national/regional and/or local policy and practice requirements regarding safeguarding in schools. Membership of the Forum includes representatives of the City Academies.
8. As well as attending the Safeguarding in Education Forum, safeguarding leads from City schools, also attend the CHSCB Sub Committee. This provides more generalist advice, support and challenge regarding safeguarding arrangements across partner agencies.
9. A third review of the safeguarding arrangements in the Independent schools within the City of London took place in 2016/17. This reviewed safeguarding standards across the City Independent Schools and made a number of recommendations for each school, which were taken forward by the individual schools themselves. This included a review of all the sites that operate as part of the Guildhall School Music and Drama (GSMD) across the country.

10. The City of London Safeguarding Policy was implemented in 2014 and was reviewed, in consultation with Departmental Safeguarding Champions in December 2015. A corporate safeguarding audit to review the policy, review the role of Departmental Safeguarding Champions and to look specifically into Disclosure and Barring Services checks for staff working with children and adults at risk has yet to be finalised. When a report finalised will be presented to this committee.
11. This year campaigns to raise awareness of the role of the Local Authority Designated Officer (LADO) has led to increased referrals from others working with children and adults. Other campaigns have been delivered on raising awareness of children missing education and on financial abuse and scams.

City of London Academies Trust (COLAT)

12. The Chief Executive Officer (CEO) has met with Headteachers of schools within the Trust, discussed safeguarding policies and procedures, and received updates on any recent or outstanding safeguarding issues that have been raised. Following the meetings, designated officers from each school completed the COLAT Safeguarding Update form, covering various aspects of their school's procedures including training for staff and governors, the Single Central Register, and any specific safeguarding concerns or referrals.
13. It has been assessed that all Trust schools have effective protocols in place to ensure they are compliant and monitoring the safety and wellbeing of staff and students. The CEO has recommended to schools that Headteachers diarise regular checks of their school's Single Central Register, designated officers continue to ensure training is up-to-date (particularly for governors), and that all senior members of staff undertake Safer Recruitment training. The CEO is meeting with Headteachers at least twice each academic year for a safeguarding review/update. The CEO's recommendations are proposed to ensure there is consistency and common practices across COLAT.
14. Governors receive training at least annually in all schools. COLAS indicated that safeguarding is kept on meeting agendas throughout the year, and the Safeguarding and Child Protection policy is updated in line with legislative changes.
15. All schools indicate that staff receive safeguarding training when appointed, refresher training is run annually, and updates are provided throughout the year at staff meetings and workshops.
16. The Trust schools have clear policies and procedures in order to provide a safe environment for students to learn, and that staff are well-trained so they able to work with confidence.

Challenges and further action

17. The owner of this risk is the Director of Community and Children's Services, however every department has a responsibility to ensure that staff are aware of the risk and how they should recognise and respond to safeguarding issues.
18. Social Care staff are fully trained and have the knowledge to enable them to detect signs of abuse, ill treatment and exploitation. It is essential that this awareness is continued across the organisation as many other departments come into contact with children and adults at risk. The Corporate Safeguarding Audit will test the effectiveness of the arrangements put in place following the implementation of the Corporate Safeguarding Policy. Any recommendations will be implemented and further updates presented to this committee and the Safeguarding sub-committee.

Conclusion

19. Risk of abuse is an ongoing risk and whilst the City of London has taken a series of mitigating actions there is always a degree of uncertainty due to the nature of this risk.

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Appendix 1 - CR17 – Corporate Risk - Safeguarding



Risk no, title, creation date, owner	Risk Description (Cause, Event, Impact)	Current Risk Rating & Score	Risk Update and date of update	Target Risk Rating & Score	Target Date	Current Risk score change indicator
CR17 Safeguarding 22-Sep-2014 Andrew Carter	Cause: Not providing appropriate training to staff, not providing effective management and supervision, poor case management Event: Failure to deliver actions under the City of London' safeguarding policy. Social workers and other staff not taking appropriate action if notified of a safeguarding issue Effect: Physical or mental harm suffered by a child or adult at risk, damage to the City of London's reputation, possible legal action, investigation by CQC and or Ofsted	Likelihood Impact	8 The Corporate safeguarding audit is not yet completed as field work has been extended. The report is awaited. 05 Sep 2017	Likelihood Impact	8 31-Mar-2018	

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Committee(s)	Dated:
Audit and Risk Management – For information	10/10/2017
Subject: City Fund and Pension Fund Financial Statements – Audit Completion Reports	Public
Report of: Chamberlain	For Information
Report author: Pam Raphael, Group Accountant, Chamberlain’s Dept.	

Summary

At your July meeting Members considered the interim audit completion reports on the City Fund and Pension Fund financial statements for the year ending 31 March 2017. Following completion of the audit BDO LLP have now issued their final report on the City Fund (appendix 2). The overall change to the City Fund is an increase in net assets of £2.5m, in relation to total net assets of £1.25 billion. A summary of the changes to the City Fund balance sheet is set out at appendix 1.

There have been no changes to the Pension Fund.

The audited statements were published on the City’s website on the 29 September.

Recommendation

Members are asked to note the report.

Appendices

- Appendix 1 – Balance Sheet changes
- Appendix 2 – City Fund Audit Completion Report

Background Papers

2016/17 City Fund and Pension Fund Financial Statements, Audit and Risk Management Committee.

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Summary of Changes to the City Fund Balance Sheet between July and September 2017

	31 March 2017 ARMC July 2017 £m	(1)	(2)	(3)	(4)	(5)	31 March 2017 Final £m
Property, Plant and Equipment	888.2						888.2
Heritage Assets	8.9						8.9
Investment Property	1,444.8						1,444.8
Intangible Assets	0.1						0.1
Investments	0.2						0.2
Long-Term Debtors	16.1	2.6					18.7
Long-Term Assets	2,358.3	2.6					2,360.9
Short-Term Investments	697.9		(0.9)				697.0
Assets Held for Sale	0.3						0.3
Inventories	0.5						0.5
Intangible Current Assets	0.4						0.4
Short-Term Debtors	89.4	(2.6)		(0.5)	(0.6)		85.7
Cash and Cash Equivalents	52.3		0.9				53.2
Current Assets	840.8	(2.6)	0.0	(0.5)	(0.6)		837.1
Short-Term Creditors	(376.4)			0.5		3.1	(372.8)
Provisions	(82.6)						(82.6)
Current Liabilities	(459.0)			0.5	0.0	3.1	(455.4)
Pensions Liability	(1,220.3)						(1,220.3)
Capital Grants and Contributions Received in Advance	(111.3)						(111.3)
Deferred Credits	(152.4)						(152.4)
Other Long-Term Liabilities	(4.1)						(4.1)
Long-Term Liabilities	(1,488.1)						(1,488.1)
NET ASSETS	1,252.0	0.0	0.0	0.0	(0.6)	3.1	1,254.5
Usable Reserves	(160.1)				0.6	(3.1)	(162.6)
Unusable Reserves	(1,091.9)						(1,091.9)
TOTAL RESERVES	(1,252.0)	0.0	0.0	0.0	0.6	(3.1)	(1,254.5)

1. A reclassification from short term debtors to long term debtors for the proportion due over 12 months of the debtor raised for rent free periods.
2. A reclassification of interest on call and current accounts from short term investments to cash and cash equivalents.
3. Income relating to 2017/18 was invoiced in advance in 2016/17 and classified as a debtor and a receipt in advance. As the income relates to 2017/18 and cash was not received by 31 March it should not have been recognised in the accounts.
4. Due to an error in calculation a Barbican Residential Committee debtor raised was overstated.
5. Three balances held within short-term creditors (Community Infrastructure Levy £1m, a utility pipe subway maintenance fund £1.4m and a Spitalfields Market Tenants fund of £0.7m) have been reclassified as usable earmarked reserves. Although the monies are ringfenced (i.e. there are restrictions on how they can be spent) the terms and conditions attached do not include specific repayment clauses. The funding providers are only able to recover monies by indirect means e.g. by legal action for breach of contract or withholding payment of other monies due. The absence of this right of return in the funding agreements means that any unspent monies must be held in usable earmarked reserves.

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**CITY OF LONDON
CORPORATION CITY FUND**

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AUDIT COMPLETION REPORT

For the year ended 31 March 2017

Issued 29 September 2017



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SUMMARY

AUDIT SCOPE AND OBJECTIVES	
Audit status	We have substantially completed our audit procedures, in respect of the risk areas, in accordance with the planned scope and our objectives have been achieved, subject to resolution of matters set out in the outstanding matters section below.
Audit risks update	<p>Following a review of assumptions used by the actuary for the valuation of the present value liability to pay future pensions we changed the risk from normal risk to significant risk.</p> <p>We also changed land, buildings, dwellings and investment property valuations from a normal risk to a significant risk due to volatility and uncertainty over market prices in the year.</p> <p>No other significant audit risks were identified during the course of our audit procedures subsequent to our audit plan to you dated 18 April 2017.</p>
Materiality	<p>Our final City Fund overall financial statement materiality is £23 million. Specific lower materiality of £5.8 million has been applied in respect of income and expenditure transactions that impact on revenue resources to reduce the risk of material misstatements.</p> <p>These have been updated from our audit plan to reflect final amounts in the financial statements.</p>
Changes to audit approach	There were no significant changes to our planned audit approach nor were any restrictions placed on our audit.

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KEY AUDIT AND ACCOUNTING MATTERS	
Material misstatements	Testing completed has identified no material misstatements.
Unadjusted audit differences	Testing completed to date has identified two unadjusted audit differences in respect of unrecorded pension scheme assets and Barbican receipts in advance. These do not have an impact on the reported deficit on the provision of services within the comprehensive income and expenditure statement but would reduce the pension liability disclosed on the balance and pension reserve by £1.4 million and reduce creditors (receipts in advance) and increase Barbican income by £0.164 million if corrected.
Control environment	Our audit identified no significant deficiencies in internal controls.

SUMMARY

KEY MATTERS FROM OUR AUDIT OF USE OF RESOURCES

Sustainable finances (Police)	City of London Corporation, as a whole organisation, are in a position to fund a significant proportion of forecast deficits which reduces the risk of financial unsustainability in respect of City Police. The Corporation and City Police understand that this is not sustainable over the long term and City Police plan to incorporate the recommendations raised by the external value for money review to improve their operating model and deliver service and financial savings to reduce the budget gap over the MTFS period. On this basis we have concluded that the City Police remain financially sustainable over the period of the MTFS.
Sustainable finances (City Fund)	There are healthy levels of reserves available to support City Fund's services in the medium term therefore we are satisfied that there are appropriate arrangements in place to continue to remain financially sustainable over the period of the MTFS.

AUDIT OPINION

Financial statements	Subject to the successful resolution of outstanding matters set out on page 5, we anticipate issuing an unmodified opinion on the financial statements for the year ended 31 March 2017.
Use of resources	Subject to the successful resolution of outstanding matters set out on page 5, we anticipate issuing an unmodified opinion on the use of resources for the year ended 31 March 2017.

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

Whole of Government Accounts	We will complete our review of the WGA Data Collection Tool (DCT), after we have completed our audit of the City Fund financial statements. We will issue our opinion on the consistency of the DCT return with the audited financial statements before the 29 September 2017 statutory deadline.
Audit independence	Our observations on our audit independence and objectivity and related matters are set out in Appendix IV.
Audit certificate	We will issue our audit certificate after we have completed our work on the City Fund financial statements, pension fund financial statements, use of resources and whole of government accounts.

INTRODUCTION

PURPOSE AND USE OF THIS REPORT

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

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

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

This report has been prepared solely for the use of the Audit and Risk Management Committee. In preparing this report we do not accept or assume responsibility for any other purpose or to any other person.

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

AUDIT QUALITY

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

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

More details can be found in our latest Transparency Report at www.bdo.co.uk.

OUTSTANDING MATTERS

We have substantially completed our audit work in respect of the risk areas identified for the year ended 31 March 2017, and anticipate issuing unmodified opinions on the financial statements and use of resources.

The following matters are outstanding at the date of this report. We will update you on their current status at the Audit and Risk Management Committee meeting at which this report is considered:

1 Subsequent events review

2 Final review and approval by you of the financial statements, including the management representation letter attached in Appendix VI

KEY AUDIT AND ACCOUNTING MATTERS

AUDIT RISKS

We assessed the following matters as significant audit risks. We have amended the risk from normal risk to significant risk since we issued the audit plan on 18 April 2017 in respect of the assumptions supporting the valuation of the pension liabilities and for valuations of land, buildings, dwellings and investment property valuations. Below we set out how these risks have been addressed and the outcomes of our procedures.

Key: ■ Significant risk ■ Normal risk

AUDIT AREA	RISK DESCRIPTION	HOW RISK WAS ADDRESSED BY OUR AUDIT	AUDIT FINDINGS AND CONCLUSION
1 ■ Management override of controls	<p>Auditing standards presume that a risk of management override of controls is present in all entities and require us to respond to this risk by testing the appropriateness of accounting journals and other adjustments to the financial statements, reviewing accounting estimates for possible bias and obtaining an understanding of the business rationale of significant transactions that appear to be unusual.</p> <p>By its nature, there are no controls in place to mitigate the risk of management override.</p>	<p>Our response to this risk include:</p> <ul style="list-style-type: none"> testing the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements reviewing accounting estimates for biases and evaluated whether the circumstances producing the bias, if any, represent a risk of material misstatement due to fraud obtaining an understanding of the business rationale for significant transactions that are outside the normal course of business for the entity or that otherwise appear to be unusual. 	<p>Our audit work in relation to journals has not identified any issues.</p> <p>We have not found any indication of management bias in accounting estimates. Our views on significant management estimates are included below.</p> <p>No unusual or transactions outside of the normal course of business were identified.</p>

KEY AUDIT AND ACCOUNTING MATTERS

AUDIT AREA	RISK DESCRIPTION	HOW RISK WAS ADDRESSED BY OUR AUDIT	AUDIT FINDINGS AND CONCLUSION
<p>2 Revenue recognition</p>	<p>Under auditing Standards there is a presumption that income recognition presents a fraud risk. For local authorities, the risks can be identified as affecting the existence of income.</p> <p>In particular, we consider there to be a significant risk in respect of the existence (recognition) of revenue and capital grants that are subject to performance and / or conditions before these may be recognised as revenue in the comprehensive income and expenditure statement (CIES).</p> <p>We also consider there to be a significant risk in relation to the existence of fees and charges and investment rental income recorded in the CIES with a particular focus on year-end cut off.</p>	<p>We tested a sample of grants subject to performance and / or conditions to confirm that conditions of the grant have been met before the income is recognised in the CIES.</p> <p>We tested a sample of fees and charges to ensure income has been recorded in the correct period and that all income that has been recorded should have been recorded.</p>	<p>We have not identified any issues as part of our grant income testing.</p> <p>We have not identified any issues as part of our fees and charges testing.</p>

KEY AUDIT AND ACCOUNTING MATTERS

	AUDIT AREA	RISK DESCRIPTION	HOW RISK WAS ADDRESSED BY OUR AUDIT	AUDIT FINDINGS AND CONCLUSION
3	Land, buildings, dwellings and investment property valuations	<p>Management use external valuation data to assess whether there has been a material change in the value of classes of assets. Investment properties are revalued annually according to market conditions at year-end. Higher value operational properties (other land and buildings and dwellings) are revalued annually to provide assurance that carrying values are materially stated, with the remainder of non-material value assets revalued periodically (minimum of every five years). Operational asset valuations are undertaken by both external and internal valuers.</p> <p>We consider there to be a risk over the valuation of land buildings, dwellings and investment properties where valuations are based on market assumptions or where updated valuations have not be provided for a class of assets at the year-end.</p> <p><i>(This has been increased from a normal risk to a significant risk due to volatility and uncertainty over market prices in the year)</i></p>	<p>We reviewed the instructions provided to the valuer and review the valuer’s skills and expertise in order to determine if we can rely on the management expert.</p> <p>We confirmed that the basis of valuation for assets valued in year is appropriate based on their usage. We confirmed that an instant build modern equivalent asset basis has been used for assets valued at depreciated replacement cost.</p> <p>We reviewed the movements in valuations with other relevant market indices to assess the reasonableness of the valuations.</p>	<p>From our review of the instructions provided to the valuer and assessment of the expertise of the valuer, we are satisfied that we can rely on this work.</p> <p>Our audit testing has not identified any issues in respect of the basis and accounting for valuations.</p> <p>Our review of the reasonableness of valuation assumptions applied is noted on the following page.</p>

KEY AUDIT AND ACCOUNTING MATTERS

SIGNIFICANT ACCOUNTING ESTIMATES

Land, buildings, dwellings and investment property valuations

ESTIMATE	HOW RISK WAS ADDRESSED BY OUR AUDIT	AUDIT CONCLUSION
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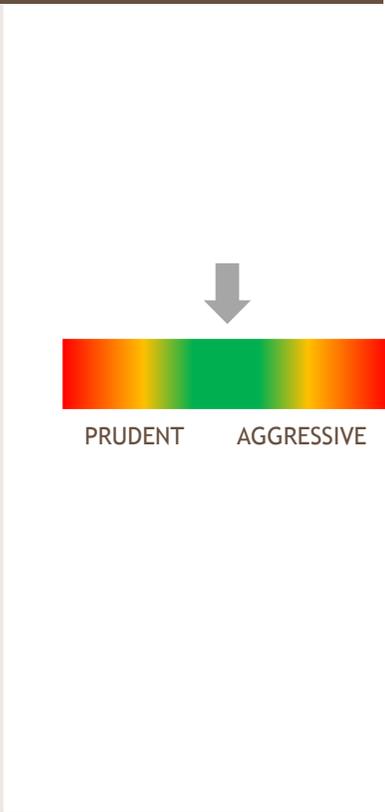
Land and buildings are valued by reference to existing use market values
 Dwellings are valued by reference to open market value less a social housing discount
 Investment properties are valued by reference to highest and best use market value
 Some specialist buildings are valued at depreciated replacement cost by reference to building indices

Property, plant & equipment valuations
 As at 31 March 2017 PPE had increased by approximately £14.2 million due to revaluations (the majority being attributable to council dwellings).
 We reviewed the valuations provided and the valuation methodology applied, and confirmed that the basis of valuation for assets valued in year is appropriate based on Code requirements.
 We compared the valuations to expected movements using available market information and concluded that the movements are within expectations.

We note that the useful economic life (UEL) of council dwellings has been set at 125 years based on the usual term for leases granted and is significantly longer than the UELs used by other local authorities. The Corporation’s City Surveyor has stated that this is due to the robust structure and ongoing repairs, maintenance and cyclical replacement works programmes in place for these properties. We are satisfied that the remaining UELs, used to calculate council dwelling depreciation, are reasonable.

Investment property valuations
 Whilst the City Fund’s capital value of investment properties has increased by £54.9 million this mainly relates to a general increase in the market (using the IPD capital index for City office space). There were however several outliers where the market value had significantly increased/decreased due to changes in rental amounts and change in property use. This increase is significantly less than prior year (£180.3 million) due to a combination of fewer restructuring deals and flatter investment property market.

After discussing the valuation methodology with the valuer, we are satisfied that the observable inputs used to value the assets have been disclosed as ‘level 2’ in the financial statements. We note that the European Public Real Estate Association (EPRA), a leading trade association, has suggested that in the majority of cases investments property valuations are likely to be level 3 valuations due to the extent that unobservable inputs or individual assumptions for each property. We will keep this under review as generally accepted practice develops.



KEY AUDIT AND ACCOUNTING MATTERS

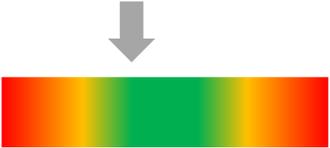
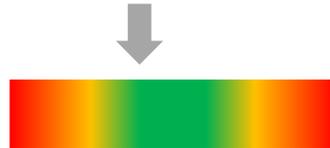
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AUDIT AREA	RISK DESCRIPTION	HOW RISK WAS ADDRESSED BY OUR AUDIT	AUDIT FINDINGS AND CONCLUSION
<p>4</p> <p>LGPS pension and police pension liability assumptions</p>	<p>The LGPS pension liability comprises the City Fund’s share of the market value of assets held in the City of London Pension Fund and the estimated future liability to pay pensions. The unfunded police pension liability includes the future liability to pay police pensions. An actuarial estimate of the pension funds’ liabilities is calculated by an independent firm of actuaries with specialist knowledge and experience.</p> <p>The estimate is based on the most up to date membership data held by the pension fund and has regard to local factors such as mortality rates and expected pay rises along with other assumptions around inflation when calculating the liability.</p> <p>There is a risk the valuation is not based on accurate membership data or uses inappropriate assumptions to value the liability.</p> <p><i>(This has been increased from a normal risk to a significant following a review of assumptions used by the actuary for the valuation of the present value liability to pay future pensions)</i></p>	<p>We reviewed the controls in place to ensure that the data provided from the fund to the actuary is complete and accurate.</p> <p>We reviewed the basis of apportioning the pension costs and net liability of the Corporation to the City Fund.</p> <p>We compared the disclosures in the financial statements to the information provided by the actuary.</p> <p>We compared the assumptions used by the scheme actuary with assumptions used by other local government and police actuaries (provided by PwC consulting actuaries) to assess the reasonableness of the assumptions and impact on the calculation of the present value of estimated future pension payments. We also checked whether the actuary had applied assumptions in accordance with the range provided to PwC.</p>	<p>We did not identify any issues regarding the accuracy and completeness of data provided by the fund to the actuary.</p> <p>We are satisfied with the basis of apportioning pension costs and net liability of the Corporation to the City Fund.</p> <p>Disclosures in the financial statements agree to information provided by the Actuary.</p> <p>Our review of the reasonableness of assumptions used to calculate the present value of future pension obligations is noted in the following page.</p>

KEY AUDIT AND ACCOUNTING MATTERS

SIGNIFICANT ACCOUNTING ESTIMATES

Pension liability assumptions

ESTIMATE	HOW RISK WAS ADDRESSED BY OUR AUDIT			AUDIT CONCLUSION	
<p>The key assumptions include estimating future expected cash flows to pay pensions including inflation, salary increases and mortality of members; and the discount rate to calculate the present value of these cash outflows</p>	<p>The actuary has used the following assumptions to value to future pension liability:</p>			<p>LGPS:</p>  <p>PRUDENT AGGRESSIVE</p> <p>Police:</p>  <p>PRUDENT AGGRESSIVE</p>	
		<p>Actual used</p>	<p>Actuary range</p>		<p>PwC assessment of actuary range to market expectations</p>
	<p>RPI increase</p>	<p>3.6%</p>	<p>3.5-3.6%</p>		<p>Top of expected range (as no deduction for inflation risk premium)</p>
	<p>CPI increase</p>	<p>2.6%</p>	<p>2.6-2.7%</p>		<p>Top of expected range (derived from RPI above)</p>
	<p>Salary increase</p>	<p>4.1%</p>	<p>--</p>		<p>Top of expected range (derived from RPI above)</p>
	<p>Pension increase</p>	<p>2.6%</p>	<p>2.6-2.7%</p>		<p>Top of expected range (derived from RPI above)</p>
	<p>Discount rate yield curve</p>	<p>2.7%</p>	<p>2.7-2.8%</p>		<p>Above expectations (does not reflect full shape of the underlying or timing of the benefit payment)</p>
	<p>Mortality - LGPS:</p>				
	<p>- Male current</p>	<p>25.2 years</p>	<p>23.5-26.6</p>		<p>Reasonable</p>
	<p>- Female current</p>	<p>26.7 years</p>	<p>26.5-28.3</p>		<p>Reasonable</p>
	<p>- Male retired</p>	<p>23.8 years</p>	<p>21.4-24.4</p>		<p>Reasonable</p>
	<p>- Female retired</p>	<p>25.2 years</p>	<p>24.2-26.0</p>		<p>Reasonable</p>
	<p>Commutation</p>	<p>50%</p>	<p>50%</p>		<p>Reasonable</p>
	<p>Mortality - Police:</p>				
	<p>- Male current</p>	<p>23.1 years</p>	<p>23.5-26.6</p>		<p>Reasonable - although local actual used is below expected range</p>
<p>- Female current</p>	<p>25.5 years</p>	<p>26.5-28.3</p>	<p>Reasonable - although local actual used is below expected range</p>		
<p>- Male retired</p>	<p>21.7 years</p>	<p>21.4-24.4</p>	<p>Reasonable</p>		
<p>- Female retired</p>	<p>24.0 years</p>	<p>24.2-26.0</p>	<p>Reasonable - although local actual used is below expected range</p>		

KEY AUDIT AND ACCOUNTING MATTERS

SIGNIFICANT ACCOUNTING ESTIMATES

Pension liability assumptions

ESTIMATE	HOW RISK WAS ADDRESSED BY OUR AUDIT
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Continued

PwC concluded:
The discount rates proposed at all durations fall outside of the top end of our expected ranges at 31 March 2017. Individually, we might view these assumptions to be optimistic, and auditors may wish to consider whether a lower discount rate (for example a reduction of 0.1%) would lead to materially different accounting entries for their employers. Auditors may be able to gain comfort that the assumptions in aggregate (i.e. considering all the financial and demographic assumptions together) will result in liability figures that are not materially misstated at 31 March 2017, albeit the chosen assumptions will be disclosed in the pensions note and thus subject to external scrutiny.

In response, we commissioned a separate review from an independent actuary (Broadstones) to review the strength of the assumptions applied and the potential impact on the calculation of the liability.

Discount rates
 This review concluded that, while the discount rate range applied was high, the approach to obtain a single point from the yield curve is an acceptable method.
 A benchmarking exercise found that a rate up to 2.80% approached the 95th percentile (normal range 2.55% - 2.75%), and that the rate applied for this pension fund at 2.70% was above average but within a normal range.
 An increase of 0.1% in the discount rate would decrease the liabilities by 2%.

Inflation rates
 A review of the RPI inflation assumptions concluded that the rate applied was high, and followed the same methodology as the discount rate curve methodology in not adjusting for an inflation risk premium.
 A benchmarking exercise found that a rate up to 3.60% approached the 95th percentile (normal range 3.28% - 3.48%), and that the rate applied for this pension fund at 3.60% was above a normal range.
 An increase of 0.1% in the inflation rate would increase the liabilities by 2%.

KEY AUDIT AND ACCOUNTING MATTERS

ESTIMATE	HOW RISK WAS ADDRESSED BY OUR AUDIT
Continued	<p>Overall impact of assumptions</p> <p>PwC concluded that overall Barnett Waddingham liabilities calculations tended to be generally ‘strong’ (i.e. placing a higher value on the liabilities) and that in combination the higher discount rate and higher inflation assumptions may result in an acceptable valuation.</p> <p>The Broadstones review concurred with this view and stated that reducing both the discount rate and inflation assumptions would bring these into line with general expectations, but would not lead to materially different liability calculation.</p> <p>Conclusion</p> <p>The impact of the higher discount rate and inflation rates tend to counteract each other and the overall liability calculation is reasonable.</p> <p>Police mortality assumptions</p> <p>Our review of police mortality assumptions has identified that the rates used are below the expected range set out in PwC’s review of IAS 19 reporting across actuaries used within local authorities. PwC’s review calculates a mortality range based on actuaries that have used 2013 or 2015 CMI data. Mortality assumptions for City Police have been calculated using the most recent 2016 CMI data (released on 27 March 2017), which indicates a reduction in mortality rates for those retiring in the future and thereby reducing the pension net liability. We have discussed the use of the 2016 CMI data to calculate the net liability as at 31 March 2017 and the Actuary has confirmed that the data is reasonable and is more reflective of future indicative mortality rates as there are indications that longer-term mortality rates are showing lower rates of improvement than previously anticipated.</p>

KEY AUDIT AND ACCOUNTING MATTERS

	AUDIT AREA	RISK DESCRIPTION	HOW RISK WAS ADDRESSED BY OUR AUDIT	AUDIT FINDINGS AND CONCLUSION
5	Crossrail commitment	<p>The City Fund has committed to contribute £200 million towards the costs of constructing Crossrail. The payment is dependent on achievement of a number of conditions, primarily completion of certain works in relation to Crossrail stations. Management has confirmed these conditions have been met and £200 million was paid on 28 March 2017.</p> <p>There is a risk around the appropriate date for recognition of the liability to pay amounts based on the crystallisation events in the agreement, and appropriate disclosures in the financial statements.</p>	<p>We reviewed the progress of the Crossrail works against the agreement commitments required to crystallise the payment and reviewed the accounting treatment and disclosures in the financial statements.</p>	<p>Crossrail was required to achieve four milestones in order for the City Fund to release its contribution of £200 million to the project. We reviewed Crossrail completion certificates and found that all four milestones had been achieved by 22 March 2017 thereby supporting the £200 million payment made by the City Fund on 28 March 2017.</p> <p>We have not identified any issues with the accounting treatment but we have suggested that enhanced disclosures are made in the financial statements to describe the nature of this transaction as it is a material amount.</p> <p>Management has confirmed that disclosure will be added to the revised version of the financial statements.</p>

KEY AUDIT AND ACCOUNTING MATTERS

	AUDIT AREA	RISK DESCRIPTION	HOW RISK WAS ADDRESSED BY OUR AUDIT	AUDIT FINDINGS AND CONCLUSION
6	Corporation recharges	<p>The Corporation recharges significant amounts of expenditure between the City Fund and City's Cash for costs such as building maintenance & insurance, support & central service employees' remuneration, surveyors and services relating to economic development.</p> <p>In the prior year we discussed the apportionment rates used for each of the recharges and noted that some of the underlying evidence to support the calculation of the rates had not been reviewed for a number of years.</p> <p>We consider there to be a risk in respect of the basis of the recharging as it may be outdated resulting in an inappropriate level of or incomplete recharging between the funds.</p>	<p>We assessed whether the rates used for recharging are based on the most appropriate information to support the service cost.</p> <p>We undertook a review of the recharges between funds to ensure that they are accurate and have been charged to the correct fund.</p>	<p>Corporation recharges between the City Fund and City's Cash amounts to £26.7 million net expenditure in the City Fund financial statements.</p> <p>We have assessed the rates used for different types recharges that make up this balance:</p> <ul style="list-style-type: none"> • Building administration: these costs relate to the maintenance and operation of buildings e.g security and facilities. The City Surveyor provides recent floor plans and costs are apportioned based on office space occupied by each Fund • I.T service: these costs are apportioned based on the number of full time equivalent employees within the department or service being recharged • Insurance: these costs are apportioned based on which department owns the asset. Each asset has a unique identifier in order to determine which department it belongs to • Central support services: these costs are apportioned based on the actual time worked on each Fund. This information is derived from individual timesheets maintained throughout the year. <p>Rates used for recharging have been based on appropriate information to support the service cost and recharges have been accurately charged to the City Fund.</p>

KEY AUDIT AND ACCOUNTING MATTERS

AUDIT AREA	RISK DESCRIPTION	HOW RISK WAS ADDRESSED BY OUR AUDIT	AUDIT FINDINGS AND CONCLUSION
7	<p>Lease premiums</p>	<p>The City Fund is party to a significant number of lease arrangements as lessor. The premiums and rents are apportioned between the land element, which will ordinarily be an operating lease recognised as revenue, and the building element which is likely to be a finance lease and recorded as a capital disposal. The element of the premium relating to the land is treated as deferred income and released to revenue over the term of the lease.</p> <p>The apportionment between the land and building elements is a complex accounting estimate and there is a risk that the value of the split applied may not be appropriate.</p>	<p>Management has confirmed that the City Fund did not receive any lease premiums during 2016/17 and no lease premiums have been accounted for in the financial statements.</p> <p>No lease premiums were received during 2016/17 or accounted for in the financial statements. This is in line with understanding of the activities of the City Fund during the year.</p>
8	<p>Consideration of related party transactions</p>	<p>We need to consider if the disclosures in the financial statements concerning related party transactions are complete and accurate, and in line with the requirements of the accounting standards.</p> <p>There is a risk that related party transactions disclosures are omitted from the financial statements, or do not accurately reflect the underlying related party transaction.</p>	<p>We reviewed the related party transactions identification procedures in place and reviewed relevant information concerning any such identified transactions. We also carried out Companies House searches for undisclosed interests.</p> <p>We discussed with management and reviewed member's and Senior Management declarations to ensure there are no potential related party transactions which have not been disclosed.</p> <p>We have carried out a Companies House search and reviewed member and senior officer declarations have not identified any undisclosed related party transactions.</p> <p>Our testing did identify the following disclosure issues:</p> <ul style="list-style-type: none"> • Museum of London paid the City Fund £1.4 million in rent and loan payments in 2016/17 rather than £7.4 million disclosed in note 42 • City Fund paid Kent County Council £7.8 million for procurement of goods and services in 2016/17 rather than £7.4 million disclosed in note 42. <p>Management has confirmed that the disclosure will be amended in the revised version of the financial statements.</p>

KEY AUDIT AND ACCOUNTING MATTERS

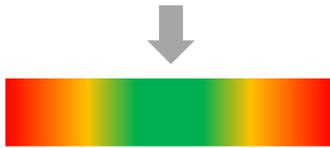
	AUDIT AREA	RISK DESCRIPTION	HOW RISK WAS ADDRESSED BY OUR AUDIT	AUDIT FINDINGS AND CONCLUSION
9	Changes in presentation of the financial statements	<p>The Code requires a change to the presentation of some areas of the financial statements. This includes:</p> <ul style="list-style-type: none"> change to the format of the Comprehensive income and Expenditure Statement (CIES) change to the format of the Movement in Reserves Statement new Expenditure and Funding Analysis (EFA) note change to the Segmental Reporting note new Expenditure and Income analysis note. <p>These changes will require a restatement to the 2015/16 CIES.</p> <p>There is a risk that these presentational changes are not correctly applied in the financial statements.</p>	<p>We reviewed the draft financial statements and checked these against the CIPFA Disclosure Checklist to ensure that all of the required presentational changes have been correctly reflected within the financial statements.</p> <p>We confirm that the analysis by service in the CIES is consistent with the internal reporting within the City Fund.</p> <p>We reviewed the restatement of the comparative 2015/16 information to ensure that this is presented consistently with the current year basis.</p>	<p>As a result of the restating the 2015/16 CIES management identified £400,000 of recharges that had been incorrectly accounted for on a gross income and expenditure basis in the prior year financial statements. These have been correctly eliminated in the restated 2015/16 comparative CIES disclosed in the 2016/17 financial statements.</p> <p>Our audit work has not identified any other issues in respect of the restatement of the 2015/16 CIES.</p> <p>The financial statements includes an analysis of income by its nature (i.e fees & charges, grant income, interest and investment income, business rate income etc), in note 5. However, there is not an analysis of how this income is split between committees as required by the CIPFA Code. We recommend that this analysis is disclosed in the financial statements.</p>

KEY AUDIT AND ACCOUNTING MATTERS

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AUDIT AREA	RISK DESCRIPTION	HOW RISK WAS ADDRESSED BY OUR AUDIT	AUDIT FINDINGS AND CONCLUSION
10 Non-domestic rates appeals provision	<p>Billing authorities are required to estimate the value of potential refund of business rates arising from rate appeals, including backdated appeals. The Valuation Office Agency (VOA) provides information regarding the appeals currently being assessed and settled.</p> <p>Management use this information to calculate a success rate for specific business types for settled appeals, and applies an appropriate rate to each type of business appeal still outstanding at year end.</p> <p>We consider there to be a risk in relation to the estimation of the provision due to potential incomplete data and assumptions used in calculating the likely success rate of appeals.</p>	<p>We agreed the underlying appeals information to the VAO reports of outstanding appeals.</p> <p>We agreed the accuracy of the information used to calculate the success rate from settled appeals.</p>	<p>As at 31 March 2017, provisions increased to £80.1 million from £45 million. This has significantly increased due to the increased number of appeals received in 2016/17 (5,101 in 2016/17 compared to 1,838 in 2015/16) because the deadline to appeal the most recent 2010 valuation was 31 March 2017. We agreed the underlying appeals information to the VAO reports of outstanding appeals.</p> <p>No issues were identified.</p>

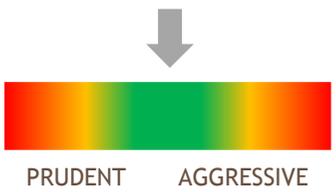
SIGNIFICANT ACCOUNTING ESTIMATES

ESTIMATE	HOW RISK WAS ADDRESSED BY OUR AUDIT	AUDIT CONCLUSION
Estimate of refunds for successful NDR appeals	<p>Management applied different success rates to different types of appeals based on the amounts repaid on appeal on recent years against the amount appealed. This takes into account both the success of a rateable value reduction appeal and for the number of years the appeal is backdated. Success rates range from 0.1% for appeals with multiple assessments to 4.4% for appeals where there have been material changes in circumstances. Higher success rates have been used for properties that have been demolished or no longer exist (49.5%) and properties that are now domestic or exempt from rating (100%).</p> <p>This is a reasonable basis for estimating the provision for the future refunds from successful appeals.</p>	 <p>PRUDENT AGGRESSIVE</p>

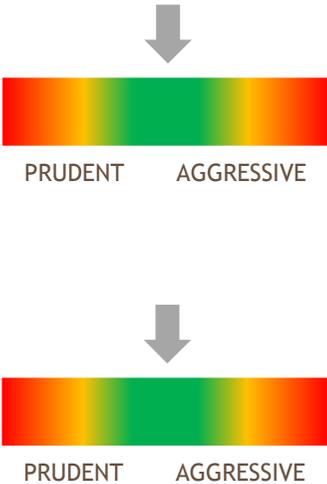
KEY AUDIT AND ACCOUNTING MATTERS

AUDIT AREA	RISK DESCRIPTION	HOW RISK WAS ADDRESSED BY OUR AUDIT	AUDIT FINDINGS AND CONCLUSION
11 Allowances for non-collection of receivables	<p>The City Fund includes a material amount in respect of provisions for non-collection of NDR arrears, private residential rent arrears (current tenants) and arrears in relation to the Barbican Centre.</p> <p>In the prior year we reported that collection rates used had been based on either CIPFA guidelines or Corporation 'standard' percentages that we did not consider to be up-to-date for a significant proportion of these arrears.</p> <p>There is a risk that the provisions may not accurately reflect collection rates based on age or debt recovery rates.</p>	<p>We reviewed the provision model for significant income streams and debtor balances to assess whether it appropriately reflects historical collection rates by age of debt or arrears.</p>	<p>We have reviewed the provision model for significant income streams and debtor balances and we are satisfied that provisions are not materially misstated.</p> <p>See below for findings in respect of significant income streams and debtor balances reviewed.</p>

SIGNIFICANT ACCOUNTING ESTIMATES

ESTIMATE	HOW RISK WAS ADDRESSED BY OUR AUDIT	AUDIT CONCLUSION
Estimate of future write-off for uncollectable debt	<p>Non-domestic rate arrears and cost provision</p> <p>The City Fund's share of debts and provision at the 31 March 2017 was £5.4 million and £3 million respectively. The majority of the provision has been calculated using the best information available at the year-end, for example, current collection rates.</p> <p>Around £0.221 million of the provision (based on £0.763 million of debt outstanding) has been calculated using CIPFA guidelines which are not considered to be up-to-date and may not accurately reflect the aging profile or current collection of debt within the City. Management has explained that costs are likely to outweigh the benefits of collating current collection rates for these debts.</p> <p>We are satisfied that the provision is not materially misstated.</p>	 <p>PRUDENT AGGRESSIVE</p>

KEY AUDIT AND ACCOUNTING MATTERS

SIGNIFICANT ACCOUNTING ESTIMATES		
ESTIMATE	HOW RISK WAS ADDRESSED BY OUR AUDIT	AUDIT CONCLUSION
Estimate of future write-off for uncollectable debt	<p>Rent arrears and cost provision</p> <p>Arrears and provision as at 31 March 2017 were £14.6 million and £0.7 million respectively. The majority of arrears relate to current tenants and the management surveyor reviews all individual arrears over £15,000 to determine the likely rent to be recovered.</p> <p>The provision amounting to £0.164 million relating to approximately £0.504 million of rent arrears (relating to rent attached to investment property and HRA), appears to be based on a standard percentage (3-6 months 25%, 6-12month 50% and >1year 100%). The standard percentages do not appear to correlate to the aging profile of debt and corresponding collection rates.</p> <p>Given that the total value of debt is immaterial the provision is not materially misstated. Management has explained that costs are likely to outweigh the benefits of collating current collection rates for these debts.</p> <p>We are satisfied that the provision is not materially misstated.</p>	
	<p>Sundry debt arrears and cost provision</p> <p>Arrears and provision as at 31 March 2017 were £8.9 million and £2.4 million respectively. The vast majority of the sundry arrears relate to the Barbican Centre and Police. All significant debts are now reviewed on a case-by-case basis rather than using standard provision percentages that cannot be supported but appropriate audit evidence, as reported by us in the prior year.</p> <p>We are satisfied that the provision is not materially misstated.</p>	

KEY AUDIT AND ACCOUNTING MATTERS

OTHER ISSUES

We comment below on other issues identified in the course of our audit, of which we believe you should be aware:

	AUDIT AREA	AUDIT FINDINGS
12	Receipts in advance	<p>Our audit testing also identified £0.5 million of new homes bonus grant relating to 2017/18 had been classified as a debtor and receipt in advance but the cash had not been received by 31 March 2017. As the grant relates to 2017/18 and the cash had not been received by 31 March 2017 the grant should not have been recorded in the financial statements.</p> <p>We also identified that 2016/17 Community Infrastructure Levy income amount to £1 million had been accounted for as a receipt in advance rather than income which should have been transferred to useable reserves.</p> <p>Management has agreed to correct these errors in the revise set of financial statements.</p>
13	Share of LGPS assets	<p>The actuary has estimated the value of the fund assets for 31/3/17 based on a February date. The final City of London Pension Fund net assets statement shows assets £2.7 million higher than used by the actuary when allocating assets across the funds. The City Fund's share (51%) would increase the value of scheme assets and reduce the overall net pension deficit by £1.4 million if corrected. This is included as an uncorrected difference in appendix I.</p>
14	Irrecoverable debtors	<p>We identified that debtors in respect of the Barbican Estate amounting to £634,000 were unlikely to be recoverable due to an error in the calculation. Management has agreed to correct this error in the revised set of financial statements by reducing the debtor and related income by £634,000.</p>
15	Creditors - useable reserves	<p>We identified that £1.4 million in respect of the Liverpool Utility Street maintenance fund and £0.7 million in respect of Spitalfields Market tenants fund are useable reserves rather than creditors. Management has agreed to correct these errors in the revised set of financial statements by recognising the income and transferring to useable reserves.</p>

KEY AUDIT AND ACCOUNTING MATTERS

	AUDIT AREA	AUDIT FINDINGS
16	Creditors - police seized funds	<p>The City fund has recognised £35 million (£3.1 million in 2015/16), of creditors in respect of police seized funds as it is considered that the City Fund has a right to the assets (cash seized), until instructed otherwise by the Court.</p> <p>We identified that there were 104 police seized funds (classified as creditors) balances amounting to £1.6 million relating to pre 1 April 2015 seizures and only three of these account balances had moved in the two years to 31 March 2017. During 2016/17 a further 46 seizures had occurred amounting to £13.1 million, the largest of which, £10.9 million was repaid after 31 March 2017.</p> <p>We recommend that a review of police funds over two years old is carried out to determine if these funds are still held by the City Fund and/or whether the Police can apply to the Court to release these funds.</p> <p>We also recommend that given the value of the seized funds further details of why the City Fund has the right to the asset should be included in the management’s judgements disclosure and further detail of the types of funds held should be disclosed within the creditors note.</p>
17	Barbican income	<p>Our Barbican income sample testing identified one item totalling £30,000 that could not be fully supported by audit evidence to confirm the existence of receipts in advance therefore have had to assume the income/receipt relates to 2016/17 rather than 2017/18. Given the nature of this error we have extrapolated a potential error over the remaining untested balance which amounts to £164,000 and has been included as an unadjusted error in appendix I.</p> <p>The lack of audit evidence is likely to be as a result of a number of controls weaknesses we identified in the Barbican teams processes when completing the testing:</p> <ul style="list-style-type: none"> • Posting of Barbican entries in to Oracle (main accounting system) seems to be overly complicated with multiple journal entries being created, reversed, recreated, re-reversed repeatedly many on the same day or within a few days of the entry being made. This is likely to cause disproportionate amounts of time wasted by the Barbican team constantly revisiting and correcting entries. • We identified that income from events is often not posted to revenue codes for several months after the event has closed. The income recognition policy is to recognise the income after the event has closed. By delaying the postings beyond this date is likely to cause disproportionate amounts of time to undertake the control accounts each month. • We also noted that the Barbican finance team have limited access to reporting functions on the ENTA & Revel systems which meant there was difficulty running reports to support our sample testing. Management has informed us that there it is policy to limit access to ENTA as bookings can be made from this system and also there is a system limitation which often means several different reports have to be merged to provide detailed listings of income disclosed in the financial statements. We understand that the City are currently tendering for a new ticketing system which should address these issues. <p>We recommend that the process and timing of Barbican journal entries are reviewed to ensure that unnecessary journal posting are reduced and journals are posted on a timely basis. We also recommend that the reporting functions set up is reviewed for the Barbican finance team to ensure that they have the correct level of access in order to perform required day-to-day activities.</p>

KEY AUDIT AND ACCOUNTING MATTERS

AUDIT AREA	AUDIT FINDINGS
18 Presentation and disclosures	<p>To date, our audit testing in respect of accounts disclosures has identified the following:</p> <ul style="list-style-type: none"> • Remuneration of senior employees: Table 1 Remuneration in bands - Officers within the Market department have been misclassified as 'wholly charged to the City Fund' when they should be disclosed as 'partially charged to the City Fund,' and officers within the Central Criminal Court have been incorrectly omitted from the disclosure • Exit packages disclosure - two Senior Officers who have received compensation for loss of office per the senior officer remuneration disclosure have been incorrectly excluded from the exit package disclosure • Cash & cash equivalents stated as £62.3 million instead of £52.3 million and short term investments stated as £687.9 million instead of £697.9 million in the balance sheet • £959,000 bank account interest classified as short term investments instead of cash and cash equivalents • Cash flow statement, investing activities disclosure: the net movements on non-cash items should be split onto separate lines for the material elements which comprise £180.3 million of revaluations, £51.6 million of deferred credits, £2.3 million of provisions and other of £0.4 million in 2015/16 with 2016/17 movements of £54.9 million of revaluations, £36.2 million of provisions and other of £0.7 million. • £2.5 million of debtors in respect of rent free weeks disclosed as short-term instead of long-term debtors • Grant income disclosure: £0.4 million and £1 million classified as 'Other' instead of Bridge House Estates and Ministry of Justice respectively • Financial instruments disclosure: <ul style="list-style-type: none"> ○ Debtor balance did not include investment proceeds receivable or exclude City premium ○ Creditor balance used prior year balances ○ Money market fund investment have been classified as loans and receivables instead of assets available for sale (current and prior year) • Revaluation reserve disclosure: £8.6 million disclosed as assets reclassified to investments instead of accumulated gains on assets sold or scrapped • Police pension fund net asset statement should include £0.3million current asset and liability in respect of tax deducted on lump sum commutations • Contingent liability disclosure added to recognise an employment tribunal in progress as at 31 March 2017. <p>Management has confirmed these will be corrected in the revised version of the financial statements.</p> <p>We also identified:</p> <ul style="list-style-type: none"> • An analysis that summarises the authority's potential maximum exposure to credit risk on receivables, based on experience of default and uncollectability over the last five financial years, adjusted to reflect current market conditions, has not been included within the financial instruments disclosure • A five year revaluation analysis by asset class has not been disclosed. <p>These remain unadjusted in the financial statements.</p>

OTHER REPORTING MATTERS

We comment below on other reporting required to be considered in arriving at the final content of our audit report:

	MATTER	COMMENT
19	<p>The draft financial statements, within the Statement of Accounts, was prepared and provided to us for audit on 12 June 2017.</p> <p>As part of our planning for the audit, we prepared a detailed document request which outlined the information we would require to complete the audit.</p>	We have no matters to report.
20	We are required to review the draft Annual Governance Statement and be satisfied that it is not inconsistent or misleading with other information we are aware of from our audit of the financial statements, the evidence provided in the Councils review of effectiveness and our knowledge of the Council.	Our work has not identified any issues.
21	We are required to read all the financial and non-financial information in the Narrative Report to the financial statements to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit.	<p>We are satisfied that the narrative report meets the new requirements of the CIPFA Code and that financial information is consistent with the financial statements.</p> <p>We have recommended that the reason for the significant increase in creditors as at 31 March 2017 could be made clearer by explaining that the increase is as a result of an increase in police seized funds as well of business rates when compared to prior year. Management has agreed to amend this in the revised set of financial statements.</p>

CONTROL ENVIRONMENT

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

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

We note that the Corporation's internal audit function has issued a number of observations and recommendations on the City Fund's control environment during 2016/17. We have not repeated these recommendations in this report unless we consider them to highlight significant deficiencies in control which we are required to report to you.

We are not aware of any significant deficiencies in the City Fund's internal controls in 2016/17.

WHOLE OF GOVERNMENT ACCOUNTS

We comment below on other reporting required:

	MATTER	COMMENT
22	<p>For Whole of Government Accounts (WGA) component bodies that are over the prescribed threshold of £350 million in any of: assets (excluding property, plant and equipment); liabilities (excluding pension liabilities); income or expenditure we are required to perform tests with regard to the Data Collection Tool (DCT) return prepared by the Authority for use by the Department of Communities and Local Government for the consolidation of the local government accounts, and by HM Treasury at Whole of Government Accounts level.</p> <p>This work requires checking the consistency of the DCT return with the audited financial statements, and reviewing the consistency of income and expenditure transactions and receivables and payable balances with other government bodies.</p>	<p>Local authorities' were required to submit the unaudited DCT to HM Treasury and auditors by 07 July 2017. Due to issues with the functionality of the DCT, that HM Treasury had to fix, the Authority submitted on 13 July 2017.</p> <p>We will complete our review of the WGA Data Collection Tool (DCT), after we have completed our audit of the City Fund financial statements.</p>

USE OF RESOURCES

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

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

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

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

We reported our risk assessment, which included use of resources significant risks, in the 2016/17 audit plan issued in 18 April 2017. We have since undertaken a more detailed assessment of risk following our completion of the interim review of financial controls and review of the draft financial statements, and we have not included any additional significant risks.

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

Key: ■ Significant risk ■ Normal risk

USE OF RESOURCES

RISK AREA	RISK DESCRIPTION AND WORK PERFORMED	AUDIT FINDINGS AND CONCLUSION
23 Sustainable finances (City Police)	<p>Work performed</p> <p>We have reviewed the financial performance of the City Police to date and its financial sustainability through review of the medium term financial and strategic plans and external value for money review.</p> <p>Findings</p> <p><u>2016/17 financial outturn</u></p> <p>The budget for City Police is contained within the overall City fund budget and it was anticipated that that a forecast overspend of £2.6 million in 2016/17 would need to be funded through the police reserve however this was not required due to a breakeven position at year end.</p> <p><u>Medium term financial strategy assumptions</u></p> <p>Financial forecasts over the medium term include net expenditure for 2017/18 to increase by £5.7 million. Overspends relate mainly to increased costs in respect of the Action Fraud Service I.T project, additional employer pension contributions to tackle the pension fund deficit as well as a reduction in the core police settlement grant.</p> <p>In order to balance the budget to 31 March 2018, City Fund will provide additional resources to fund specific costs and the remaining will be met by police reserves. It is expected that the police ring-fenced reserves will be fully utilised by 31 March 2018. The MTFS to 2019/20 forecasts deficits of £5.6 million in 2018/19 and £3.8 million in 2019/20.</p> <p>The Corporation commissioned an external value for money review to help to develop efficiency strategies to address the budget gap and financial pressures identified in the MTFS. The review focused on current and future demand and how efficiently City Police were uses their resources. A high number of recommendations were reported to help enhance the operating model and deliver value for money which in financial terms could deliver recurring savings to eliminate the budget gap identified in the MTFS.</p>	<p>City of London Corporation, as a whole organisation, are in a position to fund a significant proportion of forecast deficits which reduces the risk of financial unsustainability in respect of City Police. The Corporation and City Police understand that this is not sustainable over the long term and City Police plan to incorporate the recommendations raised by the external value for money review to improve their operating model and deliver service and financial savings to reduce the budget gap over the MTFS period. On this basis we have concluded that the City Police remain financially sustainable over the period of the MTFS.</p>

USE OF RESOURCES

RISK AREA	RISK DESCRIPTION AND WORK PERFORMED	AUDIT FINDINGS AND CONCLUSION
24 Sustainable finances (City Fund)	<p>Work performed</p> <p>We have reviewed the financial performance of the City Fund to date and its financial sustainability through review of the medium term financial and strategic plans.</p> <p>2016/17 financial outturn</p> <p>The City Fund Requirement (net expenditure) outperformed budget by £9.3 million after taking into account a £27 million purchase of an investment property (133 Whitechapel High street), which was funded through a drawdown of reserves. This is healthier than the original budget surplus of £5.9 million due to a reduction of operational costs across services as a result of careful management throughout the year, higher income in relation to Port Health (Heathrow Animal Reception Centre and Cemetery & Crematorium), Barbican customer receipts, grants and investment income. As well as a reduction in central recharges due to reduced insurance premiums, lower operational running costs and I.T underspends and re-phased revenue projects that will now fall into 2017/18.</p> <p>The 2016/17 capital budget included a £200 million contribution payable to Crossrail on the condition that certain project milestones had been met. This contribution was paid on 28 March 2017 after completion of the four required milestones and amount was funded through reserves that been assembled over the past few years from a planned strategy in relation to investment properties.</p> <p>Medium term financial strategy assumptions</p> <p>The four year MFTS period predicts a surplus of £10.9 million in 2017/18, moving into a breakeven position in 2018/19 and then to a deficit of £15.6 million in 2019/20 and a deficit of £19.4 million in 2020/21 which is a result of costs for the Museum of London relocation project. The relocation project has a number of funding options that are being considered in order to cover the costs. If the MFTS is considered without the costs of the relocation project the City Fund is forecast to be in surplus throughout the period. The projections are based on conservative income growth from business rates, council tax, rental income and other income streams as well as budgeting for increased expenditure in relation to pay rises, increased employer contributions to tackle the pension fund deficit, additional funding for City Police and increased expenditure to fund specific improvements to services and estimated increases in demand.</p>	<p>There are healthy levels of reserves available to support City Fund's services in the medium term therefore we are satisfied that there are appropriate arrangements in place to continue to remain financially sustainable over the period of the MFTS.</p>

APPENDICES

APPENDIX I: AUDIT DIFFERENCES

We are required to bring to your attention audit differences identified during the audit, except for those that are clearly trivial, that the Audit and Risk Committee is required to consider. This includes: audit differences that have been corrected by management; and those that remain uncorrected along with the effect that they have individually, and in aggregate, on the financial statements.

ADJUSTED AUDIT DIFFERENCES

To date, our audit has not identified any material misstatements.

UNADJUSTED AUDIT DIFFERENCES

There are two unadjusted audit differences identified by our audit work which if corrected would reduce the deficit on the provision of services by £164,000. You consider these identified misstatements to be immaterial in the context of the financial statements taken as a whole. We concur with this judgement however we also request that you correct them even though not material.

APPENDIX I: AUDIT DIFFERENCES

	£'000	INCOME AND EXPENDITURE		BALANCE SHEET	
		DR	CR	DR	CR
		£'000	£'000	£'000	£'000
Deficit on the provision of services before adjustments	143,700				
DR Long-term liabilities - pension liability				1,400	
CR Pension reserve					1,400
(1) Impact of increased scheme assets (City Fund share)					
DR Creditors - receipt in advance				164	
CR Barbican income	(164)		164		
(2) Barbican income extrapolated error					
TOTAL UNADJUSTED AUDIT DIFFERENCES	164	164		1,400	1,564
Deficit on provision of services if adjustments accounted for	143,536				

APPENDIX II: RECOMMENDATIONS AND ACTION PLAN

Key: ■ Significant deficiency in internal control ■ Other deficiency in internal control ■ Other observations

AREA	OBSERVATION AND IMPLICATION	RECOMMENDATION	MANAGEMENT RESPONSE	RESPONSIBLE OFFICER	TIMING
FINANCIAL STATEMENTS					
Changes in presentation of the financial statements	The financial statements includes an analysis of income by its nature (i.e fees & charges, grant income, interest and investment income, business rate income etc), in note 5. However, there is not an analysis of how this income is split between committees as required by the CIPFA Code.	We recommend that this analysis is disclosed in the financial statements.	The decision to include or exclude this note will be reviewed prior to 2017/18 closedown as part of the wider agenda on streamlining and de-cluttering local authority financial statements.	Deputy Director Financial Services	September 2017
Creditors - police seized funds	The City fund has recognised £35 million (£3.1 million in 2015/16), of creditors in respect of police seized funds as it is considered that the City Fund has a right to the assets (cash seized), until instructed otherwise by the Court. We identified that there were 104 police seized funds (classified as creditors) balances amounting to £1.6 million relating to pre 1 April 2015 seizures and only three of these account balances had moved in the two years to 31 March 2017. During 2016/17 a further 46 seizures had occurred amounting to £13.1 million, the largest of which, £10.9 million was repaid after 31 March 2017.	We recommend that a review of police funds over two years old is carried out to determine if these funds are still held by the City Fund and/or whether the Police can apply to the Court to release these funds.	Agreed - all funds will be reviewed and appropriate action taken	Commissioner	January 2018
		We also recommend that given the value of the seized funds further details of why the City Fund has the right to the asset should be included in the management's judgements disclosure and further detail of the types of funds held should be disclosed within the creditors note.	Text has been added to the narrative report and the creditors note to explain that the increase in sundry creditors is mainly due to an increase in monies held on behalf of third parties by City of London Police as a result of their operational responsibilities. Consideration will be given prior to 2017/18 closedown as to what further disclosures can or should be made	Deputy Director Financial Services	January 2018

APPENDIX II: RECOMMENDATIONS AND ACTION PLAN

AREA	OBSERVATION AND IMPLICATION	RECOMMENDATION	MANAGEMENT RESPONSE	RESPONSIBLE OFFICER	TIMING
FINANCIAL STATEMENTS					
Barbican journals	<p>Our testing identified the following:</p> <ul style="list-style-type: none"> Posting of Barbican entries in to Oracle (main accounting system) seems to be overly complicated with multiple journal entries being created, reversed, recreated, re-reversed repeatedly many on the same day or within a few days of the entry being made. This is likely to cause disproportionate amounts of time wasted by the Barbican team constantly revisiting and correcting entries. We identified that income from events is often not posted to revenue codes for several months after the event has closed. The income recognition policy is to recognise the income after the event has closed. By delaying the postings beyond this date is likely to cause disproportionate amounts of time to undertake the control accounts each month. We also noted that the Barbican finance team have limited access to reporting functions on the ENTA & Revel systems which meant there was difficulty running reports to support our sample testing. Management has informed us that there it is policy to limit access to ENTA as bookings can be made from this system and also there is a system limitation which often means several different reports have to be merged to provide detailed listings of income disclosed in the financial statements. We understand that the City are currently tendering for a new ticketing system which should address these issues. 	<p>We recommend that the process and timing of Barbican journal entries are reviewed to ensure that unnecessary journal posting are reduced and journals are posted on a timely basis. We also recommend that the reporting functions set up is reviewed for the Barbican finance team to ensure that they have the correct level of access in order to perform required day-to-day activities.</p>	Agreed	Head of Finance Barbican and Deputy Director Financial Services	January 2018

APPENDIX III: MATERIALITY

MATERIALITY - FINAL AND PLANNING

	FINAL	PLANNING
City Fund overall materiality	23,000,000	27,000,000
Specific materiality for other financial statement areas:		
- Impact on revenue resources through the Comprehensive income and expenditure statement (CIES) and Movement in reserves statement (MiRS)	5,800,000	5,500,000
Clearly trivial threshold:		
- Overall materiality	460,000	500,000
- Specific materiality	116,000	100,000

Planning materiality for the City Fund overall materiality was based on 1% of the prior year aggregate balance of property, plant and equipment and investment properties. This is because the City Fund has custody of significant public assets through its ownership of property assets and investments that are used to generate income to support the local authority services provided by the Corporation. These capital and investment balances form the largest part of the balance sheet. We consider that the balance sheet is of primary interest to the reader of the financial statements (Members of the City of London Corporation) and therefore we use the total value of property, plant and equipment, investment properties and investments as a suitable value for materiality.

Specific materiality was set using a lower level of materiality at 1.5% of prior year gross expenditure to income and expenditure transactions in the Comprehensive income and expenditure statement (CIES) and Movement in reserves statement (MiRS) that impact on revenue resources to reduce the risk of material misstatements. While the balance sheet is of primary interest to the reader of the financial statements, we consider that a misstatement at a lower level through revenue expenditure would be material where this may impact on setting future council tax or HRA rent levels.

We had no reason to revise our final materiality percentage levels. We have, however, applied these levels to balances and transactions as at 31 March 2017 reported in the draft financial statements which has resulted in a change to the materiality amounts.

APPENDIX IV: INDEPENDENCE

We confirm that the firm complies with the Financial Reporting Council's Ethical Standards for Auditors and, in our professional judgement, is independent and objective within the meaning of those Standards.

In our professional judgement the policies and safeguards in place ensure that we are independent within the meaning of all regulatory and professional requirements and that the objectivity of the audit engagement lead and audit staff is not impaired. These policies include engagement lead and manager rotation, for which rotation is required after 5 years and 10 years respectively.

INDEPENDENCE - ENGAGEMENT TEAM ROTATION	
Senior team members	Number of years involved
LEIGH LLOYD-THOMAS - Audit engagement lead	2
KERRY BARNES - Audit manager	2

We are not aware of any financial, business, employment or personal relationships between the audit team, BDO and the Corporation and we have not identified any potential threats to our independence as auditors.

Should you have any comments or queries regarding this confirmation we would welcome their discussion in more detail.

APPENDIX V: FEES SCHEDULE

	2016/17 FINAL PROPOSED £	2016/17 PLANNED £	2015/16 FINAL £	EXPLANATION FOR VARIANCES
Code audit fee	86,383	86,383	86,383	As per PSAA scale fee
Housing benefits subsidy claim	11,205	11,205	11,396	As per PSAA scale fee
TOTAL AUDIT AND CERTIFICATION FEES	97,588	97,588	97,779	
Reporting on government grants:				
• Pooling of Housing Capital Receipts return	2,340	2,340	2,340	
• Teachers' Pension (local education authority)	4,500	4,500	4,500	
• Teachers' Pension (Centre for Young Musicians (City's Cash))	4,500	4,500	4,500	
Fees for other non-audit services	Nil	Nil	Nil	
NON-AUDIT ASSURANCE SERVICES	11,340	11,340	11,340	
TOTAL ASSURANCE SERVICES	108,928	108,928	109,119	

APPENDIX VI: DRAFT REPRESENTATION LETTER

TO BE TYPED ON CLIENT HEADED NOTEPAPER

BDO LLP
55 Baker Street
London
W1U 7EU

[XX] September 2017

Dear Sirs

Financial statements of City of London Corporation City Fund for the year ended 31 March 2017

We confirm that the following representations given to you in connection with your audit of the City Fund's financial statements (the 'financial statements') for the year ended 31 March 2017 are made to the best of our knowledge and belief, and after having made appropriate enquiries of other officers and members of the Corporation.

The Chamberlain has fulfilled his responsibilities for the preparation and presentation of the financial statements as set out in the Accounts and Audit Regulations 2015 and Statement of responsibilities of auditors and of audited bodies: local government issued by Public Sector Audit Appointments (PSAA), and in particular that the financial statements give a true and fair view of the financial position of the City Fund as of 31 March 2017 and of its income and expenditure and cash flows for the year then ended in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Code) and for making accurate representations to you.

We have fulfilled our responsibilities on behalf of the Corporation, as set out in the Accounts and Audit Regulations 2015, to make arrangements for the proper administration of the City Fund's financial affairs, to conduct a review at least once in a year of the effectiveness of the system of internal control and approve the Annual Governance Statement, to approve the Statement of Accounts (which include the financial statements), and for making accurate representations to you.

We have provided you with unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence. In addition, all the accounting records have been made available to you for the purpose of your audit and all the transactions undertaken by the City Fund have been properly reflected and recorded in the accounting records. All other records and related information, including minutes of all management and other meetings have been made available to you.

In relation to those laws and regulations which provide the legal framework within which the City Fund's business is conducted and which are central to our ability to conduct our business, we have disclosed to you all instances of possible non-compliance of which we are aware and all actual or contingent consequences arising from such instances of non-compliance.

There have been no events since the balance sheet date which either require changes to be made to the figures included in the financial statements or to be disclosed by way of a note. Should any material events of this type occur, we will advise you accordingly.

APPENDIX VI: DRAFT REPRESENTATION LETTER

We are responsible for adopting sound accounting policies, designing, implementing and maintaining internal control, to, among other things, help assure the preparation of the financial statements in conformity with international financial reporting standards and preventing and detecting fraud and error.

We have considered the risk that the financial statements may be materially misstated due to fraud and have identified no significant risks.

To the best of our knowledge we are not aware of any fraud or suspected fraud involving members, management or employees. Additionally, we are not aware of any fraud or suspected fraud involving any other party that could materially affect the financial statements.

To the best of our knowledge we are not aware of any allegations of fraud or suspected fraud affecting the financial statements that have been communicated by members, employees, former employees, analysts, regulators or any other party.

We attach a schedule showing accounting adjustments that you have proposed, which we acknowledge that you request we correct, together with the reasons why we have not recorded these proposed adjustments in the financial statements. In our opinion, the effects of not recording such identified financial statement misstatements are, both individually and in the aggregate, immaterial to the financial statements.

We have disclosed to you the identity of all related parties and all the related party relationships and transactions of which we are aware. We have appropriately accounted for and disclosed such relationships and transactions in accordance with the applicable financial reporting framework.

We have no plans or intentions that may materially affect the carrying value and where relevant, the fair value measurement, or classification of assets or liabilities reflected in the financial statements.

a) Pension fund assumptions

We confirm that the actuarial assumptions underlying the valuation of the Local Government Pension Scheme (LGPS) and Police pensions scheme liabilities, as applied by the scheme actuary, are reasonable and consistent with our knowledge of the business. These assumptions include:

- Rate of inflation (CPI): 2.6%
- Rate of increase in salaries: 4.1%
- Rate of increase in pensions: 2.6%
- Rate of discounting scheme liabilities: 2.7%
- LGPS commutation take up option: 50%

We also confirm that the actuary has applied up-to-date mortality tables for life expectancy of scheme members in calculating scheme liabilities.

APPENDIX VI: DRAFT REPRESENTATION LETTER

b) Valuation of housing stock, other land and buildings and investment properties

We are satisfied that the useful economic lives of the housing stock and other land and buildings, and their constituent components, used in the valuation of the housing stock and other land and buildings, and the calculation of the depreciation charge for the year, are reasonable.

We confirm that the valuations applied to council dwellings and other land and buildings revalued in the year, as provided by the valuer and accounted for in the financial statements, are reasonable and consistent with our knowledge of the business and current market prices.

We are satisfied that investment properties have been appropriately assessed as Level 2 on the fair value hierarchy for valuation purposes and valued at fair value, based on highest and best use.

c) Allowance for non-collection of receivables

We are satisfied that the impairment allowances for non-domestic rates, housing rent and sundry debt arrears are reasonable, based on collection rate data.

d) Non domestic rates appeals provision

We are satisfied that the provision recognised for non-domestic rates appeals is materially correct, and the calculation of historical appeals are consistent with those advised to me by the Valuation Office Agency. We confirm that the successful rates applied to outstanding appeals as at 31 March 2017 are consistent with our knowledge of the business.

We have disclosed all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements and these have been disclosed in accordance with the requirements of accounting standards.

We confirm that the above representations are made on the basis of enquiries of members, 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.

We confirm that the financial statements are free of material misstatements, including omissions.

We acknowledge our legal responsibilities regarding disclosure of information to you as auditors and confirm that so far as we are aware, there is no relevant audit information needed by you in connection with preparing your audit report of which you are unaware. Each director has taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that you are aware of that information.

Yours faithfully

Dr Peter Kane

Chamberlain of London

FOR MORE INFORMATION:

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Manager

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The matters raised in our report prepared in connection with the audit are those we believe should be brought to the attention of the organisation. They do not purport to be a complete record of all matters arising. No responsibility to any third party is accepted.

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Committee(s):	Date(s):	Item no.
Audit and Risk Management Committee Finance Committee	10 October 2017 21 November 2017	
Subject: City's Cash Financial Statements 2016/17		Public
Report of: The Chamberlain		For Decision
Report Author: Philip Gregory, Deputy Director, Financial Services		
<p style="text-align: center;"><u>Summary</u></p> <p>The Annual Report and Financial Statements for City's Cash for the year ended 31 March 2017 are attached at Annex 2 for approval.</p> <p>Moore Stephens LLP is intending to issue an unqualified audit opinion and their report, including recommendations, is attached at Annex 3. No accounting changes have been identified from the audit.</p> <p>The key points in the financial statements are:</p> <ul style="list-style-type: none"> • a net surplus of £225.6m which includes gains in fair value on property investments of £122.2m and non-property investments of £121.8m (<i>these figures can be seen in the Consolidated Statement of Comprehensive Income on page 14</i>); • total net assets of £2,520m, an increase of £191.0m (8.0%) since last year. The net asset position is after deducting total pensions liability of £38.1m (<i>the £191.0m is shown in the Consolidated Statement of Changes in Equity on page 16</i>); • there are two financial commitments relating to City's Cash that are disclosed in the notes to the financial statements: <ol style="list-style-type: none"> 1. the potential contribution of £50m from City's Cash towards the Crossrail Project (<i>page 53</i>); and 2. £5.1m relating to the construction of a new swimming pool at the City of London Freeman's School (<i>page 53</i>). • the Smithfield General Market and Annex with a carrying value of £34.4m was reclassified from an investment to operational property to reflect its intended use as the relocation site for the Museum of London (<i>para 6 of this report</i>); • net rental income from property investments increased by £6.2m (15%) to £47.2m, which was mainly due to the completion of a number of significant rent reviews and new lettings during the year (<i>page 7</i>); 		

- a premium of £3.1m was received in 2016/17 for a 125 year operating lease which has been treated as deferred income, to be released to revenue over the life of the lease (*para 9 of this report*).

Recommendations

The Audit and Risk Management Committee is requested to:

- consider the contents of the Audit Management Report issued by Moore Stephens LLP; and
- recommend approval of the City's Cash Financial Statements for the year ended 31 March 2017 to the Finance Committee.

The Finance Committee is requested to:

- consider the contents of the Audit Management Report issued by Moore Stephens LLP;
- approve the City's Cash Financial Statements for the year ended 31 March 2017 taking account of any observations from the Audit and Risk Management Committee; and
- 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 2016/17 Financial Statements for City's Cash are attached at Annex 2.
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 3. We are very pleased to report that no accounting changes were required to the financial statements.
3. 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.
4. The report from Moore Stephens LLP includes recommendations in sections 6 and 7, with section 6 containing recommendations made in 2016/17 and section 7 showing the recommendations made in the prior year 2015/16. All prior year recommendations have been actioned and closed. The new year recommendations (section 6) apply to all entities and the City's management response is noted.

5. The Audit Review Panel of the Chamberlain's and Bridgemasters' Accounts met on 22 September 2017 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.

Significant items in the financial statements – Statement of Financial Position

Smithfield General Market and Annex

6. During the year the Smithfield General Market and Annex was re-classified from being an investment property (£34.4m), to operational land and buildings. It was previously held as an investment property as it was leased out to a third party for redevelopment of the site. However, due to planning difficulties the redevelopment was unable to progress and the City therefore bought out the developer's interest in anticipation of a potential relocation opportunity for the Museum of London. During 2016/17 Members confirmed their commitment to progress the Museum relocation, at which point the asset was re-classified as operational land and buildings as it was no longer held for investment purposes.

Premium received for a long lease

7. During 2016/17 a premium of £3.1m was received in respect of highway land which is to be developed. 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 FRS102, the premium has been treated as deferred income to be released to revenue over the 125 year length of the lease.

Significant items in the financial statements – disclosure notes

Financial Commitment - Contribution to Crossrail

8. 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 equal instalments of £25m in 2018/19 and 2019/20.

Financial Commitment - Freeman's School Swimming Pool

9. During the year the City entered into a contract for the construction of a replacement swimming pool at the City of London Freeman's School, following the destruction of the old pool through fire. At the end of year, a contractual commitment of £5.1m remained outstanding which has been disclosed in the accounts.

Subsequent Event – vote to leave the European Union

10. As stated in the annual report and the notes to the financial statements, there are risks to City's Cash from the vote to leave the EU. In particular, the future levels of demand for office accommodation in the City and surrounding areas and the consequential impacts on rent incomes. A close watching brief

continues to be kept on this and other implications as events unfold with financial forecasts being refreshed when the picture becomes clearer.

Key highlights from the financial statements

Consolidated Statement of Comprehensive Income

Comparison with Previous Year

11. The Consolidated Statement of Comprehensive Income for the year ending 31 March 2017 shows a net surplus of £225.6m, £40.7m higher than in the previous year, as summarised in the following table. The operating deficit, before gains and losses in the fair value of investments, is £13.6m lower as shown:

	31/3/17 £m	31/3/16 £m	Variance £m
Operating surplus/(deficit) before gain/(loss) in fair value of investments	(14.8)	(28.4)	13.6
Gain in fair value of property investments	122.2	222.5	(100.3)
Gain/(loss)/ in fair value of non-property investments	121.8	(8.4)	130.2
Operating surplus	229.2	185.7	43.5
Profit on sale of fixed assets	4.7	7.5	(2.8)
Net financing income / (costs) attributable to the pension schemes	(8.3)	(8.3)	-
Surplus for the year	225.6	184.9	40.7

12. The favourable movement in the operating deficit for the year of £13.6m (from £28.4m in the prior year to £14.8m) is largely due to:
- net income from property investments increasing by £6.2m, from £41.0m in 2015/16 to £47.2m in 2016/17, which is mainly due to increased rental income arising from the completion of a number of significant rent reviews and new lettings during the year;
 - net expenditure on education decreasing by £4.4m, due to increased tuition fee income, as a result of tuition fee increases and increasing pupil numbers across all schools, additional grant income at the Guildhall School of Music and Drama and funds from an insurance claim for fire damage;
 - a reduction of £3.5m in net pension scheme costs mainly due to a fall in current service costs of £2.6m (from £15.9m in 2015/16 to £13.3m in 2016/17). In addition, there was a decrease in losses on settlements and curtailments of £0.5m (from £0.9m in 2015/16 to £0.4m in 2016/17). This

was due to the number of former employees being entitled to unreduced early retirement benefits decreasing from 16 in 2015/16 to 9 in 2016/17;

- net expenditure on open spaces decreasing by £1.1m due to savings across several areas including repairs and maintenance, partly offset by a new open spaces learning programme; and

partly offset by:

- net expenditure on economic development increasing by £1.5m, due to the City of London Corporation strengthening its support and promotion of the City in what is an increasingly complex and competitive environment, with new opportunities and challenges.

Comparison with Budget

13. 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 £6.6m as detailed in Annex 1, the outturn on a like for like basis is a net surplus of £6.4m, a favourable movement of £13.0m.
14. The budget and outturn can also be analysed on a Committee basis as shown in Annex 1.
15. The net £13.0m better than budget position includes:
 - £5.3m slippage/rephasing of supplementary revenue projects to 2017/18 – mainly relating to Guildhall School of Music and Drama and match funding contributions for Crossrail Art Works;
 - £2.4m central contingencies not required;
 - £2.0m higher rent income from the investment estate resulting from a number of backdated rent reviews being settled and billed in the year;
 - £1.1m at the GSMD due to additional government grant income and receipts from the hire of facilities, offset by additional operating costs;
 - £0.7m profit on the disposal of operational assets – the budget assumed £1.1m profit whereas the outturn was £1.8m. The increase mainly relates to a number of minor receipts including rights of light compensation and highway land disposals which were uncertain when preparing the budget;
 - £0.5m due to savings on operational costs at Smithfield Market and additional car park income at Billingsgate Market;
 - £0.2m from additional receipts at the open spaces; and

* the budget includes the draw-down from non-property investments, whereas the Consolidated Statement of Comprehensive Income (CSoCI) does not as this is a transfer between investments and cash, however, the CSoCI includes the movements in fair value of investments but the budget does not account for such movements in the market value of assets. The budget also does not include accounting adjustments for holiday pay accruals and pension scheme actuarial gains or losses.

- £0.2m additional income at the Mansion House from hire of facilities.
16. In accordance with the City's budget management arrangements, requests for the carry forward of City's Cash local risk resources totalling £1.238m have been agreed by the Chamberlain in consultation with the Chairman and Deputy Chairman of the Resource Allocation Sub-Committee. In addition, £5.3m of projects and works programmes have slipped and/or been rephased to 2017/18. These carry forwards and rephased projects will increase the call on City's Cash reserves in 2017/18.

Consolidated Statement of Financial Position

17. City's Cash net assets total £2,520.0m at 31 March 2017 compared to £2,329.0m a year earlier reflecting the £191.0m total gain recognised for the year as set out below.

Changes in Equity	31/3/17	31/3/16	Variance
	£m	£m	£m
Surplus for the financial year	225.6	184.9	40.7
Unrealised gains/(losses):			
(Loss)/gain on revaluation of non-property investments	3.5	(1.8)	5.3
Actuarial gain/(loss) on defined benefit pension schemes	(38.1)	25.3	(63.4)
Net increase in funds	191.0	208.4	(17.4)

Approval of the Financial Statements

18. The Chairman and Deputy Chairman of the Finance Committee will be requested to approve and sign the financial statements on behalf of the Court of Common Council.

Annexes

- Annex 1 – City's Cash - comparison of outturn with budget
 Annex 2 – Annual Report and Financial Statements of City's Cash
 Annex 3 – Moore Stephens Audit Management Report

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City's Cash - Comparison with Budget

City's Cash Outturn 2016/17			
	Budget	Outturn	Variation Better/ (Worse)
	£m	£m	£m
1. Net expenditure on services	(76.9)	(68.9)	8.0
2. Supplementary revenue projects	(8.7)	(3.4)	5.3
3. Estate rent income	54.7	56.7	2.0
4. Non-property investment income (net)	22.9	20.2	(2.7)
5. Interest on balances	0.3	0.0	(0.3)
6. Operating deficit	(7.7)	4.6	12.3
7. Profit on asset sales	1.1	1.8	0.7
8. (Deficit) Surplus (from) to reserves	(6.6)	6.4	13.0

City's Cash - Comparison with Budget on a Committee Basis

2016/17 Budget v Outturn – City's Cash Summary by Committee					
Committee	Budget Net	Outturn	Variation Better / (Worse)		
			Total	Local Risk	Central Risk/ Support Services
	£m	£m	£m	£m	£m
Culture, Heritage & Libraries	(0.1)	(0.3)	(0.2)	(0.2)	-
Education Board	(1.0)	(1.0)	-	-	-
Finance	(2.2)	4.9	7.1	0.1	7.0
G.P Committee of Aldermen	(3.6)	(3.1)	0.5	0.3	0.2
Guildhall School of Music and Drama	(10.6)	(9.4)	1.2	1.1	0.1
Markets	-	0.5	0.5	0.3	0.2
Open Spaces :- Open Spaces Directorate	-	-	-	0.1	(0.1)
Epping Forest and Commons	(7.1)	(7.1)	-	-	-
Hampstead, Queen's Park and Highgate	(6.9)	(6.4)	0.5	0.4	0.1
Bunhill Fields	(0.3)	(0.3)	-	-	-
West Ham Park	(1.2)	(1.1)	0.1	-	0.1
Policy and Resources	(14.9)	(13.5)	1.4	0.1	1.3
Property Investment Board	45.0	46.9	1.9	0.4	1.5
Schools :- City of London School	(1.4)	(1.4)	-	-	-
City of London Freeman's School	(1.7)	(1.7)	-	-	-
City of London School for Girls	(0.6)	(0.6)	-	-	-
(Deficit) Surplus (from) to reserves	(6.6)	6.4	13.0	2.6	10.4

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CITY'S CASH
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 MARCH 2017

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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 Corporation to use the income for the provision of services (detailed in section 4) that are of importance nationally and internationally as well as to the City and Greater London; and
- maintains the asset base so that income will be available to fund services for the benefit of future generations.

The financial statements have been prepared in accordance with Financial Reporting Standard 102 as issued by the Financial Reporting Council. 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 Bank plc
<i>Discretionary Fund Managers</i>	Artemis Investment Management Ltd; Carnegie Financial Services SA; Lindsell Train Ltd; M&G Investment Management Ltd; Majedie Asset Management; Natixis International Funds (Harris Associates); Pyrford International Plc; Ruffer LLP; Standard Life Investments Ltd; Veritas Asset Management LLP; and Wellington Management International.
<i>Chartered Accountants and Statutory Auditor</i>	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, rents 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 amounting to around £20m every year. The annual report and financial statements for this fund are also published separately including a list of grants awarded.

The annual report and financial statements of City Fund and Bridge House Estates are available on the City of London Corporation's website at: www.cityoflondon.gov.uk/about-the-city/budgets-and-spending/Pages/default.aspx.

4. Activities of City's Cash

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

- are of national benefit through its strategic aim to support and promote The City as the world leader in international financial and business services; 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); independent schools (City of London School, City of London School for Girls, and City of London Freemen's School); Academies across London, and the Guildhall School of Music & Drama.

Education

Gross Expenditure £78.1m, Gross Income £69.1m, Net Expenditure £9.0m

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

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 900 students in higher education, drawn from nearly 60 countries around the world, 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 is responsible for reviewing the Education Strategy and making recommendations to committees and the Court of Common Council (the City Corporation's main decision-making body) 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 Corporation's role as an Academy school sponsor.

Markets

Gross Expenditure £10.4m, Gross Income £10.9m, Net Income £0.5m

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. At Billingsgate, buyers can choose from the largest selection of fish in the UK, and the market has an annual turnover of more than 25,000 tonnes. Meat has been bought and sold at Smithfield for over 800 years; around 120,000 tonnes of meat pass through its magnificent Grade II* listed surroundings each year.

Open Spaces

Gross Expenditure £21.0m, Gross Income £4.8m, Net Expenditure £16.2m

The City Corporation looks after 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 23 million.

In accordance with statutory requirements a capital project to mitigate the risks of serious flooding from Hampstead Heath Ponds began in April 2015. The works were completed in October 2016 and are expected to be within the £21.3m project budget, subject to agreeing the final account with the contractor.

City Representation

Gross Expenditure £12.7m, Gross Income £1.0m, Net Expenditure £11.7m

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 develops relationships 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. 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 Corporation's four Law Officers and the Remembrancer's 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 Corporation'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 Show 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 £5.2m, Gross Income £0.3m, Net Expenditure £4.9m

Economic development work is dedicated to creating growth and inclusion for the City, London and the UK so that the UK continues as the world's leading financial centre. Programmes of work aim to:

- Sustain and enhance the UK's competitive and high quality regulatory and economic environment and enable access to global markets.
- Support business to adopt responsible and inclusive business practices and ensure the City continues to thrive.
- Ensure that London is home to a more innovative ecosystem for financial and related professional services than our competitors.
- To promote the UK as a destination for investment to the UK and facilitate exports.

Offices in Brussels, Mumbai, Shanghai and Beijing allow us to maintain close relationships with government, regulators and industry in these key jurisdictions. The City Corporation 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 £8.6m, Gross Income £nil, Net Expenditure £8.6m

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 £6.4m, Gross Income £1.0m, Net Expenditure £5.4m

A number of grants are made from City's Cash each year, promoting initiatives across a wide range of charitable causes in London and the UK. They are given under four funding themes:

- Stronger Communities
- Enjoying Green Spaces and the Natural Environment
- Inspiring London through Culture
- Education and Employment Support

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 in 1666.

5. Governance Arrangements

City's Cash is managed by committees of the City of London Corporation, with Membership of the committees 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 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 Corporation'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 Chief 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 Statement of Comprehensive Income records a surplus for the year of £225.6m (2015/16: surplus of £184.9m) on expenditure of £167.8m (2015/16: £160.2). This surplus is after benefitting from gains in fair value of property investments of £122.2m, gains in fair value of non-property investments of £121.8m and a £4.7m profit on the sale of fixed assets. Without these items the underlying position would have been a deficit of £14.8m (2015/16: underlying deficit of £28.4m).

Income and Expenditure for the year ended 31 March 2017:

	2017	2017	2017	2016	2016	2016
	Income	Expend	Net	Income	Expend	Net
		- iture	income		- iture	income
			/(cost)			/(cost)
	£m	£m	£m	£m	£m	£m
Service / activity						
Property Investment Estate	64.5	17.3	47.2	55.3	14.3	41.0
Non-Property Investments	1.4	4.5	(3.1)	1.7	5.1	(3.4)
Education	69.1	78.1	(9.0)	58.0	71.4	(13.4)
Markets	10.9	10.4	0.5	10.5	10.4	0.1
Open Spaces	4.8	21.0	(16.2)	4.2	21.5	(17.3)
City Representation	1.0	12.7	(11.7)	0.8	12.3	(11.5)
Economic Development	0.3	5.2	(4.9)	0.4	3.8	(3.4)
Management & Administration	-	8.6	(8.6)	-	7.7	(7.7)
Grants and other activities	1.0	6.4	(5.4)	0.9	6.6	(5.7)
Net Pension Scheme Costs	-	3.6	(3.6)	-	7.1	(7.1)
Operating surplus/(deficit) before gain/(loss) in fair value of investments *	153.0	167.8	(14.8)	131.8	160.2	(28.4)
Gain/(loss) in fair value of:						
- property investments			122.2			222.5
- non-property investments			121.8			(8.4)
Operating surplus *			229.2			185.7
Profit on Sale of Fixed Assets			4.7			7.5
Net financing income / (costs) attributable to the pension scheme			(8.3)			(8.3)
Deficit before taxation			225.6			184.9
Taxation			-			-
Surplus / (deficit) for the year			225.6			184.9

* volatility in operating surplus for the financial year – FRS102 requires the gain or loss in fair value of property and non-property investments to be included in the Consolidated Statement of Comprehensive Income (page 14). This means that even relatively small movements in the markets from one year to the next produce large volatility in the operating surplus or deficit in the Consolidated Statement of Comprehensive Income. However, both the Consolidated Statement of Comprehensive Income and the above table show the operating position before the gain or loss in fair value of property and non-property investments, which reduces the movement (volatility) between the years from £43.5m (operating surplus of £229.2m in 2016/17 compared to the operating surplus of £185.7m in 2015/16) to £13.6m (£14.8m deficit in 2016/17 compared to the deficit of £28.4m in 2015/16) and is more reflective of the underlying position on operations.

The favourable movement in the operating position of £43.5m, from a surplus of £185.7m in 2015/16 to a surplus of £229.2m in 2016/17, is largely due to:

- the gain in fair value from non-property investments increasing by £130.2m, from a loss of £8.4m in 2015/16 to a gain of £121.8m in 2016/17;
- net income from property investments increasing by £6.2m, from £41.0m in 2015/16 to £47.2m in 2016/17, which is mainly due to increased rental income arising from the completion of a number of significant rent reviews and new lettings during the year;
- net expenditure on education decreasing by £4.4m, due to increased tuition fee income, as a result of tuition fee increases and increasing pupil numbers across all schools, additional grant income at the Guildhall School of Music and Drama and funds from an insurance claim for fire damage;
- a reduction of £3.5m in net pension scheme costs mainly due to a fall in current service costs of £2.6m, from £15.9m in 2015/16 to £13.3m in 2016/17, which are calculated using an estimate of the average total pensionable pay during the year. In addition, there was a decrease in losses on settlements and curtailments of £0.5m, from £0.9m in 2015/16 to £0.4m in 2016/17. This was due to the number of former employees being entitled to unreduced early retirement benefits decreasing from 16 in 2015/16 to 9 in 2016/17;
- net expenditure on open spaces decreasing by £1.1m due to savings across several areas including repairs and maintenance, partly offset by a new open spaces learning programme;

Partly offset by:

- the gain in fair value from property investments reducing by £100.3m, from a gain of £222.5m in 2015/16 to a gain of £122.2m in 2016/17; and
- net expenditure on economic development increasing by £1.5m, due to the City of London Corporation strengthening its support and promotion of the City in what is an increasingly complex and competitive environment, with new opportunities and challenges.

Overall, City's Cash reserves have increased by £191.0m from £2,329m to £2,520m (2015/16: increase in reserves of £208.4m). The increase comprises the surplus for the year of £225.6m (2015/16: £184.9m), recognised but unrealised gains on listed investments with fund managers of £3.5m (2015/16: losses of £1.8m), and an actuarial loss on the defined benefit pension scheme of £38.1m (2015/16: gain of £25.3m).

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 47% which equates to £281.0m at 31 March 2017 (£231.7m at 31 March 2016).

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.

However, although the Pension Fund net deficit cannot be attributed precisely between the City of London's three main funds, an apportionment of that deficit and inclusion in the respective balance sheets presents a fairer view of the funds' financial positions than if the deficit were to 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.

Teachers' Pension Scheme

In addition to City of London Corporation employees being able to participate in the City of London Pension Scheme, teachers at the City of London Corporation's four private schools are eligible to participate in the Teachers' Pension Scheme (TPS). The share of the net liability in the TPS attributable to the City's private schools is £13.2m (2016: £12.5m) and is included in the Consolidated Statement of Financial Position.

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 £50.0m 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.

In addition, there is a contractual commitment of £5.1m relating to the construction of a new swimming pool at the City of London Freeman's School.

Events after the reporting date

There are risks to City's Cash from the vote to leave the EU. In particular, the future levels of demand for office accommodation in the City and surrounding areas and the consequential impacts on rent incomes. A close watching brief will be kept on this and other implications as events unfold during the coming months with financial forecasts being refreshed if and when the picture becomes clearer.

7. Explanation of the Financial Statements

City's Cash financial statements have been prepared in accordance with Financial Reporting Standard 102 (FRS102) as issued by the Financial Reporting Council and consist of the following:

- Consolidated Statement of Comprehensive Income showing all resources available and all expenditure incurred,
- Consolidated Statement of Financial Position setting out the assets, liabilities and funds of City's Cash,
- Consolidated Statement of Changes in Equity 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 Statement of Cash Flows 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 City's Cash accounts:

- Registered charities which are managed and funded by the City Corporation:
 - Ashtead Common,
 - Burnham Beeches,
 - Epping Forest,
 - Hampstead Heath
 - Hampstead Heath Trust,
 - Highgate Wood and Queen's Park Kilburn,
 - West Ham Park,
 - West Wickham Common, Spring Park Wood and Coulsdon and other Commons, and
 - Sir Thomas Gresham Charity.
- City Re Limited - a wholly owned subsidiary company whose principal activity is to provide re-insurance protection. The company was incorporated in Guernsey, registration number 52816, and the Directors' Report and Financial Statements are available at www.cityoflondon.gov.uk. The company allows the City to share in underwriting profits with a known capped downside financial risk of £250,000 per claim.

8. Disclosure of Information to Moore Stephens

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

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

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

The City of London Corporation is responsible for preparing the Annual Report and Financial Statements for each financial year in accordance with applicable law and regulations. The City of London Corporation has elected to prepare the financial statements in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102). 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 21 November 2017, the financial statements of City's Cash were approved on behalf of the Court of Common Council.

Jeremy Paul Mayhew MA MBA
Chairman of Finance Committee

Roger A. H. Chadwick
Deputy Chairman of Finance Committee

Guildhall, London.
21 November 2017

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 2017 which are set out on pages 14 to 59. The financial reporting framework that has been applied in their preparation 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 are required to state to it 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 City's Cash and the City of London Corporation as a body for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the City of London Corporation and auditor

As explained more fully in the Statement of Responsibilities of the City of London Corporation set out on page 10, the City of London Corporation is responsible for the preparation of the financial statements 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 (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's web-site at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the group's and City's Cash's affairs as at 31 March 2017 and of the group's deficit for the year then ended; and

have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice.

Date:

Moore Stephens LLP
Chartered Accountants and Registered 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 25 June 2015, 24 June 2016 and 26 June 2017 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 2016 to 31 March 2017.

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

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.

.....

A. Francis

.....

L. Lloyd-Thomas

.....

P. Watts

Dated:

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 Statement of Comprehensive Income

For the year ended 31 March 2017

	Notes	2017 £m	2016 £m
Income			
Education		69.1	58.0
Investment Income - property and managed funds	1	65.9	57.0
Markets		10.9	10.5
Open Spaces		4.8	4.2
City Representation		1.0	0.8
Economic Development		0.3	0.4
Other activities		1.0	0.9
Total Income	1	153.0	131.8
Expenditure			
Education		78.1	71.4
Investments - Management Costs and Property Operating Expenditure	2	21.8	19.4
Open Spaces		21.0	21.5
City Representation		12.7	12.3
Markets		10.4	10.4
Management and Administration		8.6	7.7
Grants and other activities		6.4	6.6
Economic Development		5.2	3.8
Net pension scheme costs	16c	3.6	7.1
Total Expenditure	2, 3 and 4	167.8	160.2
Operating surplus / (deficit) before gain / (loss) in fair value of investments		(14.8)	(28.4)
Gain in fair value of property investments		122.2	222.5
Gain/(loss) in fair value of non-property investments	8	121.8	(8.4)
Operating surplus		229.2	185.7
Profit on Sale of Fixed Assets		4.7	7.5
Net financing income / (costs) attributable to pension schemes	16c	(8.3)	(8.3)
Surplus before taxation		225.6	184.9
Taxation	5	-	-
Surplus for the financial year		225.6	184.9

All amounts relate to continuing operations.

The notes on pages 18 to 59 form part of these financial statements.

Consolidated Statement of Financial Position

At 31 March 2017

	Notes	2017 £m	2016 £m
Fixed Assets			
Investment properties	6	1,724.4	1,601.8
Tangible assets	6	221.9	179.8
Heritage assets	7	182.1	182.1
Non-property investments	8	699.0	596.7
Intangible assets	9	0.5	1.0
Total Fixed Assets		2,827.9	2,561.4
Current Assets			
Stocks - finished goods	11	0.5	0.4
Debtors	12	32.4	31.8
Non-property investments	8	47.9	67.1
Cash at bank and in hand		10.0	11.1
Total Current Assets		90.8	110.4
Creditors: amounts falling due within one year	13	59.8	56.7
Deferred income	14	42.8	40.1
Net Current Assets		(11.8)	13.6
Total Assets less Current Liabilities		2,816.1	2,575.0
Provisions for liabilities	15	1.9	1.8
Net Assets excluding pension liability		2,814.2	2,573.2
Defined benefit pension scheme liability	16	294.2	244.2
Net Assets		2,520.0	2,329.0
Capital and Reserves			
Operational Capital Reserve		222.4	180.8
Heritage Assets Reserve		182.1	182.1
Income Generating Fund		2,423.4	2,198.5
Working Capital Fund		(13.7)	11.8
Pension Reserve	16	(294.2)	(244.2)
Total Capital Employed	17	2,520.0	2,329.0

Authorised for issue 21 November 2017

Dr Peter Kane, Chamberlain of London

Consolidated Statement of Changes in Equity

For the year ended 31 March 2017

	Notes	2017 £m	2016 £m
Comprehensive income			
Surplus for the financial year		<u>225.6</u>	<u>184.9</u>
Other comprehensive income			
Gain / (loss) on revaluation of listed investments	8	3.5	(1.8)
Actuarial gain / (loss) on defined benefit pension schemes	16	<u>(38.1)</u>	<u>25.3</u>
Total other comprehensive income		<u>(34.6)</u>	<u>23.5</u>
Total comprehensive income		<u><u>191.0</u></u>	<u><u>208.4</u></u>

Consolidated Statement of Cash Flows

For the year ended 31 March 2017

	Notes	2017 £m	2016 £m
Cash flows from operating activities:			
Net cash provided by (used in) operating activities	18	<u>(3.1)</u>	<u>(21.4)</u>
Cash flows from investing activities:			
Dividends, interest and rents from investments		1.4	1.7
Cash taken from/(invested in) short term deposits		19.2	38.2
Proceeds from the sale of property, plant and equipment		4.6	7.8
Purchase of property, plant and equipment		(14.5)	(11.3)
Proceeds from sale of investments		106.5	87.8
Purchase of investments		(118.3)	(134.1)
Receipt of capital contributions - deferred to later years		3.1	20.3
Net cash provided by (used in) investing activities		<u>2.0</u>	<u>10.4</u>
Cash flows from financing activities:			
		<u>-</u>	<u>-</u>
Increase/(decrease) in cash in the year		<u>(1.1)</u>	<u>(11.0)</u>
Change in cash and cash equivalents in the reporting period		(1.1)	(11.0)
Cash and cash equivalents at the beginning of the reporting period		11.1	22.1
Change in cash and cash equivalents due to exchange rate movements		-	-
Cash and cash equivalents at end of year		<u>10.0</u>	<u>11.1</u>

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 consolidated financial statements in accordance with Financial Reporting Standard 102 (FRS102) as issued by the Financial Reporting Council.

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.

- Financial assets are derecognised when the contractual rights to the cash flows from the assets expire, or when City's Cash has transferred substantially all the risks of and rewards of ownership. Financial liabilities are derecognised only once the liability has been extinguished through discharge, cancellation or expiry.

e) **Deferred income**

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, vehicles, plant and equipment**

These are assets held and used for the direct delivery of services. They 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 fair value as at 31 March. Gains or losses arising from changes in the fair value of investment property are included in the Consolidated Statement of Comprehensive Income.

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 treated as a revaluation movement which is included in the Consolidated Statement of Comprehensive Income.

An impairment loss on operational assets or heritage assets would be recognised in the Consolidated Statement of Comprehensive Income. The reversal of an impairment loss on operational or heritage property, previously recognised in the Consolidated Statement of Comprehensive Income, 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 Statement of Comprehensive Income.

l) Heritage Assets

City's Cash heritage assets largely comprise art and sculpture treasures valued, in accordance with FRS102, 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 Statement of Comprehensive Income.

m) Financial Assets and Liabilities

Financial instruments are classified as either 'basic' or 'other' in accordance with Chapter 11 of FRS102. All financial instruments held by City's Cash are basic financial instruments.

n) 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.

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,

the operating surplus or loss within the Consolidated Statement of Comprehensive Income includes the gain or loss in fair value on all non-property investments.

o) 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.

p) 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 2017. 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 Consolidated Statement of Financial Position 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 in accordance with FRS102.

q) 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.

r) **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.

s) **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 Consolidated Statement of Comprehensive Income 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 Consolidated Statement of Financial Position. 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.

t) **Cash**

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

u) **Stocks of Finished Goods**

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

v) **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 earnings, 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 Consolidated Statement of Comprehensive Income 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 Consolidated Statement of Financial Position.

Barnett Waddingham, an independent actuary, carried out the latest triennial actuarial assessment of the scheme as at 31 March 2016, using the projected unit method. The next actuarial valuation of the Fund will be carried out as at 31 March 2019 and will set contributions for the period from 1 April 2019 to 31 March 2022.

Pension Costs – Teachers

The payment of pensions to former teachers is the responsibility of the Teachers' Pension Scheme (the Scheme). Consequently, teachers' pension fund contributions, together with the employer's contributions, are paid by the City of London to the Scheme. The Scheme is a multi-employer defined benefit statutory scheme administered in accordance with the Teachers' Pension Scheme Regulations 2014.

The Scheme is funded on a notionally funded basis – no actual assets back the liabilities but a notional Fund is constructed for the purposes of setting employer contributions. Contributions are set every four years as a result of the actuarial valuation of the Scheme by the Government Actuary's Department on behalf of the Secretary of State.

Under FRS102, the employer participating in the Teachers' Pension Scheme must recognise the expected present value of all future deficit contributions on their Consolidated Statement of Financial Position. As it is not possible to identify the assets and liabilities at individual employer level, the expected present value of the deficit contributions has been calculated by Barnett Waddingham, an independent actuary, based upon pensionable pay at 31 March 2017, the Scheme's deficit contribution rate at 31 March 2017 and an actuarial factor based on the deficit recovery period and the adopted assumptions.

w) **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.

x) **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 Consolidated Statement of Financial Position date and the gains or losses on translation are written on / off to revenue account.

y) **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.

z) **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.

aa) **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.

bb) **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 cc), 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.

cc) **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 £12.7m. 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 43 to 50.

(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 £17.2m 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 Consolidated Financial Statements

1. Income

Investment Income

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

	2017 £m	2016 £m
Dividends from non-property investments and interest on fund balances	1.4	1.7
Rentals, service charges and dilapidations income	64.5	55.3
Total investment income *	65.9	57.0

* Rent receivable in 2016/17 in respect of operating leases was £56.7m (2015/16: £48.3m).

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:

	2017 £m	2016 £m
Non-property investments - management fees paid to fund managers	4.5	5.1
Property investment expenses	17.3	14.3
Total Investment Management Costs	21.8	19.4

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 £7.3m (2015/16: £7.5m).

Operating Lease Rentals

During the year of account City's Cash spent £0.7m on operating lease rentals in respect of premises (2015/16: £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 (2015/16: £88,200). No other fees were payable to Moore Stephens LLP for non-audit services during the year (2015/16: 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 totalling £3,874 (2015/16: £9,348) 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:	2017 FTE	2016 FTE
Investment properties	17.7	17.7
Education	650.0	624.9
Markets	88.4	89.9
Open spaces	279.6	293.3
City representation	65.1	65.1
Grants and other activities	9.2	9.2
Support Services	197.0	208.5
Total	1,307.0	1,308.6

Their remuneration comprised:	Gross Pay £m	National Insurance £m	Pension Contribution £m	2017 £m	2016 £m
Investment Management	0.5	-	0.1	0.6	0.6
Education	35.0	3.4	5.1	43.5	40.2
Markets	3.2	0.3	0.5	4.0	3.7
Open spaces	9.1	0.9	1.4	11.4	10.8
City representation	3.0	0.3	0.4	3.7	3.5
Grants and other activities	0.6	0.1	0.0	0.7	0.6
Support Services	8.3	0.9	1.3	10.5	10.7
Total	59.7	5.9	8.8	74.4	70.1

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	
	2016/17	2015/16	2016/17	2015/16
60,000 - 69,999	79	76	59	48
70,000 - 79,999	17	17	18	18
80,000 - 89,999	7	9	8	7
90,000 - 99,999	3	2	2	3
100,000 - 109,999	0	3	7	6
110,000 - 119,999	2	2	3	6
120,000 - 129,999	4	1	4	2
130,000 - 139,999	1	3	3	1
140,000 - 149,999	0	1	0	0
150,000 - 159,999	2	0	1	1
160,000 - 169,999	1	2	1	1
200,000 - 209,999	0	0	1	0
240,000 - 249,999	0	0	0	1
250,000 - 259,000	0	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 2016/17 and 2015/16 respectively in accordance with Regulation 7 of the Accounts and Audit Regulations 2012.

Table 2 - 2016/17 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	Compensation for loss of office	Total Remuneration excluding pension contributions 2016/17	Pension Contributions	Total Remuneration including Pension Contributions 2016/17
			%	£000	£000	£000	£000	£000	£000	£000	£000
Salary is £150,000 or more a year											
Town Clerk and Chief Executive	J. Barradell	i	40	98	5	0	0	0	103	18	121
Chamberlain	P. Kane	i	35	59	0	0	0	0	59	10	69
Salary is between £50,000 and £150,000											
Deputy Town Clerk - retired 30/09/2016	-	i	40	28	0	0	0	28	56	5	61
Director of Culture, Heritage & Libraries - retired 31/01/2017	-	i	5	5	0	0	0	1	6	1	7
Comptroller & City Solicitor	-	i	25	37	2	0	0	0	39	7	46
City Surveyor - retired 31/10/2016	-	i	45	23	0	0	0	0	23	0	23
City Surveyor - started 03/10/2017	-	i	45	33	0	0	0	0	33	6	39
Head City of London School	-			154	0	0	39	0	193	20	213
Headmaster City of London Freeman's School	-			124	0	0	0	0	124	23	147
Headmistress City of London School for Girls	-			121	0	0	25	0	146	22	168
Remembrancer	-			131	0	0	0	0	131	23	154
Principal of the Guildhall School of Music & Drama - retired 31/01/2017	-			89	4	0	10	0	103	0	103
Principal of the Guildhall School of Music & Drama - started 30/01/2017	-			29	0	0	0	0	29	5	34
Private Secretary & Chief of Staff to the Lord Mayor	-			113	3	0	0	0	116	12	128
Director of Markets & Consumer Protection	-	i	45	51	0	0	0	0	51	9	60
Director of Open Spaces - retired 28/02/2017	-	i	70	63	3	0	0	0	66	13	79
Director of Open Spaces - started 01/03/2017	-	i	70	6	0	0	0	0	6	1	7
				1,164	17	0	74	29	1,284	175	1,459

Table 3 - 2015/16 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	Compensation for loss of office	Total Remuneration excluding pension contributions 2015/16	Pension Contributions	Total Remuneration including Pension Contributions 2015/16
			%	£000	£000	£000	£000	£000	£000	£000	£000
Salary is £150,000 or more a year											
Town Clerk and Chief Executive	J. Barradell	i	40	94	0	0	0	0	94	16	110
Chamberlain	P. Kane	i	35	57	0	0	0	0	57	10	67
Salary is between £50,000 and £150,000											
Deputy Town Clerk	-	i	40	51	1	0	0	0	52	9	61
Director of Culture, Heritage & Libraries	-	i	5	5	0	0	0	0	5	1	6
Comptroller & City Solicitor	-	i	25	37	1	0	0	0	38	7	45
City Surveyor (w.e.f 5 October 2015 works 3 days per week)	-	i	45	49	2	0	0	0	51	0	51
Head City of London School	-			148	0	0	40	0	188	27	215
Headmaster City of London Freeman's School - retired 31/08/2015	-			54	0	0	0	0	54	9	63
Headmaster City of London Freeman's School - started 01/09/2015	-			70	0	0	0	0	70	13	83
Headmistress City of London School for Girls	-			109	0	0	47	0	156	20	176
Remembrancer	-			131	0	0	0	0	131	23	154
Principal of the Guildhall School of Music & Drama	-			129	2	0	11	0	142	0	142
Private Secretary & Chief of Staff to the Lord Mayor	-			111	3	0	0	0	114	0	114
Director of Markets & Consumer Protection	-	i	45	49	0	0	0	0	49	9	58
Director of Open Spaces	-	i	70	67	2	1	3	0	73	13	86
				1,161	11	1	101	0	1,274	157	1,431

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.

Table 4 - Annualised Salaries

Post Title	Annualised Salary 2016/17 £000	Annualised Salary 2015/16 £000
Town Clerk and Chief Executive	245	242
Chamberlain	171	165
Comptroller & City Solicitor	151	148
City Surveyor	146	144
Deputy Town Clerk	131	129
Director of Culture, Heritage & Libraries	110	109
Director of Markets & Consumer Protection	116	111
Director of Open Spaces	98	97

5. Tax Status

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

6. Investment Properties and other tangible fixed assets

Consolidated

	Land and Buildings		Plant	Assets	
	Investment	Freehold	and	Under	Total
	Properties (c)	(a)	Machinery	Construction	£m
	£m	£m	£m	£m	£m
Cost / Valuation					
At 1 April 2016	1,601.8	178.0	36.4	13.7	1,829.9
Additions	34.8	3.2	6.7	4.6	49.3
Revaluations	122.2	-	-	-	122.2
Disposals (b)	-	-	-	-	0.0
Transfers	(34.4)	34.4	13.0	(13.0)	0.0
At 31 March 2017	<u>1,724.4</u>	<u>215.6</u>	<u>56.1</u>	<u>5.3</u>	<u>2,001.4</u>
Depreciation					
At 1 April 2016	-	(29.0)	(19.3)	-	(48.3)
Charge for the year	-	(5.0)	(1.8)	-	(6.8)
Disposals	-	-	-	-	0.0
At 31 March 2017	<u>-</u>	<u>(34.0)</u>	<u>(21.1)</u>	<u>-</u>	<u>(55.1)</u>
Net book value					
At 31 March 2016	1,601.8	149.0	17.1	13.7	1,781.6
At 31 March 2017	<u>1,724.4</u>	<u>181.6</u>	<u>35.0</u>	<u>5.3</u>	<u>1,946.3</u>
Leased assets included above:					
Net book value					
At 31 March 2016	3.5	-	-	-	3.5
At 31 March 2017	<u>3.5</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3.5</u>

Notes:

- 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.
- Royal Institution of Chartered Surveyors (RICS) registered internal valuers undertake investment property revaluations annually as at 31 March at market values determined in

accordance with the “RICS Valuation –Professional Standards January 2014 edition” issued by the RICS. 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 60% of the Estates’ value as at 31 March 2017 (36% as at 31 March 2016). As detailed in accounting policies note g, 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.

- c) City’s Cash did not incur any finance costs during the year ended 31 March 2017 (2015/16: 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 Statement of Financial Position at a value of £182.1m (2015/16: £182.1m) 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	
	2017	2016
	£m	£m
Valuation		
At 1 April	182.1	182.2
Additions	-	-
Disposals	-	(0.1)
At 31 March	182.1	182.1
Comprising:		
Art and sculptures (notes a and b)	181.7	181.7
Forest land	0.4	0.4
	182.1	182.1

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 were recognised at cost.

All expenditure on preservation and conservation is recognised in the Consolidated Statement of Comprehensive Income 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	
	2017	2016
	£m	£m
Non-property investments held by fund managers:		
Total investments at 1 April	599.5	633.8
Add: additions to investments at cost	83.5	63.7
Less disposals at market value	(81.8)	(62.7)
Add net gain on revaluation	3.5	(1.8)
Less realised investments	(21.1)	(25.1)
Gain / (loss) in fair value	121.8	(8.4)
Investments at 31 March	705.4	599.5
Non-property investments held by the City of London:		
Total investments at 1 April	64.3	98.6
Change in short-term deposits and money market	(22.8)	(34.3)
Change in long term deposits	-	-
Investments at 31 March	41.5	64.3
Total investments as at 31 March are analysed between long-term and short-term investments as follows:		
Long term	699.0	596.7
Short term	47.9	67.1
	746.9	663.8

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 £0.5m (2015/16: £1.0m).

	Total £m
Cost / Valuation	
At 1 April 2016	1.4
Additions	-
At 31 March 2017	<u>1.4</u>
Depreciation	
At 1 April 2016	(0.4)
Charge for the year	(0.5)
At 31 March 2017	<u>(0.9)</u>
Net book value	
At 31 March 2016	<u>1.0</u>
At 31 March 2017	<u>0.5</u>

10. Nature and extent of Risks arising from Financial Instruments

The primary long-term risk for City's Cash is that its assets will fall short of its liabilities (i.e. the costs to be met in the provision of the Fund's services). Therefore the aim of investment risk management is to minimise the risk of an overall reduction in the value of the Fund and to maximise the opportunity for gains across the non-property investment portfolio of the Fund.

This note focusses on those investments which comprise cash that is not required for day to day purposes invested in deposits of varying fixed lengths and fixed interest rates in the London money markets, cash invested in top quality money market funds, non-property mainly pooled investments and private equity funds.

Cash Investments

The carrying amount of the cash investments is assumed to be a reasonable approximation of fair value taking into account the period to maturity.

The Fund'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 Fund might not have enough funds available to meet its commitments to make payments
- Market risk – the possibility that financial loss might arise as a result of changes in 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 . The Fund's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund services. Risk management is carried out by a central treasury team, under policies approved annually by the Court of Common Council in the Treasury Management Strategy Statement.

Credit Risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Fund's customers. Deposits are not made with banks and financial institutions unless they are rated independently with a minimum "score" of Long term A and Short term F1 or are building societies with assets over £9bn (or which have a minimum credit rating "score" similar to that set for the banks) . The Fund also invests in Money Market Funds, which are subject to a minimum credit rating of AAA/mmff. The lending list is reviewed on a regular basis using advice from credit rating agencies and in-house judgements based partially on credit default swap rates.

The creditworthiness of the counterparties on the Fund's lending list is carefully monitored. Security of the investments was paramount but with liquidity and yield also being considerations. By the end of the year, the Fund effectively had ten potential borrowers in the form of banks and building societies and it has been necessary to maintain relatively high levels of individual maximum lending limits to accommodate lending requirements. The lending limits attributable to HSBC, Barclays, Royal Bank of Scotland and Santander UK were maintained at maximum lending limits of £100m each, and Lloyds Bank was fixed at £150m (this organisation being the Fund's banker). The lending limit for the Nationwide Building Society was maintained at £120m. The maximum duration for such loans was fixed at three years. The lending limits for the Yorkshire, Coventry, Skipton and Leeds Building Societies were maintained at £20m each and the duration for such loans was fixed at 1 year. The list also contains three foreign banks with individual limits of £25m, being National Australia Bank, Australia and New Zealand Banking Group and Svenska Handelsbanken. The lending list also includes seven top rated Money Market Funds; Aberdeen Sterling Liquidity Fund, CCLA, Deutsche Liquidity Fund, Federated Liquidity Fund, Standard Life Liquidity Funds (formerly Ignis Liquidity Funds), Invesco, and Payden Sterling Reserve Fund. These funds effectively offer very short term liquidity for deposits. The Fund also has short term deposits with other councils, each of which has a limit of £25m.

The Fund's maximum exposure to credit risk in relation to its investments in banks and money market funds cannot be assessed generally, as the risk of any institution failing to make interest payments or failing to repay the principal sum would be mainly specific to each individual institution. No credit limits were exceeded during the reporting period and the Fund does not expect any losses from non-performance by any counterparty in relation to outstanding deposits. As at 31 March 2017 the Fund had some £41.5m in money market funds and short-term cash investments with a maturity of less than 365 days and no long-term investments (maturity of 365 days or greater).

Bad debt provision	As at 31 March 2017 £m	As at 31 March 2016 £m
Less than three months	2.2	3.1
Three to six months	0.1	0.1
Six months to one year	0.1	0.0
More than one year	0.0	0.1
Total	2.4	3.3

Liquidity risk

Liquidity risk represents the risk that the Fund will not be able to meet its financial obligations as they fall due. Officers monitor cash flows and take steps to ensure that there are adequate cash resources to meet the Fund's commitments.

Market risk (Interest rate risk)

The Fund is exposed to significant risk in terms of its exposure to interest rate movements on its investments. Movements in interest rates have a complex impact on the Fund. For instance, a rise in interest rates would have the following effects:

- investments at variable rates – the interest income credited to the Income and Expenditure Account will rise
- investments at fixed rates – the fair value of the assets will fall.

The reduced interest rates for 2016/17 continue to have an adverse impact on the income earnings of the Fund which is anticipated to continue beyond 2016/17, although longer term deals are entered into wherever possible to earn higher rates when available.

Non-Property Investments (mainly pooled) and Private Equity Funds

These investments are actively managed by eleven main external fund managers who are charged with the responsibility to increase asset values, whilst maintaining market risk to acceptable levels. They achieve this mainly through diversification of stock portfolios across several geographical locations and various industrial sectors and asset classes. The managers' investing practices are controlled by pre-defined levels of tolerance. The City of London Corporation's Financial Investment Board oversees the monitoring and performance of City's Cash non-property investments and is responsible for the appointment of fund managers.

Concentration risk is also controlled and monitored with a maximum proportion cap over the levels held in individual stocks as a set percentage of each manager's overall portfolio of stocks.

As part of each of the external fund managers' investing there is also a strict adherence to the principles of liquidity risk management in order to ensure cash flow requirements are met as and when they fall due.

All of the investing policies and practices are reviewed regularly after thorough consideration of economic and market conditions, and overall care is taken to identify, manage and control exposure to the price movements of several categories of investments.

Sensitivity Analysis

Following analysis of historical data and expected investment return movement during the financial year, in consultation with the Fund's custodian, BNY Mellon, the City of London Corporation has determined that the movements in market price risk set out in the table below are reasonably possible for the 2016/17 reporting period. The potential price changes disclosed below are broadly consistent with a one-standard deviation movement in the value of the assets. This analysis assumes that all other variables, in particular foreign currency exchange rates and interest rates, remain the same.

The sensitivity analysis data service was previously provided by State Street Analytics, who provided the City of London Corporation with performance measurement data. From June 2016, the City of London's custodian BNY Mellon took on the role of providing performance measurement data and BNY Mellon now also provide the currency exposure data included under this Sensitivity Analysis section.

The potential percentage allowance for changes in asset values is within a one-standard deviation tolerance. The potential increase/decrease in the market prices of the fund's assets are derived from the above, and provides a range of possible net asset values available to meet the fund's liabilities.

Potential Market Movements

Asset type	Change %
<u>Segregated funds</u>	
Multi-asset	0.25
<u>Pooled funds</u>	
Global equities	1.46
Global bonds	0.05
Global multi-asset	0.15
UK equities	0.37
<u>UK cash deposits</u>	
Short-term UK deposits	0.00
Total non-property investments	0.80

Asset type	Value £m	Change %	Value on increase £m	Value on decrease £m
<u>Segregated funds</u>				
Multi-asset	75.20	0.25	75.4	75.0
<u>Pooled funds</u>				
Global equities	351.40	1.46	356.5	346.3
Global bonds	33.70	0.05	33.7	33.7
Global multi-asset	80.90	0.15	81.0	80.8
UK equities	164.20	0.37	164.8	163.6
<u>UK cash deposits</u>				
Short-term UK deposits	41.50	0.00	41.5	41.5
Total non-property investments	746.90	0.80	752.9	740.9

Currency Risk

Currency risk represents the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The fund is exposed to currency risk on financial instruments that are denominated in any currency other than the functional currency of the fund (UK sterling). The following table summarises the position as at 31 March 2017.

Currency	Value £m	Change %	Value on increase £m	Value on decrease £m
GBP	529.4	0.00	529.4	529.4
EUR	30.2	1.98	30.8	29.6
USD	149.1	2.28	152.5	145.7
Other	38.2	1.83	38.9	37.5
Total non-property investments	746.9		751.6	742.2

11. Stocks of Finished Goods

A variety of purchased items are held in stock amounting to £0.5m (2015/16: £0.4m) to ensure responsive delivery of services, mainly relating to those provided at the City's open spaces, schools and ceremonial functions.

12. Debtors

	Consolidated	
	2017	2016
	£m	£m
Amounts falling due within one year:		
Sundry debtors	13.9	13.5
Rental debtors	10.1	9.8
School Fees	1.4	1.6
Prepayments and accrued income	4.1	4.1
VAT	1.8	1.8
Accrued interest	0.7	0.8
	<hr/> 32.0 <hr/>	<hr/> 31.6 <hr/>
Amounts falling due after more than one year:		
Sundry debtors	0.4	0.2
	<hr/> 0.4 <hr/>	<hr/> 0.2 <hr/>
	<hr/> 32.4 <hr/>	<hr/> 31.8 <hr/>

13. Creditors – amounts falling due within one year

	Consolidated	
	2017	2016
	£m	£m
Sundry creditors	34.9	32.7
Rental income received in advance	15.1	13.8
Other receipts received in advance	8.2	7.8
Her Majesty's Revenue and Customs - VAT	1.6	2.4
	<hr/> 59.8 <hr/>	<hr/> 56.7 <hr/>

14. Deferred income

	Consolidated	
	2017	2016
	£m	£m
Lease premium income		
- due within one year	0.3	0.1
- due within two to five years	1.0	1.0
- due in more than five years	41.8	39.1
	<hr/>	<hr/>
Total lease premium income (note i)	43.1	40.2
	<hr/>	<hr/>

Note:

- i) Premia of £40.3m relating to two operating leases were received in 2014/15 and 2015/16. A further operating lease premium of £3.1m was received in 2016/17. These premiums have been deferred in accordance with accounting policies note e), and are to be released over their lease terms.

15. Provisions

City Re Limited has set aside £1.9m (2015/16: £1.8m) 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.

Teachers' Pension Scheme

In addition to City of London Corporation employees being able to participate in the City of London Pension Fund, teachers at the City of London Corporation's four private schools are eligible to participate in the Teachers' Pension Scheme (TPS).

The table below shows how the total pension deficit recorded on the Consolidated Statement of Financial Position of £294.2m (2016: £244.2m) is split between The City of London Pension Fund and the Teachers' Pension Scheme.

Pension scheme liabilities	2016	2015
	£m	£m
The City of London Pension Fund	281.0	231.7
The Teachers' Pension Scheme	13.2	12.5
Total pension scheme liabilities	294.2	244.2

Accounting for The City of London Pension Fund under IAS19

The actuarial valuation of the defined benefit scheme was updated at 31 March 2017, by Barnett Waddingham, an independent qualified actuary in accordance with IAS19. As required by IAS 19, the defined benefit liabilities have been measured using the projected unit method. The valuation has been completed under IFRS, in line with the City Fund requirements, rather than FRS102, with the differences considered not to be materially incorrect. The next actuarial valuation of the Scheme will be carried out as at 31 March 2019 and will set contributions for the period from 1 April 2020 to 31 March 2023.

The expected rate of return on the scheme's assets for the financial year ending 31 March 2017 was 7.0% p.a. (2016: 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 2017) for the year to 31 March 2018. 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 2017, the actuarial deficit on City's Cash's share of the Scheme was £281.0m (2016: £231.7m). City's Cash's share of the market value of the Schemes' assets was £413.1m (2016: £349.7m).

The estimated amount of total employer contributions expected to be paid to the scheme by City's Cash during the year to 31 March 2018 is £11.7m (actual for year to 31 March 2017: £10.3m). 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 IAS19 calculations are as follows:

Assumptions as at 31 March	2017 % per annum	2016 % per annum	2015 % per annum
RPI increases	-	3.2	3.2
CPI increases	-	2.3	2.4
Salary increases	4.1	3.8	3.9
Pension increases	2.6	2.3	2.4
Discount rate	2.7	3.6	3.3

Life expectancy

Assumed life expectancy from age 65 years	Sex	2016	2016
Age 65 retiring today	Male	23.8	23.0
Age 65 retiring today	Female	25.2	25.4
Retiring in 20 years	Male	25.2	24.8
Retiring in 20 years	Female	26.7	27.3

The table reflects the change in the mortality tables used for the 31 March 2016 valuation and allowance is made for future improvements in life expectancy.

(b) **Amounts included in the Consolidated Statement of Financial Position**

The amounts included in the City's Cash Consolidated Statement of Financial Position (CSoFP) 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:

Net Pension Asset as at	2017		2016		2015	
	City's Cash Consolidated	City of London Corporation	City's Cash Consolidated	City of London Corporation	City's Cash Consolidated	City of London Corporation
	£m	£m	£m	£m	£m	£m
Fair value of fund assets (bid)	413.1	878.9	349.7	728.6	362.8	752.3
Funded liability present value	(691.2)	(1,470.7)	(578.5)	(1,205.2)	(599.7)	(1,243.4)
Net liability	(278.1)	(591.8)	(228.8)	(476.6)	(236.9)	(491.1)
Unfunded liability present value *	(2.9)	(6.1)	(2.9)	(6.1)	(3.4)	(7.1)
Net liability on CSoFP **	(281.0)	(597.9)	(231.7)	(482.7)	(240.3)	(498.2)

- * £2.6m of the total unfunded liabilities as at 31 March 2016 relates to compensatory added years awarded prior to 1988.
- ** the total net pension fund liability shown on the Consolidated Statement of Financial Position is £294.2m (2015/16: £244.2m), which comprises the liability relating to the City of London Pension Fund of £281.0m (as shown in the table above) and a liability of £13.2m (2015/16: £12.5m) relating to the Teachers' Pension Scheme.

The net pension fund liability of £281.0m in the Consolidated Statement of Financial Position (2016: £231.7m) represents 47% of the total net balance sheet liability in the City of London Corporation Pension Fund Financial Statements.

(c) **Amounts recognised in the Consolidated Statement of Comprehensive Income**

	2017	2016
	£m	£m
Current service cost	(13.3)	(15.9)
Administration cost	(0.2)	(0.3)
Gains / (losses) on settlements and curtailments	(0.4)	(0.9)
Employer contributions	10.0	9.7
Unfunded pension payments	0.3	0.3
Net pension scheme costs	(3.6)	(7.1)
Return on pension scheme assets	12.3	11.6
Interest on pension scheme liabilities	(20.3)	(19.6)
Net finance income / (expenses) *	(8.0)	(8.0)
Net charge to the Consolidated Statement of Comprehensive Income	(11.6)	(15.1)

- * the total value shown in the Consolidated Statement of Comprehensive Income for net financing expenses attributable to pension schemes amounts is £8.3m (2015/16: net expenses of £8.3m), which comprises expenses relating to the City of London Pension Fund of £8.0m (as shown in the table above) and expenses of £0.3m relating to the Teachers' Pension Scheme.

(d) **Amounts included in the Consolidated Statement of Changes in Equity**

	2017	2016
	£m	£m
Actual return less expected return on pension scheme assets	57.5	(11.3)
Experience gains and (losses)	11.4	0.2
Changes in assumptions underlying the present value of liabilities	(106.6)	34.8
	<hr/>	<hr/>
Actuarial gains/(losses) in pension scheme	(37.7)	23.7
Increase/(decrease) in irrecoverable surplus	-	-
	<hr/>	<hr/>
Actuarial gains/(losses) recognised in the Consolidated Statement of Changes in Equity *	(37.7)	23.7
	<hr/> <hr/>	<hr/> <hr/>

* the total value shown in the Consolidated Statement of Changes in Equity for actuarial losses is £38.1m (2015/16: gains of £25.3m), which comprises the actuarial loss relating to the City of London Pension Fund of £37.7m (as shown in the table above) and an actuarial loss of £0.4m relating to the Teachers' Pension Scheme.

(e) **Asset allocation**

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

Employer asset share - bid value	2017		2016	
	£m	% per annum	£m	% per annum
Equities	269.5	65	218.9	63
Gilts	n/a	n/a	n/a	n/a
Other bonds	n/a	n/a	n/a	n/a
Cash	(0.1)	0	(0.1)	0
Infrastructure	18.6	5	14.1	4
Absolute Return Portfolio	125.1	30	116.8	33
	<hr/>	<hr/>	<hr/>	<hr/>
Total assets	413.1	100	349.7	100
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

(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	2017 £m	2016 £m
Opening defined benefit liability	(581.4)	(603.1)
Current service cost	(13.3)	(15.9)
Past service cost	-	-
Interest cost	(20.3)	(19.6)
Actuarial gain / (losses)	(90.3)	45.3
Gains / (losses) on curtailments	(0.4)	(0.9)
Liabilities (assumed)/extinguished on settlements	-	(0.3)
Estimated benefits paid net of transfers in	15.5	17.1
Contributions by scheme participants	(4.2)	(4.3)
Unfunded pension payments	0.3	0.3
Closing defined benefit liability	(694.1)	(581.4)

(g) Movement in the scheme net liability

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

	2017 £m	2016 £m
Surplus (deficit) at the beginning of the year	(231.7)	(240.3)
Current service cost	(13.3)	(15.9)
Past service cost	-	-
Net interest	(8.0)	(8.0)
Settlements and curtailments	(0.4)	(0.9)
Other finance income (expense)	(0.2)	(0.3)
Employers contributions	10.0	9.7
Unfunded pension payments	0.3	0.3
Actuarial gains / (losses)	(37.7)	23.7
Surplus (deficit) at the end of the year	(281.0)	(231.7)

(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	2017 £m	2016 £m
Opening fair value of scheme assets	349.7	362.8
Interest on assets	12.3	11.6
Return on assets less interest	57.5	(21.6)
Actuarial gains / (losses)	(4.9)	0.0
Administration expenses	(0.2)	(0.2)
Contributions by employer including unfunded	10.3	10.0
Contributions by scheme participants	4.2	4.3
Estimated benefits paid net of transfers in and including unfunded	(15.8)	(17.4)
Settlement prices received / (paid)	-	0.2
Closing value of scheme assets at end of period	413.1	349.7

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

The following amounts for 2012-2016 have been recognised under the “Actuarial gains and losses on defined benefit pension scheme” heading within the Consolidated Statement of Changes in Equity:

	2017 £m	2016 £m	2015 £m	2014 £m	2013 £m
Present value of defined benefit liability	(694.1)	(581.4)	(603.1)	(521.9)	(484.5)
Fair value of scheme assets	413.1	349.7	362.8	325.2	317.0
Deficit in the scheme	(281.0)	(231.7)	(240.3)	(196.7)	(167.5)
Experience adjustments on scheme liabilities	11.4	0.2	(0.1)	5.2	-
Percentage of scheme liabilities	1.6%	0.0%	0.0%	1.0%	0.0%
Experience adjustments on scheme assets	57.5	(21.6)	19.9	(5.8)	30.3
Percentage of scheme assets	13.9%	(5.7%)	4.6%	(1.8%)	9.6%
Cumulative actuarial gains and losses	(91.1)	(53.4)	(77.1)	(36.0)	(11.5)

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	681.6	694.1	706.8
Projected service cost	18.8	19.3	19.7
Adjustment to long-term salary increase	0.1%	0.0%	(0.1%)
Present value of total liability	696.0	694.1	692.2
Projected service cost	19.3	19.3	19.3
Adjustment to pension increases and deferred revaluation	0.1%	0.0%	(0.1%)
Present value of total liability	705.0	694.1	683.4
Projected service cost	19.7	19.3	18.8
Adjustment to mortality age rating assumption	+ 1 year	None	- 1 year
Present value of total liability	720.3	694.1	668.9
Projected service cost	19.9	19.3	18.7

(k) Projected pension expense for the year to 31 March 2017

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 2018 £m	Actual Year to 31 March 2017 £m
Service cost	19.3	13.7
Net interest on the defined liability/(asset)	7.4	8.0
Administration expenses	0.3	0.2
Total expense	27.0	21.9
Employer contributions	11.7	10.3

17. Capital and Reserves

Consolidated	Balance						Unrealised	Balance
	restated					Gains	at 31	
	at 1 April	Additions	Disposals	Depreciation	/(Losses)	Transfers	March	
	£m	£m	£m	£m	£m	£m	£m	
Operational Capital	180.8	14.5	-	(7.3)	-	34.4	222.4	
Heritage Assets Reserve	182.1	-	-	-	-	-	182.1	
Income Generating Fund								
- Investment Properties	104.6	34.8	-	-	-	-	139.4	
- Non-Property Investments	596.7	83.5	(106.5)	-	125.3	-	699.0	
- Revaluation Reserve - Investment Properties	1,497.2	-	-	-	122.2	(34.4)	1,585.0	
Income Generating Fund	2,198.5	118.3	(106.5)	-	247.5	(34.4)	2,423.4	
Pension Reserve	(244.2)	-	(11.9)	-	(38.1)	-	(294.2)	
Working Capital Fund	11.8	-	(25.5)	-	-	-	(13.7)	
Total Capital and Reserves	2,329.0	132.8	(143.9)	(7.3)	209.4	-	2,520.0	

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 current assets and provisions for liabilities.
- e) The City of London Corporation manages and funds nine registered charities (listed on page 9) which are consolidated within City’s Cash accounts. The total equity of these charities amounts to £61.603m (2015/16: £51.520m), comprising unrestricted funds of £29.176m (2015/16: £22.599m), restricted funds of £0.048m (2015/16: 0.012m) and endowment funds of £32.379m (2015/16: £28.909m). Restricted and endowed funds include income that is subject to specific restrictions imposed by the donor. Further details can be found in the separately published accounts of each charity, which are filed with the Charity Commission and can be viewed at: <https://www.gov.uk/government/organisations/charity-commission>.

18. Reconciliation of operating surplus / (deficit) to net cash flow provided by / (used in) operating activities

	2016/17	2015/16
	£m	£m
Net income/(expenditure) for the reporting period	229.2	185.7
Adjustments for:		
Depreciation charges	7.3	7.5
Net pension scheme costs	3.6	7.1
(Gains)/losses on non-property investments	(121.8)	8.4
(Gains)/losses on property investments	(122.2)	(222.5)
Dividends, interest and rents from investments	(1.4)	(1.7)
(Increase)/decrease in stock	(0.1)	(0.1)
(Increase)/decrease in debtors	(0.6)	(4.4)
Increase/(decrease) in creditors falling due within one year	3.1	(1.5)
Release of deferred income	(0.3)	(0.2)
Increase/(decrease) in provision	0.1	0.3
	<hr/>	<hr/>
Net cash provided by / (used in) operating activities	(3.1)	(21.4)
	<hr/> <hr/>	<hr/> <hr/>

19. Financial commitments

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

	Consolidated	
	2017	2016
	£m	£m
Contracted for but not provided for		
- finance leases entered into	-	-
- other (note i)	5.1	4.0
	<u>5.1</u>	<u>4.0</u>

Notes:

- i. The contractual commitment of £5.1m relates to a new swimming pool at the City of London Freeman's School.
- ii. City's Cash has no material commitments under operating leases.
- iii. 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 FRS102.

20. 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 2016/17 the following transactions (rounded to the nearest thousand) were disclosed:

- a Member was a Director of Centre for London Ltd which received £22,000 sponsorship from City's Cash;
- a Member sat on the Innovate Finance Advisory Council which received £350,000 from City's Cash, being the third year payment towards the establishment of the organisation;
- the City Corporation nominated six Members to the various committees of London Councils and another Member declared that he had an independent place on a number of Committees. £1,265,000 was received by City's Cash for the provision of premises and services;
- the City Corporation nominated five Members to the Board of Governors of the City of London Academies Trust. Grants totalling £384,000 were made to the multi academy Trust and purchased services from City's Cash at a cost of £14,000;
- the City Corporation nominated four Members to the Board of Governors of the City of London Academy Hackney. Grants totalling £191,000 was paid to the Academy;
- the City Corporation nominated three Members to the Board of Governors of the City of London Academy Islington. Grants totalling £173,000 was paid to the Academy;

- the City Corporation nominated three Members to the Guild Church Council of St. Lawrence Jewry and three other Members declared places on the Council. The church received a grant of £81,000 from the City Corporation;
- a Member was a shareholder and managing director of a company leasing market premises for which £84,000 was received in rent and service charges;
- another Member was also a director of a company leasing market premises for which £324,000 was received in rent and service charges;
- two Members declared interests in PWC LLP which was paid £105,000 for consultancy services;
- The City Corporation nominated six Members to the Gresham College Council which received grants of £388,000 from City's Cash and paid £13,000 to City's Cash for hire of facilities;
- five Members and two Chief Officer were directors of the 'Lord Mayor's Show Ltd' which purchased services from City's Cash at a cost of £11,000;
- five Members were 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;
- two Members were on the Board of the Housing and Finance Institute for which City's Cash provided £40,000 as a founding member;
- four Members were Trustees of Crossrail Art Foundation which received £1,300,000 from City's Cash as match funding of the Crossrail Arts Strategy;
- fifteen Members were part of the governance structure for The Honourable The Irish Society which received £25,000 in grant funding;
- a Member declared that his accountants were RSM UK Group LLP who were paid £29,000 from City's Cash for auditing and consultancy services;
- a Member declared that a member of their family worked for Knight Frank which was paid £17,000 for services from City's Cash;
- a Member declared that the City's Cash auditors, Moore Stephens, also audit the livery company of which he is a Court member. Moore Stephens received £105,000 for the audit of City's Cash;
- five Members and one Chief Officer were Trustees of City Arts Trust Ltd which paid £110,000 to City's Cash for premises costs and event fees;
- a Member sat on the New Entrepreneurs Foundation Council which received £20,000 sponsorship from City's Cash;

- a Member declared that he had an investment portfolio managed by Ruffer LLP which also managed an investment portfolio for City's Cash. Management fees paid to Ruffer were £389,000;
- a Member was Director of TheCityUK which received grants totalling £520,000 from City's Cash;
- a Member declared that a member of their family worked for Simmons & Simmons LLP which paid £15,281,000 to City's Cash for the purchase of Creechurch House;
- a Member was a director of Coexist House which received a grant of £20,000 from City's Cash to promote the understanding of religion and to encourage respect and tolerance ;
- six Members were appointed as Governors of the Museum of London. City's Cash paid £1,875,000 to the Museum for the funding a number of initiatives and received £1,226,000 from the Museum for the provision of services;
- Mr. S. LePrevost 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 £51,912; 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 £2,457 is payable as at 31 March 2017.

During 2015/16 the following transactions (rounded to the nearest thousand) were disclosed:

- a Member was a Director of Centre for London Ltd which received £20,000 sponsorship from City's Cash;
- a Member was a Board Member of London and Partners Ltd. City's Cash paid £25,000 for participation in exhibitions and partnership fees;
- a Member sat on the Innovate Finance Advisory Council which received £250,000 from City's Cash, being the second year payment towards the establishment of the organisation;
- the City Corporation nominated six Members to the various committees of London Councils and another Member declared that he had an independent place on a number of Committees. £1,016,000 was received by City's Cash for the provision of premises and services;
- the City Corporation nominated five Members to the Board of Governors of the City of London Academies Trust. Payments totalling £654,000 were made to the Trust relating to grants and funding for the creation of the multi academy trust;
- the City Corporation nominated four Members to the Board of Governors of the City of London Academy Hackney. Grants totalling £182,000 were paid to the Academy;

- the City Corporation nominated three Members to the Board of Governors of the City of London Academy Islington. Grants totalling £185,000 were paid to the Academy;
- the City Corporation nominated three Members to the Guild Church Council of St. Lawrence Jewry and three other Members declared places on the Council. The church received a grant of £83,000 from the City Corporation;
- the City Corporation nominated three Members to the City of London Reserve Forces and Cadets Association which was paid a grant of £42,000;
- a Member was a shareholder and managing director of a company leasing market premises for which £85,000 was received in rent and service charges;
- another Member was also a director of a company leasing market premises for which £298,000 was received in rent and service charges;
- two Members declared interests in PWC LLP which was paid £57,000 for consultancy services;
- The City Corporation nominated six Members to the Gresham College Council which received grants of £383,000 from City's Cash and paid £13,000 to City's Cash for hire of facilities;
- six Members and one Chief Officer were directors of the 'Lord Mayor's Show Ltd' which purchased services from City's Cash at a cost of £27,000;
- five Members were 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;
- ten Members were Governors of King Edwards School Witley which was paid £416,000 for six full fee bursaries and funding to match money raised from other donors;
- two Members were on the Board of the Housing and Finance Institute for which City's Cash provided £40,000 as a founding member;
- four Members were Trustees of Crossrail Art Foundation which received £485,000 from City's Cash as match funding of the Crossrail Arts Strategy;
- two Members were on the Court of the City University which was paid £14,000 from City's Cash for validation, programme and staff development services;
- a Member was a Trustee of Thames Festival Trust which received £27,000 to support the Rivers of the World project;
- fifteen Members were part of the governance structure for the Irish Society which received £41,000 in grant funding;
- a Member declared that his accountants were RSM UK Group LLP who were paid £183,000 from City's Cash for auditing and consultancy services;

- a Member declared that the City's Cash auditors, Moore Stephens, also audit the livery company of which he is a Court member. Moore Stephens received £92,000 for the audit of City's Cash;
- the wife of a Member paid £49,000 to purchase a lease extension for a residential property;
- five Members and one Chief Officer were Trustees of City Arts Trust Ltd which paid £21,000 to City's Cash for premises costs and event fees;
- a Member sat on the New Entrepreneurs Foundation Council which received £20,000 sponsorship from City's Cash;
- four City Corporation Members were members of the City and Guilds of London Institute which paid £142,000 to City's Cash for office accommodation;
- a Chief Officer was Chairman of the London Parks and Green Spaces Forum (Parks London) which received £10,000 from City's Cash;
- a Member declared that he had an investment portfolio managed by Ruffer LLP which also managed an investment portfolio for City's Cash. Management fees paid to Ruffer were £385,000;
- a Member was Director of TheCityUK which received grants totalling £600,000 and paid £28,000 to City's Cash for premises costs;
- six Members were appointed as Governors of the Museum of London. City's Cash paid £305,000 to the Museum for the funding a number of initiatives and received £398,000 from the Museum for the provision of services.
- A Member was a Managing Director of Bank of New York Mellon which was custodian of City's Cash non-property investments. The bank was paid £15,000 from City's Cash for such services.
- Mr. S. LePrevost 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 £52,038; 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 £2,147 is payable as at 31 March 2016.

21. Subsequent events

There are risks to City's Cash from the vote to leave the EU. In particular, the future levels of demand for office accommodation in the City and surrounding areas and the consequential impacts on rent incomes. A close watching brief will be kept on this and other implications as events unfold during the coming months with financial forecasts being refreshed if and when the picture becomes clearer.

22. Approval of the financial statements

The City's Cash Accounts were authorised for issue by the Chamberlain on 21 November 2017. Events after the balance sheet date and up to 21 November 2017 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
OCTOBER 2017**



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

Draft Audit Management Report on the 2016-17 Financial Statements Audit

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1 Purpose of the report

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

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

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

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

We take this opportunity to remind you that:

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

The report has been discussed and agreed with the Chamberlain.

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

2 Audit conclusion

In our opinion the financial statements of the following bodies give a true and fair view and comply with FRS 102.

City's Cash	
Bridge House Estates	
City's Cash Trusts	Ashtead Common
	Burnham Beeches & Stoke Common
	Epping Forest
	Hampstead Heath
	Highgate Wood & Queens Park Kilburn
	West Ham Park
	West Wickham Common and Spring Park Coulsdon & Other Commons
Sundry and Other Trusts	Ada Lewis Winter Distress Fund
	Charities Administered in Connection with (ICW) The City of London Freeman's School
	City Educational Trust Fund
	City of London Almshouses
	City of London Corporation Combined Education Charity
	City of London Corporation Relief of Poverty Charity
	City of London Freeman's School Bursary Fund
	City of London School Bursary Fund
	City of London School Education Trust
	City of London School Girls Bursary Fund
	Corporation of London Charities Pool
	Emmanuel Hospital
	Guildhall Library Centenary Fund
	Hampstead Heath Trust
	Keats' House
	King George's Field
	Samuel Wilson's Loan Trust
	Signore Pasquale Favale Bequest
	Sir Thomas Gresham Charity
	Sir William Coxen Trust Fund
	Vickers Dunfee Memorial Benevolent Fund

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

Our audit opinions are based on your approval of the financial statements and signing of the Letters of Representation, a draft of which has been included as an appendix to this report. Within the letters, you have confirmed that there are no subsequent events, other than those noted, that 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 - FRS 102. 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 Trustees

The Trustees are responsible for preparing the Trustees' Report and the financial statements of Bridge House Estates, City's Cash Trusts and the Sundry and Other Trusts in accordance with applicable law and regulations. The Charities Act 2011 requires the Trustees to prepare financial statements for each financial year. Under that law the Trustees have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards – FRS 102. The Trustees must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the charities and of its incoming resources and application of resources, including its income and expenditure, for that period. In preparing these financial statements, the Trustees are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charities will continue in business.

The Trustees are responsible for keeping adequate accounting records that are sufficient to show and explain the charities transactions and disclose with reasonable accuracy at any time the financial position of the charities and enable them to ensure that the financial statements comply with the Charities Act 2011. They are also responsible for safeguarding the assets of the charities and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Responsibilities of the Auditor

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

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

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

Fee

The fee for the 2016-17 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 is payable by City's Cash for the 2016-17 audit year for associated audit services at 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.

There was a delay in the preparation of the annual report and financial statements for City's Cash, which resulted in the start of the audit being delayed by two weeks and consequential changes to the reporting and completion process. Other than this, we have not encountered significant delays and difficulties during the 2016-17 audit.

We have provided no non-audit services during 2016-17.

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. This methodology has been followed for our assessment of materiality for all entities bar City's Cash. For City's Cash, as in 2015-16, there is a significant difference in value between income at £153.0m and net assets at £2,520.0m. We therefore assessed materiality based on net assets, which was set at £29.2m. 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 £3.1m for income and expenditure transactions. Full details of all entities' key financials, including materiality are in Appendix 3 to this report.

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 Financial Reporting Council's Ethical Standard with regard to our 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 February 2017 the following audit risk areas were identified as significant matters and therefore considered in detail during our audit fieldwork.

Audit risk areas	Audit findings
<p>Revenue recognition (All funds and entities)</p> <p>Under International Standard on Auditing (UK and Ireland) 240, there is a presumed, albeit rebuttable, significant risk of fraud in revenue recognition. We consider this risk cannot be rebutted for income in all organisations.</p>	<p>We have documented, evaluated and tested the controls which ensure income is completely and accurately recorded across all entities and funds. No significant weaknesses in controls have been identified. We have substantively tested material income streams across all entities and funds and performed procedures to ensure income is complete.</p> <p>Investment property income procedures on City’s Cash and Bridge House Estates included confirming the amounts received on a sample of properties to rent agreements as well as performing analytical procedures to gain assurance on the completeness of income.</p> <p>Non-property 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 (City’s Cash and Bridge House Estates) and the unrealised gain on investments by comparing yields obtained by the funds to fund manager reports, custodian reports and benchmarks.</p> <p>Conclusion: Satisfactory assurance has been gained in respect of the presumed risk of fraud in revenue recognition.</p>
<p>Management override (All funds and entities)</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 have performed journals testing for all entities. We carried out focused testing on journals on City’s Cash and Bridge House Estates, reviewing journal entries which had a higher susceptibility to management override – journals posted at weekends and by those who do not normally post journals for example. No significant issues were identified in our testing.</p> <p>For all entities, we considered the estimation techniques and any significant/unusual transactions. We reviewed significant estimates and judgements made in the financial statements for evidence of bias. No significant issues were noted in our testing.</p> <p>Investment property valuations for City’s Cash and Bridge House Estates comprise a significant judgement in the financial statements. The value of property held by City’s Cash and Bridge House Estates as at 31 March 2017 was £1,724m and £702m respectively. This represents an increase in value of 8% and 15% respectively.</p> <p>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</p>

Audit risk areas	Audit findings
	<p>indication of management bias in the valuations applied. No significant issues were noted in our testing.</p> <p>Conclusion: Satisfactory assurance has been gained in respect of the presumed risk of management override.</p>
<p>Hampstead Heath Ponds (City's Cash Trusts and City's Cash)</p> <p>During the 2014-15 financial year, a Judicial Review found in favour of the City of London Corporation and as a consequence work has begun at Hampstead Heath Ponds and has been completed in 2016-17.</p> <p>An asset under construction valued at £8.7m was recorded in the 2015-16 financial statements. The total expected value of the work is £14.7m.</p>	<p>We have reviewed supporting documentation surrounding the Hampstead Heath ponds project and verified the amounts capitalised. A total of £12.9m was transferred in year from infrastructure WIP to infrastructure, as well as a total of £6.8m being recognised as additions in year to land and buildings and infrastructure.</p> <p>We have also reviewed the accounting treatment and disclosures made in the financial statements, and deem these to be reasonable.</p> <p>Conclusion: Satisfactory assurance has been gained in respect of the risk identified.</p>
<p>Investment Property Transactions (Bridge House Estates and City's Cash)</p> <p>The Corporation holds a significant portfolio of investment properties. These investments bring about associated risks including that of disclosure, accounting and revaluation. Given the high values associated with investment property transactions, they carry a higher risk of material misstatement.</p>	<p>The value of property held by City's Cash and Bridge House Estates as at 31 March 2017 was £1,724m and £702m respectively. This represents an increase in value of 8% and 15% respectively.</p> <p>We have agreed property valuations to internal and external valuations performed as at 31 March 2017. 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 and benchmark increase.</p> <p>We have discussed and agreed accounting treatments for property transactions during the year.</p> <p>Conclusion: Satisfactory assurance has been gained in respect of the risk identified with regard to investment property transactions.</p>

Other risk factors

As noted in our Audit Planning Report submitted to the Audit and Risk Management Committee in February 2017 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>Crossrail contribution (City’s Cash)</p> <p>The 2015-16 City’s Cash accounts recognised a commitment in the financial statements, with expected payment in the 2018-19 and 2019-20 financial years.</p>	<p>We have discussed with officers and reviewed supporting documentation to assess and agree the financial accounting treatment and disclosure made in the financial statements.</p> <p>We have also reviewed and considered the disclosures made in the financial statements to ensure that they are materially correct, remain appropriate and are in line with FRS 102.</p> <p>Conclusion:</p> <p>Satisfactory assurance has been gained in respect of the risk factor identified.</p>
<p>Non-Property Investment Transitions (Bridge House Estates and City’s Cash)</p> <p>We understand that the City of London Corporation has made a further fund manager change during the 2016-17 year. The City of London Corporation’s Financial Investment Board is responsible for the appointment of fund managers.</p>	<p>We have reviewed supporting documentation from the transfer of funds between fund managers during the year for City’s Cash. We are content 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.</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 2017-18;
- reviewing minutes of relevant City of London Corporation sub-committees held since 31 March 2017;
- enquiring of senior management and the organisation’s solicitors concerning litigation, claims and assessments; and
- performing sample testing of post reporting date transactions.

There are risks to City’s Cash and Bridge House Estates from the vote to leave the EU in June 2016. In particular, the future levels of demand for office accommodation in the City and surrounding areas and the consequential impacts on rent incomes. A close watching brief will be kept on this and other implications as events unfold with financial forecasts being refreshed if and when the picture becomes clearer.

We understand that there are ongoing discussions regarding the future operation of Emanuel Hospital, in relation to how the charity could better meet its objectives. We are aware that subject to the Charity Commission’s agreement, it is intended that

the trusteeship of Emanuel Hospital will be transferred to another charity, achieved by a Charity Commission scheme. Therefore in effect, the City of London will be 'substituted' by this charity as the Trustee. The charity, Emanuel Hospital, will therefore still exist, under its' current registration number, so will continue to operate as a going concern. This change however had not been finalised at the time of writing this report.

Conclusion

Our work has not highlighted any concerns or issues affecting City's Cash, Bridge House Estates, City's Cash Trusts and Sundry and Other Trusts ability to continue as a going concern.

5 Significant audit and accounting matters

Audit adjustments

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

As a result of our audit and management review, adjustments were made to the draft financial statements presented for audit. A summary of the effect of the audit adjustments is shown below. A schedule of the actual adjustments can be found in appendix 1. Where the entity or fund is not noted below or in appendix 1, no adjustments were made.

	Statement of Financial Activities		Balance Sheet	
	DR £	CR £	DR £	CR £
Sundry & Other Trusts				
Hampstead Heath Trust			17,261	17,261
City of London School for Girls Bursary Fund			10,597	10,597
City's Cash Trusts				
Ashtead Common		4,226	4,226	
West Ham Park			10,453	10,453

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

Unadjusted items

We are obliged to bring to your attention the errors found during the audit that have not been corrected as not material, unless they are 'clearly trivial', which we have identified as below 1% of assessed materiality, subject to a de-minimis reporting level of £1,000. The items that we are aware of above this amount are set out below.

A summary of the net effect of the unadjusted items is shown below. A schedule of the unadjusted items can be found in appendix 2. Where the entity or fund is not noted below or in appendix 2, no adjustments were made.

	Statement of Financial Activities		Balance Sheet	
	DR £	CR £	DR £	CR £
City's Cash Trusts				
Highgate Wood	12,232			12,232

It was agreed with the Group Accountant that these amounts were not considered material and did not require to be incorporated into the financial statements. We request that the Audit and Risk Management Committee confirm this decision.

Qualitative aspects of accounting practices and financial reporting

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

Qualitative aspect considered	Audit conclusion
The appropriateness of the accounting policies used.	We have reviewed the significant accounting policies, which are disclosed in the financial statements, and we consider these to be appropriate.
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.	<p>We are satisfied with the appropriateness of accounting estimates and judgements used in the preparation of the financial statements.</p> <p>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.</p> <p>We also reviewed the assumptions underpinning the valuation of pension liabilities, which we considered to be appropriate.</p>
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.
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 and trustees' reports or material inconsistencies within the financial statements.	Our review of the annual reports and Trustees' reports identified no misstatement or material inconsistency with the financial statements.
Any significant financial statement disclosures to bring to your attention.	There are no significant financial statement disclosures that we consider should be brought to your attention. All disclosures made are required by relevant legislation and applicable accounting standards.
Disagreement over any accounting treatment or financial statement disclosure.	There was no disagreement during the course of the audit over any accounting treatment or disclosure.
Difficulties encountered in the audit.	There was a delay in the preparation of the annual report and financial statements for City's Cash, which resulted in the start of the audit being delayed by two weeks and consequential changes to the reporting and completion process. Otherwise, we did not encounter any difficulties during the audits.

Management representations

We have requested that a signed representation letter, covering a number of issues, be presented to us at the date of signing the financial statements. Copies of these letters for City's Cash, Bridge House Estates, the City's Cash Trusts, and the Sundry and Other Trusts are included in Appendix 4 to this report.

Fraud and irregularity

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

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

Legality

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

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

6 Accounting systems and internal controls

During the course of our audit of the financial statements, we examined the principal internal controls which 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.

1 – Active Directory Domain Administrator accounts not adequately set and controlled

(Priority 2)

Observation	<p>The Administrator rights are the most powerful in the system allowing for potentially uncontrolled actions and access to data and functions within the network. Good practice recommends those rights to be assigned to a limited number of employees only. We found that "Enterprise Administrator" and/or "Domain Administrator" right to CoLC network have been granted to more than 70 accounts.</p> <p>We further noted that:</p> <ul style="list-style-type: none"> • 34 are Service accounts with Domain Administrator rights which are in use by systems / applications; we could not confirm that all they are still in use and need to run with such rights. • The default built in 'Administrator' account has not been renamed, as recommended by Microsoft.
Risk	<p>Excessive number of administrator accounts increases the attack surface available for an attacker and thus increases the risk of an attacker successfully gaining administrator privileges. Non-timely terminated privileged accounts increases the risk of unauthorised system activities.</p>
Recommendation	<p>We recommend that the Corporation, in cooperation with Agilisys Management, implement a strict policy on granting of Domain Administrator rights in Active Directory.</p> <p>Suggested measures include:</p> <ul style="list-style-type: none"> • Domain Administrator should be restricted to a limited number of employees; Other IT personnel should be granted with less powerful rights (e.g. server administrator or delegated rights). • Service accounts should be granted minimum rights to run the intended service; unused/obsolete service accounts should be disabled or deleted. <p>We further recommend that the default 'Administrator' account is renamed.</p>
Management response	<p>A new policy for the provision and management of privileged (Service and Domain Administrator) accounts has been developed as part of the IT Transformation Programme. This policy will go live with immediate effect for full implementation by 30 November 2017.</p>

	<p>A process has been developed, which reviews all Privileged accounts (including Domain and Service accounts) every six months, in line with best practice.</p> <p>A review of existing privileged accounts is in progress and is due to finish at the end of July 2017.</p> <p>Any privileged accounts no longer required will be removed.</p> <p>Following this review, a project to rename outstanding 'Administrator' accounts will be undertaken in conjunction with the new environment delivered through Transformation.</p>
Responsible Officer	Matt Gosden
Implementation date	With immediate effect for full implementation by 30 November 2017.
2 – Non-compliance with password policy (Priority 2)	
Observation	<p>Active Directory (AD) is a network service that authenticates and authorises all users and computers in a Windows network by assigning and enforcing user rights and security policies. We confirm that the AD password policy has been deployed to all users. However, we identified that there were a number of user accounts where passwords are not enforced by the system to be changed periodically ('Password Never Expire' is set to 'True' or 'Password Not Required' is set to 'True').</p> <p>We also noted that there is a significant number of network user accounts that seem not to have been used for an extended period of time, but are not disabled or deleted.</p>
Risk	<p>Lack of strong password controls over user accounts, increases the risk of unauthorised access to the system and its resources.</p> <p>Lack of review of network user accounts could result in failure to terminate unused accounts in a timely manner, thus impacting corporate security.</p>
Recommendation	<p>We recommend that CoLC ICT management in cooperation with Agilysis ensure that all user accounts are set up with the approved password policy.</p> <p>In addition, we recommend that a periodic review (e.g. at least annual) is performed to ensure that accounts (including such used to run services, mailboxes, etc.) which are no longer required are disabled or removed from the system.</p>
Management response	<p>The password policy has been agreed and will be fully implemented as part of the transformation project. This will include regular reports and reviewing of the accounts at least monthly. This will ensure that the password policy will be enforced with all user accounts.</p> <p>The data cleansing exercise during IT Transformation will ensure that only live and valid user accounts will exist in the new environment. A new Starters, Movers and Leavers policy and process will enforce this good practice.</p>
Responsible Officer	Matt Gosden
Implementation date	With immediate effect for full implementation by 31 December 2017.
3 – Database security updates are not applied to Paris Microsoft SQL server (Priority 2)	
Observation	We noted that the process of applying security updates to the Microsoft and Linux/Oracle infrastructure has not included the Microsoft SQL Server 2008 database for the Paris system.
Risk	The lack of patch management process for all Microsoft databases could result in a system that is not secure against known vulnerabilities.
Recommendation	We recommend that management in cooperation with Agilysis, extends the patching cycle to include Paris Microsoft SQL database.
Management response	Patch Management in CoL has been improved following a review in May 2017 and now includes all database servers, underpinning key services, such as Paris, CBIS and iTrent.
Responsible Officer	Matt Gosden
Implementation date	With immediate effect for full implementation by 31 October 2017.

4 – DRP for the financial systems not recently tested

(Priority 2)

Observation	We understand that disaster recovery (DR) tests for CBIS, iTrent and Paris systems have not been conducted since 2013. During that period the systems have undergone significant changes, including: outsourcing of the infrastructure and systems management to a third party provider (Agilisys), migration to another data centre and system hardware, replacement of server operating systems, database upgrades, changes to system functionalities.
Risk	Lack of regular testing for disaster recovery increases the risk that systems may not be restored in required timescales which could impact on the ability of the Corporation to return to an operational state.
Recommendation	We recommend management conducts disaster recovery testing for the critical business systems at least annually or after any major changes to the system or underlined infrastructure.
Management response	A project is being commissioned to define a DR testing plan and schedule, focusing on critical business services including CBIS, iTrent and Paris. The requirements and parameters for DR testing is dependent on the work currently being undertaken by the Business Continuity Manager which also involves the Business Continuity Sub Group (this a group of colleagues representing all departments across CoL)
Responsible Officer	Matt Gosden
Implementation date	December 2017

5 – Lack of Review of ISAE 3402 Reports

(Priority 2)

Observation	Based on discussions held with members of the Corporate Treasury team during the audit, we identified that the Corporate Treasury team do not obtain and review ISAE 3402 reports for each fund manager and respective custodian. We were informed that the fund managers have a legal obligation to make the Corporation aware of any control issues. The Corporation have monthly or quarterly correspondence with all fund managers which helps to mitigate any risks, however the Corporate Treasury team should be reviewing ISAE 3402 reports as a further level of assurance.
Risk	There is a risk that there may be control issues with the fund managers and their respective custodians, which are not communicated to the Corporate Treasury team. This could have a potential impact on the recoverability of investments.
Recommendation	The Corporate Treasury team should request direct receipt of all ISAE 3402 reports directly from fund managers and their respective custodians. These should be reviewed to ensure there are no identified control issues.
Management response	We will request annual ISAE3402 reports for each investment mandate to monitor the auditor's opinion on the overall control environment.
Responsible Officer	Corporate Treasurer/ Group Accountant
Implementation date	With immediate effect for full implementation by 31 March 2018

6 – Annual Declarations

(Priority 2)

Observation	All members are required to provide an annual declaration of interest. During our review of related parties, we noted 6 instances out of 146 where staff had not returned their conflict of interest declarations to the Finance Manager.
Risk	The Corporation may not be aware of potential conflicts of interest of members. There is also a risk of undisclosed related parties and related party transactions in the Annual Report and Accounts.

Recommendation	The annual process for completing conflicts of interests checks should be improved, so that all returns are received in a timely manner. Where returns have not been received, these should be followed up promptly, to ensure that all disclosures in the notes to the accounts are complete.
Management response	The City of London Corporation is committed to seeking all annual declarations of interest. However, whilst every effort is made to secure all annual declarations, this is sometimes more difficult during election year's such as 2016/17 due to some Members not being re-elected and leaving the City of London Corporation. However, in addition to the annual process, the City of London Corporation has also adopted a Standing Order which requires Members to disclose their interests when they arise during the year and these can be viewed online at www.cityoflondon.gov.uk .
Responsible Officer	Philip Gregory
Implementation date	With immediate effect

7 Follow up of prior year recommendations

We raised no priority 1 recommendations during our audit of City's Cash, Bridge House Estates, City's Cash Trusts and the Sundry and Other Trusts.

We did raise a number of lower priority recommendations directly with management, which we have reproduced below with an update on progress.

Point Arising	Update as at 31 March 2017
Bridge House Estates	
<p>Accounts Review (Priority 2)</p> <p>Lack of full peer review of BHE accounts prior to audit which may result in inconsistent quality, leading to the requirement for additional audit time. We recommended bringing forward the full peer review process to before the first draft is provided for audit.</p>	<p>The 2016/17 BHE accounts had been subject to peer review before presentation for audit. As a consequence there were fewer review points raised on the first draft accounts.</p> <p>(Status: Closed)</p>
<p>Inconsistent Tenancy Management Records (Priority 2)</p> <p>Audit testing identified that there is not always a clear audit trail in existence to demonstrate rent increases applied to investment properties. While rent increases have been agreed and there is documentary evidence available, it is not filed with the original rental agreement as would be expected, creating a risk that incorrect rent may be charged on investment properties. We recommended that a regular sample check review is performed for investment properties to ensure that the rental amount recognised on CBIS has been agreed by both parties and that there is appropriate and consistent supporting evidence on file encompassing information from across the Corporation.</p>	<p>Based on our sample testing of investment property income for the 2016/17 audit, we have been able to conclude that sufficient supporting documentation exists for the rental increases applied. Documentary evidence for rental increases was readily available along with the original rental agreement for each of our samples, indicating improvements in the filing system across the Corporation compared to previous years.</p> <p>(Status: Closed)</p>
Sundry and Other Trusts	
<p>Knowledge transfer (Priority 2)</p> <p>We raised a recommendation following the 2014-15 audit of the City of London Almshouses Trust (CoLAT), that the Corporation should ensure knowledge transfer takes place before staff turnover. The 2015-16 accounts for CoLAT were prepared by a different member of staff to 2014-15 and there was little evidence of a knowledge transfer having taken place. We recommended that appropriate knowledge transfer processes were put in place.</p>	<p>The Accountant responsible for preparation of the CoLAT accounts changed again in 2016-17. Our audit of the accounts indicated that there had been an effective knowledge transfer process put in place which ensured that accounts were prepared in accordance with applicable reporting requirements.</p> <p>(Status: Closed)</p>
All entities and funds	
<p>Corporate Treasury Scheme of Delegation (Priority 2)</p> <p>During the 2015-16 year, over £60m of non-property investments were divested and re-invested. While the decision for the transition of the non-property investments had been appropriately approved by the Investment Committee, we noted that the actual authorisation for the divestment (three transactions of £20m) as allowed in the scheme of delegation, came from two individuals in the same team, thus opening the Corporation to the potential for a fraudulent transaction. We recommended that the scheme of delegation for significant and material non-property transactions was amended.</p>	<p>A new policy was implemented in Autumn 2017 so that authorisation for such transactions will come from a member of the Corporate Treasury team and the Deputy Chamberlain. There have been no transactions of this size post implementation during 2016-17 to verify the new policy is being followed.</p> <p>(Status: Closed)</p>

Authorisation of Journal Entries (Priority 2)

City of London Corporation policy is that journal entries over £100,000 are authorised retrospectively. Given the volume of journals that are processed under this value, the value seems high to have no checks performed at all. We recommended that the Corporation review the policy in place regarding journal authorisation and consider either lowering the limit, or introducing a random sample check of journals posted of a lower amount across all funds and entities.

Our review of journals during 2016-17 identified that there have been no changes in the authorisation process for journals. The Corporation consider that only journals over £100k require retrospective approval.

(Status: Closed)

Appendix 2 – Unadjusted misstatements

As summarised in Section 5, the following unadjusted items were identified during our audit work. It was agreed with the Group Accountant that these amounts were not considered material and thus they have not been incorporated into the financial statements.

	Statement of Comprehensive Income / Statement of Financial Activity		Balance Sheet	
	Dr £	Cr £	Dr £	Cr £
City's Cash Trusts				
Highgate Wood				
Income	12,232			
Prepayments				12,232
<i>Being the correction for misstatement of income</i>				
	12,232	-	-	12,232

Appendix 3 – List of entities key financials

The list of entities on which we have reported on, and which are covered by this document are included in the table below. We have included in the table income (including net gains on investments), surplus/deficit and net assets along with the materiality level we have used during the audit. Materiality was assessed based on either the income or net assets of the entity.

Activities	Income £'000	Surplus/ (Deficit) £'000	Net Assets £'000	Materiality £'000
City's Cash	386,900	225,600	2,520,000	29,200 3,100 (I&E)
Bridge House Estates	193,600	157,700	1,341,200	4,000
City's Cash Trusts				
Ashtead Common				
Preservation of the common at Ashtead	519	-	-	10
Burnham Beeches				
Preservation of the Open Space known as Burnham Beeches	887	(18)	767	18
Epping Forest				
Preservation of Epping Forest in perpetuity	6,200	(207)	7,713	128
Hampstead Heath				
Preservation of Hampstead Heath for the recreation and enjoyment of the public	14,957	10,237	52,376	660
Highgate Wood & Queens Park Kilburn				
Preservation of the Open Space know as Highgate Wood & Queens Park Kilburn	1,401	1	382	28
West Ham Park				
To maintain and preserve the Open Space known as West Ham Park	1,473	15	51	29
West Wickham Common and Spring Park Coulsdon & Other Commons				
Preservation of West Wickham Common and Spring Park Coulsdon & Other Commons	1,288	57	164	25
Sundry Trusts				
Ada Lewis Winter Distress Fund				
Assistance and relief for the poor and distressed during winter months	8	27	279	6
Charities Administered ICW the City of London				
Freemen's School				
Promotion of education through prizes	12	23	200	4
City Educational Trust Fund				
Advancement of education through grants	132	342	3,774	78
City of London Almshouses				
Almshouses for poor or aged people	364	181	1,640	65

Activities	Income £'000	Surplus/ (Deficit) £'000	Net Assets £'000	Materiality £'000
Sundry Trusts Continued				
City of London Corporation Combined Education Charity				
Advancing education by the provision of grants and financial assistance	39	86	1,124	23
City of London Corporation Relief of Poverty Charity				
Relief of poverty for widows, widowers or children of a Freeman of the City of London	4	16	157	3
City of London Freeman's School Bursary Fund				
Promotion of education through bursaries	47	124	915	18
City of London School Bursary Fund				
Promotion of education through bursaries, scholarships and prizes	119	416	3,871	78
City of London School Education Trust				
Advancing education	304	-	6	6
City of London School for Girls Bursary Fund				
Promotion of education through bursaries, scholarships and prizes	776	757	4,220	74
Corporation of London Charities Pool				
Investments pool for Sundry Trusts	1,022	1,164	22,867	458
Emmanuel Hospital				
Payment of pensions and financial assistance to poor persons	84	282	5,549	51
Guildhall Library Centenary Fund				
Provision of education and training in library, archives, museum, and gallery services	1	3	26	1
Hampstead Heath Trust				
To meet a proportion of the maintenance cost of Hampstead Heath	1,327	3,470	650	660
Keats House				
Maintenance of Keats House	462	37	226	7
King George's Field				
Open space for sports, games and recreation	44	-	-	1
Samuel Wilson's Loan Trust				
Granting of low interest loans to young people who have or are about to set up in business	77	289	2,415	48
Signore Pasquale Favale Bequest				
Granting of assistance to eligible persons in the form of marriage portions	5	2	15	1

Activities	Income £'000	Surplus/ (Deficit) £'000	Net Assets £'000	Materiality £'000
Sundry Trusts Continued				
Sir Thomas Gresham Charity	95	(1)	149	2
To provide a programme of public lectures				
Sir William Coxen Trust Fund				
Granting of assistance to eligible charitable trusts in the form of donations	132	125	2,627	57
Vickers Dunfee Memorial Benevolent Fund				
Financial assistance to distressed past and present members of the CoL Special Constabulary and their dependents	6	24	225	5

Appendix 4 – Management representation letters for City’s Cash, Bridge House Estates and the Charities

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 2017 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 (FRS 102).

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 2017, 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 (FRS 102) 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 (FRS 102).
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. We are of the opinion that the methodology applied to the valuation of investment properties and the assumptions used are appropriate and therefore the value of investment properties is not materially misstated.
17. We are of the opinion that the costs involved in the reconstruction or analysis of past accounting records of heritage assets or in valuation are onerous compared with the additional benefit derived by users of the accounts in assessing the trustees' stewardship of the assets.
18. 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.
19. We have recorded or disclosed, as appropriate, all liabilities, both actual and contingent, and all guarantees that we have given to third parties.
20. We confirm that the methodology used and the assumptions underlying the valuation of the Local Government Pension Scheme are reasonable. We also confirm that the methodology applied and the bases used for the allocation of costs and liabilities to City's Cash are reasonable.
21. All events subsequent to the date of the financial statements and for which UK Generally Accepted Accounting Practice (FRS 102) 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.
22. 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.
23. 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.
24. 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 (FRS 102).
25. 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.
26. 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.
27. We confirm the financial statements are free of material misstatements, including omissions. We note that there are no uncorrected misstatements identified during the audit.
28. Except as disclosed in the notes to the City's Cash accounts, as at 31 March 2017 there were no significant capital or other commitments contracted for by City's Cash.

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)

Dear Sirs

CITY OF LONDON – BRIDGE HOUSE ESTATES

This representation letter is provided in connection with your audit of the financial statements of Bridge House Estates (BHE) for the year ended 31 March 2017 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 (FRS 102) and the Charities Statement of Recommended Practice FRS 102.

By a resolution of the Finance Committee, passed today, I am directed to confirm to you, in respect of the financial statements of the charity for the period ended 31 March 2017, the following:-

1. We have fulfilled our responsibilities under the Charities Act 2011 for preparing financial statements which give a true and fair view in accordance with UK Generally Accepted Accounting Practice (FRS 102) and the Charities Statement of Recommended Practice FRS 102 and for making accurate representations to you.
2. We have provided you with:
 - access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
 - additional information that you have requested from us for the purpose of the audit; and
 - unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
3. All transactions have been recorded in the accounting records and are reflected in the financial statements.
4. We acknowledge as trustee our responsibilities for the design and implementation of internal control in order to prevent and detect fraud and to prevent and detect error.
5. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
6. We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the entity and involves:
 - management
 - employees who have significant roles in internal control
 - others where the fraud could have a material effect on the financial statements.
7. We are not aware of any allegations of fraud or suspected fraud with a potential effect on the financial statements which have been communicated to us by employees, former employees, regulators or other third parties.
8. We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing the financial statements.
9. In our opinion, the significant assumptions that have been used in determining fair values, whether such values are disclosed or applied in the financial statements, are reasonable and reflect our ability and intent to carry out specific courses of action, where this is relevant to the determination of those values.
10. In our opinion the significant assumptions used by us in making accounting estimates are reasonable.
11. We have disclosed to you the identity of the charity's related parties and all related party relationships and transactions of which we are aware.
12. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of UK Generally Accepted Accounting Practice (FRS 102) and the Charities Statement of Recommended Practice FRS 102.
13. In particular, no trustee, shadow trustee, their connected persons or other officers had any indebtedness, agreement concerning indebtedness or disclosable interest in a transaction with the charity at any time during the year, other than as indicated in the financial statements or, in the case of items not required to be disclosed, in the attached schedule.
14. The following have been properly recorded and, when appropriate, adequately disclosed in the financial statements:
 - losses arising from sale and purchase commitments;

- agreements and options to buy back assets previously sold;
 - assets pledged as collateral.
15. We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.
 16. We have no plans to abandon activities or other plans or intentions that will result in any excess or obsolete stocks, and no stock is stated at an amount in excess of net realisable value.
 17. We are of the opinion that the methodology applied to the valuation of investment properties and the assumptions used are appropriate and therefore the value of investment properties is not materially misstated.
 18. We are of the opinion that the costs involved in the reconstruction or analysis of past accounting records of heritage assets (bridges) or in valuation are onerous compared with the additional benefit derived by users of the accounts in assessing the trustees' stewardship of the assets.
 19. The charity has satisfactory title to all assets and there are no liens or encumbrances on the charity's assets, other than as disclosed in the financial statements.
 20. We confirm that the methodology used and the assumptions underlying the valuation of the Local Government Pension Scheme are reasonable. We also confirm that the methodology applied and the bases used for the allocation of costs and liabilities to BHE are reasonable.
 21. We have recorded or disclosed, as appropriate, all liabilities, both actual and contingent, and all guarantees that we have given to third parties.
 22. All events subsequent to the date of the financial statements and for which UK Generally Accepted Accounting Practice (FRS 102) and the Charities Statement of Recommended Practice FRS 102 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.
 23. The charity has complied with all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance.
 24. Except as disclosed in the financial statements, the results for the year were not materially affected by:
 - any change in accounting policies;
 - transactions of a type not usually undertaken by the charity;
 - circumstances of an exceptional or non-recurrent nature; or
 - charges or credits relating to prior periods.
 25. 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 (FRS 102) and the Charities Statement of Recommended Practice FRS 102.
 26. We have reviewed going concern considerations and are satisfied that it is appropriate for the financial statements to have been drawn up on the going concern basis. In reaching this opinion we have taken into account all relevant matters of which we are aware and have considered a future period of at least one year from the date on which the financial statements are to be approved.

We have also considered the adequacy of the disclosures in the financial statements relating to going concern and are satisfied that sufficient disclosure has been made in order to give a true and fair view.
 27. We confirm the financial statements are free of material misstatements, including omissions. We note that there are no uncorrected misstatements identified during the audit.
 28. All grants, donations and other incoming resources, the receipt of which is subject to specific terms and conditions, have been notified to you. There have been no breaches of terms or conditions in the application of such incoming resources.
 29. All grants paid and any subsequent grant clawbacks have been undertaken in line with the conditions of the grant agreements and have been appropriately reported in the accounts.
 30. We confirm that we are not aware of any breaches of charity regulations and that we have advised you of the existence of all endowments and funds maintained by us.

31. All income has been recorded, all restricted funds have been properly applied and all constructive obligations have been recognised.
32. All correspondence with regulators has been made available to you, including any serious incidents reports.
33. Except as disclosed in the notes to the BHE accounts, as at 31 March 2017 there were no significant capital or other commitments contracted for by BHE.

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

Yours faithfully

.....
The Chamberlain of London
Signed on behalf of the Trustee

On (date)

Dear Sirs

CITY'S CASH TRUSTS – OPEN SPACES

This representation letter is provided in connection with your audit of the financial statements of the City's Cash Trusts (Open Spaces) for the period ended 31 March 2017 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 (FRS 102) and the Charities Statement of Recommended Practice FRS 102.

By a resolution of the Finance Committee, passed today, I am directed to confirm to you, in respect of the financial statements of the trusts for the period ended 31 March 2017, the following:-

1. We have fulfilled our responsibilities under the Charities Act 2011 for preparing financial statements which give a true and fair view in accordance with UK Generally Accepted Accounting Practice (FRS 102) and the Charities Statement of Recommended Practice FRS 102 and for making accurate representations to you.
2. We have provided you with:
 - access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
 - additional information that you have requested from us for the purpose of the audit; and
 - unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
3. All transactions have been recorded in the accounting records and are reflected in the financial statements.
4. We acknowledge as trustee our responsibilities for the design and implementation of internal control in order to prevent and detect fraud and to prevent and detect error.
5. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
6. We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the entity and involves:
 - management
 - employees who have significant roles in internal control
 - others where the fraud could have a material effect on the financial statements.
7. We are not aware of any allegations of fraud or suspected fraud with a potential effect on the financial statements which have been communicated to us by employees, former employees, regulators or other third parties.
8. We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing the financial statements.
9. In our opinion, the significant assumptions that have been used in determining fair values, whether such values are disclosed or applied in the financial statements, are reasonable and reflect our ability and intent to carry out specific courses of action, where this is relevant to the determination of those values.
10. In our opinion the significant assumptions used by us in making accounting estimates are reasonable.
11. We have disclosed to you the identity of the Trusts related parties and all related party relationships and transactions of which we are aware.
12. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of UK Generally Accepted Accounting Practice (FRS 102) and the Charities Statement of Recommended Practice FRS 102.
13. In particular, no trustee, shadow trustee, their connected persons or other officers had any indebtedness, agreement concerning indebtedness or disclosable interest in a transaction with the Trusts at any time during the year.
14. We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements, other than as disclosed in the financial statements.

15. The Trusts have satisfactory title to all assets and there are no liens or encumbrances on the Trusts' assets, other than as disclosed in the financial statements.
16. We have recorded or disclosed, as appropriate, all liabilities, both actual and contingent, and all guarantees that we have given to third parties.
17. All events subsequent to the date of the financial statements and for which UK Generally Accepted Accounting Practice (FRS 102) and the Charities Statement of Recommended Practice FRS 102 require adjustment or disclosure have been adjusted or disclosed. Should any material events occur which may necessitate revision of the figures included in the financial statements or inclusion in the notes thereto, we will advise you accordingly.
18. The Trusts have complied with all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance.
19. Except as disclosed in the financial statements, the results for the year were not materially affected by:
 - any change in accounting policies;
 - transactions of a type not usually undertaken by the Trusts;
 - circumstances of an exceptional or non-recurrent nature; or
 - charges or credits relating to prior periods.
20. We have disclosed to you all known actual or possible litigation or claims whose effects should be considered when preparing the financial statements and that they have been accounted for and disclosed in accordance with UK Generally Accepted Accounting Practice (FRS 102) and the Charities Statement of Recommended Practice FRS 102.
21. We have reviewed going concern considerations and are satisfied that it is appropriate for the financial statements to have been drawn up on the going concern basis. In reaching this opinion we have taken into account all relevant matters of which we are aware and have considered a future period of at least one year from the date on which the financial statements are to be approved.

We have also considered the adequacy of the disclosures in the financial statements relating to going concern and are satisfied that sufficient disclosure has been made in order to give a true and fair view.
22. We confirm the financial statements are free of material misstatements, including omissions. We believe that those uncorrected misstatements identified during the audit are immaterial both individually and in aggregate to the financial statements as a whole. A list of these items is attached to this letter of representation, together with our reasons for not correcting them.
23. All grants, donations and other incoming resources, the receipt of which is subject to specific terms and conditions, have been notified to you. There have been no breaches of terms or conditions in the application of such incoming resources.
24. We confirm that we are not aware of any breaches of charity regulations and that we have advised you of the existence of all endowments and funds maintained by us.
25. All income has been recorded, all restricted funds have been properly applied and all constructive obligations have been recognised.
26. All correspondence with regulators has been made available to you, including any serious incidents reports.
27. Except as disclosed in the notes to the City's Cash Trusts accounts, as at 31 March 2017 there were no significant capital or other commitments contracted for by City's Cash Trusts.
28. We are of the opinion that the costs involved in the reconstruction or analysis of past accounting records of heritage assets (open spaces) or in valuation are onerous compared with the additional benefit derived by users of the accounts in assessing the trustees' stewardship of the assets.

We confirm that the above representations are made on the basis of enquiries of management and staff with relevant knowledge and experience sufficient to satisfy ourselves that we can properly make each of the above representations to you.

Yours faithfully

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

Dear Sirs

CITY OF LONDON – SUNDRY AND OTHER TRUSTS

This representation letter is provided in connection with your audit of the financial statements of The City of London Corporation Sundry Trusts and Other accounts for the period ended 31 March 2017 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 (FRS 102) and the Charities Statement of Recommended Practice FRS 102.

By a resolution of the Finance Committee, passed today, I am directed to confirm to you, in respect of the financial statements of the charities for the period ended 31 March 2017, the following:-

1. We have fulfilled our responsibilities under the Charities Act 2011 for preparing financial statements which give a true and fair view in accordance with UK Generally Accepted Accounting Practice (FRS 102) and the Charities Statement of Recommended Practice FRS 102 and for making accurate representations to you.
2. We have provided you with:
 - access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
 - additional information that you have requested from us for the purpose of the audit; and
 - unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
3. All transactions have been recorded in the accounting records and are reflected in the financial statements.
4. We acknowledge as trustee our responsibilities for the design and implementation of internal control in order to prevent and detect fraud and to prevent and detect error.
5. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
6. We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the entity and involves:
 - management
 - employees who have significant roles in internal control
 - others where the fraud could have a material effect on the financial statements.
7. We are not aware of any allegations of fraud or suspected fraud with a potential effect on the financial statements which have been communicated to us by employees, former employees, regulators or other third parties.
8. We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing the financial statements.
9. In our opinion, the significant assumptions that have been used in determining fair values, whether such values are disclosed or applied in the financial statements, are reasonable and reflect our ability and intent to carry out specific courses of action, where this is relevant to the determination of those values.
10. In our opinion the significant assumptions used by us in making accounting estimates are reasonable.
11. We have disclosed to you the identity of the charities related parties and all related party relationships and transactions of which we are aware.
12. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of UK Generally Accepted Accounting Practice (FRS 102) and the Charities Statement of Recommended Practice FRS 102.
13. In particular, no trustee, shadow trustee, their connected persons or other officers had any indebtedness, agreement concerning indebtedness or disclosable interest in a transaction with the charities at any time during the year.
14. We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.

15. The Trusts have satisfactory title to all assets and there are no liens or encumbrances on the Trusts' assets, other than as disclosed in the financial statements.
16. We have recorded or disclosed, as appropriate, all liabilities, both actual and contingent, and all guarantees that we have given to third parties.
17. All events subsequent to the date of the financial statements and for which UK Generally Accepted Accounting Practice (FRS 102) and the Charities Statement of Recommended Practice FRS 102 require adjustment or disclosure have been adjusted or disclosed. Should any material events occur which may necessitate revision of the figures included in the financial statements or inclusion in the notes thereto, we will advise you accordingly.
18. The Trusts have complied with all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance.
19. Except as disclosed in the financial statements, the results for the year were not materially affected by:
 - any change in accounting policies;
 - transactions of a type not usually undertaken by the charities;
 - circumstances of an exceptional or non-recurrent nature; or
 - charges or credits relating to prior periods.
20. We have disclosed to you all known actual or possible litigation or claims whose effects should be considered when preparing the financial statements and that they have been accounted for and disclosed in accordance with UK Generally Accepted Accounting Practice (FRS 102) and the Charities Statement of Recommended Practice FRS 102.
21. We have reviewed going concern considerations and are satisfied that it is appropriate for the financial statements to have been drawn up on the going concern basis. In reaching this opinion we have taken into account all relevant matters of which we are aware and have considered a future period of at least one year from the date on which the financial statements are to be approved.

We have also considered the adequacy of the disclosures in the financial statements relating to going concern and are satisfied that sufficient disclosure has been made in order to give a true and fair view.
22. We confirm the financial statements are free of material misstatements, including omissions. We note that there are no uncorrected misstatements identified during the audit.
23. All grants, donations and other incoming resources, the receipt of which is subject to specific terms and conditions, have been notified to you. There have been no breaches of terms or conditions in the application of such incoming resources.
24. We confirm that we are not aware of any breaches of our charity regulations and that we have advised you of the existence of all endowments and funds maintained by us.
25. All income has been recorded, all restricted funds have been properly applied and all constructive obligations have been recognised.
26. All correspondence with regulators has been made available to you, including any serious incidents reports.
27. Except as disclosed in the notes to the Sundry and Other Trusts accounts, as at 31 March 2017 there were no significant capital or other commitments contracted for by Sundry and Other Trusts.

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

Yours faithfully

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

Committees:	Dates:	Item no.
Audit and Risk Management Committee	10 October 2017	
Finance Committee	21 November 2017	
Subject: City's Cash Trust Funds and Sundry Trust Funds Annual Reports and Financial Statements 2016/17		Public
Report of: The Chamberlain		For Decision
Report Author: Philip Gregory, Deputy Financial Services Director		
<p><u>Summary</u></p> <p>This report seeks approval for:</p> <ul style="list-style-type: none"> • the Annual Reports and Financial Statements for the City's Cash Trust Funds (not City's Cash itself which will be covered under a separate report) for the year ended 31 March 2016, these are listed at Annex 1 and have been placed in the Members' Reading Room; and • the Annual Reports and Financial Statements for the Sundry Trust Funds for the year ended 31 March 2016, these are listed at Annex 2 and have also been placed in the Members' Reading Room. <p>Moore Stephens LLP is intending to issue an unqualified audit opinion and their report, including recommendations, is attached at Annex 3. No accounting changes have been identified from the audit.</p> <p>The financial statements of City's Cash Trust Funds and the Sundry Trusts for the year ended 31 March 2017 have been prepared in accordance with the Charities Statement of Recommended Practice (SORP) in accordance with the Financial Reporting Standard 102 (FRS 102).</p> <p>The City's Cash Trust Funds held total funds of £61.6m as at 31 March 2017, an increase of £10.1m (19.6%) from a year earlier (<i>paragraphs 5 to 8</i>).</p> <p>The Sundry Trust Funds held total funds of £56.6m as at 31 March 2017, an increase of £6.2m (12.3%) from a year earlier (<i>paragraph 9</i>).</p>		

Recommendations

The Audit and Risk Management Committee is requested to:

- consider the contents of Moore Stephens LLP Management Letter; and
- recommend approval of the Annual Reports and Financial Statements for City's Cash Trust Funds and the Sundry Trust Funds for the year ended 31 March 2017 to the Finance Committee.

The Finance Committee is requested to:

- consider the contents of Moore Stephens LLP Management Letter;
- approve the Annual Reports and Financial Statements for City's Cash Trust Funds and the Sundry Trust Funds taking account of any observations from the Audit and Risk Management Committee; and
- agree that the Annual Reports and Financial Statements are signed by the Chairman and Deputy Chairman of the Finance Committee on behalf of the Court of Common Council.

Main Report

Introduction

1. The 2016/17 Annual Report and Financial Statements for City's Cash Trust Funds (not City's Cash itself which will be covered under a separate report) and the Sundry Trust Funds have been placed in the Members' Reading Room and are listed at Annexes 1 and 2 respectively.
2. The external auditor, Moore Stephens LLP intends to give an unqualified opinion on the Annual Reports and Financial Statements of City's Cash Trust Funds and the Sundry Trust Funds and has issued the Audit Management Report set out in Annex 3. 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 report from Moore Stephens LLP includes recommendations in sections 6 and 7, with section 6 containing recommendations made in 2016/17 and section 7 showing the recommendations made in the prior year 2015/16. All prior year recommendations have been actioned and closed. The new year recommendations (section 6) apply to all entities and the City's management response is noted.
4. The Audit Review Panel of the Chamberlain's and Bridgemasters' Accounts met on 22 September 2017 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.

City's Cash Trust Funds

5. The City's Cash Trust Funds comprise seven open space charitable funds and the Sir Thomas Gresham Trust Fund as listed in Annex 1.
6. These Trusts ended the year with net incoming resources of £6.6m (2015/16: net incoming resources of £8.3m) which comprised the following:
 - Incoming resources of £26.8m:
 - funding from the City of London totalling £21.2m (2015/16: £24.4m) and;
 - income of £5.6m (2015/16: £4.9m) from investments and charitable and voluntary sources;
 - Resources expended of £20.2m:
 - charitable expenditure of £20.0m (2015/16: £20.8m) on the running of the open spaces and Gresham Almshouses; and
 - support services costs of £0.2m (2015/16: £0.2m).
7. Managed investments, held mainly by Hampstead Heath, benefitted from an unrealised net gain in market value of £3.5m (2015/16: net loss of £1.8m).
8. At 31 March 2017, City's Cash Trust Funds held total reserves of £61.6m (2015/16: £51.5m) an increase of £10.1m (19.6%) compared to a year earlier.

Sundry Trust Funds

9. The Sundry Trust Funds comprise the separate charitable funds listed at Annex 2. Excluding the Charities Pool (which is an investment vehicle for the other charities), the remaining 19 Trusts:
 - received income of £3.9m (2015/16: £3.5m) of which £2.2m was from investments (2015/16: £2.1m);
 - had unrealised gains of £5.7m from managed investments (2015/16: £3.0m losses);
 - incurred charitable expenditure of £3.3m (2015/16: £3.1m) including:
 - £1.2m towards the running costs of Hampstead Heath (2015/16: £1.1m);
 - £1.4m (2015/16: £1.2m) comprising 526 grants and 44 bursaries paid to individuals or organisations (2015/16: 608 grants and 69 bursaries);
 - £0.4m towards the running costs of Keats House (2015/16: £0.5m); and
 - £0.3m towards the running costs of the City of London Almshouses (2015/16: £0.3m);

- incurred governance and administration costs of £0.2m mainly due to fund manager costs (2015/16: £0.2m); and
- held total funds of £56.6m as at 31 March 2017 (2015/16: £50.4m), an increase of £6.2m (12.3%) from a year earlier.

Approval of the Financial Statements

10. The Chairman and Deputy Chairman of the Finance Committee will be requested to approve and sign the financial statements on behalf of the Court of Common Council.

Annexes

Annex 1 – List of City’s Cash Trust Funds

Annex 2 – List of Sundry Trusts

Contacts

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CITY'S CASH TRUST FUNDS

Open Spaces

Ashted Common

Burnham Beeches

Epping Forest

Hampstead Heath

Highgate Wood and Queen's Park Kilburn

West Ham Park

West Wickham Common and Spring Park Wood, Coulsdon and Other Common

Sir Thomas Gresham Charity

SUNDRY TRUSTS AND OTHER ACCOUNTS

Banking and Investments

Corporation of London Charities Pool

Open Spaces

Hampstead Heath Trust

King George's Field

Books and Libraries

Guildhall Library Centenary Fund

Education

City Educational Trust Fund

The City of London Corporation Combined Relief of Poverty Charity

City of London School Education Trust

Charities Administered ICW The City of London Freemen's School

City of London School Bursary Fund

City of London School for Girls Bursary Fund

City of London Freemen's School Bursary Fund

The City of London Corporation Combined Education Charity

Other Trusts and Funds

Emanuel Hospital*

Sir William Coxen Trust Fund*

Signore Pasquale Favale Bequest

Wilson's Loan Trust*

Vickers Dunfee Memorial Benevolent Fund *

City of London Almshouses

The Ada Lewis Winter Distress Fund

Keats House

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