



## Finance Committee

**Date:** TUESDAY, 21 NOVEMBER 2017

**Time:** 1.45 pm

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

**Members:**

Jeremy Mayhew (Chairman)	Gregory Lawrence
Deputy Jamie Ingham Clark (Deputy Chairman)	Tim Levene
Randall Anderson	Oliver Lodge
Alderman Nick Anstee	Paul Martinelli
Nicholas Bensted-Smith	Deputy Robert Merrett
Chris Boden	Hugh Morris
Mark Bostock	Deputy Henry Pollard
Deputy Roger Chadwick	William Pimlott
Dominic Christian	Alderman Matthew Richardson
Karina Dostalova	Alderman William Russell
Simon Duckworth	James de Sausmarez
Alderman Peter Estlin	Ian Seaton
Sophie Anne Fernandes	Sir Michael Snyder
Sheriff & Alderman Timothy Hailes	Deputy James Thomson
Caroline Haines	Deputy Philip Woodhouse
Christopher Hayward	Sir Mark Boleat (Ex-Officio Member)
Deputy Tom Hoffman	Deputy Catherine McGuinness (Ex-Officio Member)
Michael Hudson	Andrew McMurtrie (Ex-Officio Member)
Deputy Wendy Hyde	Deputy Alastair Moss (Ex-Officio Member)
Deputy Clare James	

**Enquiries:** John Cater  
Tel no.: 020 7332 1407  
[john.cater@cityoflondon.gov.uk](mailto:john.cater@cityoflondon.gov.uk)

Lunch will be served for Members in Guildhall Club at 1pm  
NB: Part of this meeting could be the subject of audio 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 12 September 2017.  
**For Decision**  
(Pages 1 - 8)
4. **OUTSTANDING ACTIONS FROM PREVIOUS MEETINGS**  
Report of the Town Clerk.  
**For Information**  
(Pages 9 - 10)
5. **REPORT OF THE WORK OF THE SUB-COMMITTEES**  
Report of the Town Clerk.  
**For Information**  
(Pages 11 - 12)
6. **DRAFT PUBLIC MINUTES OF SUB-COMMITTEES**  
To note the draft minutes of the following Sub-Committee meetings:  
**For Information**
  - a) Draft public minutes of the Information Technology Sub-Committee held on 18 September 2017 (Pages 13 - 18)
  - b) Draft public minutes of the Efficiency and Performance Sub-Committee held on 26 September 2017 (Pages 19 - 22)
  - c) Draft public minutes of the Corporate Asset Sub-Committee held on 5 October 2017 (Pages 23 - 26)
7. **CITY'S CASH FINANCIAL STATEMENTS - 2016/17**  
Report of the Chamberlain.  
**For Decision**  
(Pages 27 - 130)
8. **BUSINESS PLAN HALF YEAR UPDATE**  
Report of the Chamberlain.  
**For Information**  
(Pages 131 - 138)
9. **HALF-YEARLY BUDGET MONITORING REPORT**  
Report of the Chamberlain.  
**For Information**  
(Pages 139 - 146)

10. **RISK MANAGEMENT - QUARTERLY UPDATE**  
Report of the Chamberlain.  

**For Information**  
(Pages 147 - 156)
11. **FINANCIAL SERVICES DIVISION - QUARTERLY UPDATE**  
Report of the Chamberlain.  

**For Information**  
(Pages 157 - 160)
12. **FINANCE COMMITTEE CONTINGENCIES**  
Report of the Chamberlain.  

**For Information**  
(Pages 161 - 168)
13. **TENDER FOR EXTERNAL AUDITOR**  
Report of the Chamberlain.  

**For Information**  
(Pages 169 - 172)
14. **DISCRETIONARY COUNCIL TAX DISCOUNTS AND EXEMPTIONS**  
Report of the Chamberlain.  

**For Decision**  
(Pages 173 - 178)
15. **ANNUAL ON-STREET PARKING ACCOUNTS 2016-17 AND RELATED FUNDING OF HIGHWAY IMPROVEMENTS AND SCHEMES**  
Report of the Chamberlain.  

**For Information**  
(Pages 179 - 184)
16. **DECISIONS TAKEN UNDER DELEGATED AUTHORITY AND URGENCY PROCEDURES**  
Report of the Town Clerk.  

**For Information**  
(Pages 185 - 186)
17. **QUESTIONS ON MATTERS RELATING TO THE WORK OF THE COMMITTEE**
18. **ANY OTHER BUSINESS THAT THE CHAIRMAN CONSIDERS URGENT**
19. **EXCLUSION OF THE PUBLIC**  
**MOTION** - That under Section 100(A) of the Local Government Act 1972, the public be excluded from the meeting for the following items on the grounds that they involve the likely disclosure of exempt information as defined in Part I of Schedule 12A of the Local Government Act.  

**For Decision**

## Part 2 - Non-Public Agenda

20. **NON-PUBLIC MINUTES OF THE PREVIOUS MEETING**  
To agree the non-public minutes of the meeting held on 12 September 2017.  
**For Decision**  
(Pages 187 - 192)
21. **OUTSTANDING ACTIONS FROM NON-PUBLIC MINUTES OF PREVIOUS MEETINGS**  
Report of the Town Clerk.  
**For Information**  
(Pages 193 - 194)
22. **REPORT OF THE WORK OF THE SUB-COMMITTEES - NON-PUBLIC ISSUES**  
Report of the Town Clerk.  
**For Information**  
(Pages 195 - 198)
23. **DRAFT NON-PUBLIC MINUTES OF SUB-COMMITTEES**  
To note the draft non-public minutes of the following Sub-Committee meetings:  
**For Information**
- a) Draft non-public minutes of the Information Technology Sub-Committee held on 18 September 2017 (Pages 199 - 202)
  - b) Draft non-public minutes of the Efficiency and Performance Sub-Committee held on 26 September 2017 (Pages 203 - 206)
  - c) Draft non-public minutes of the Corporate Asset Sub-Committee held on 5 October 2017 (Pages 207 - 216)
24. **PROCUREMENT WAIVERS APPROVED SINCE THE LAST MEETING**  
Report of the Chamberlain.  
**For Information**  
(Pages 217 - 220)
25. **IT NETWORK TRANSFORMATION PROGRAMME - LOCAL AREA NETWORK REFRESH - GATEWAY 5**  
Report of the Chamberlain.  
**For Decision**  
(Pages 221 - 226)
26. **ENERGY BUYING SERVICES**  
Report of the Chamberlain.  
**For Information**  
(Pages 227 - 230)
27. **GUILDHALL COMPLEX - UPDATE FINANCE REPORT**  
Report of the City Surveyor.  
**For Information**  
(Pages 231 - 236)

28. **WRITE-OFF - EAGLE CARGO SERVICES LTD**  
Report of the Chamberlain.  
**For Decision**  
(Pages 237 - 240)
29. **SALE OF 193 FLEET STREET, EC4**  
Report of the City Surveyor.  
**For Decision**  
(Pages 241 - 262)
30. **CIPFA - REQUEST FOR A LOAN**  
Report of the Chamberlain.  
*To Follow*  
**For Decision**
31. **CENTRAL LONDON WORK HEALTH PROGRAMME: PROCUREMENT STAGE 3  
TENDER REPORT**  
Report of the Chamberlain.  
**For Decision**  
(Pages 263 - 274)
32. **ANNUAL ALLOWANCE - VOLUNTARY SCHEME PAYS OPTION**  
Report of the Chamberlain.  
**For Decision**  
(Pages 275 - 280)
33. **ST LAWRENCE JEWRY CHURCH - REPORT**  
Report of the City Surveyor.  
**For Information**  
(Pages 281 - 302)
34. **NON-PUBLIC DECISIONS TAKEN UNDER DELEGATED AUTHORITY AND  
URGENCY PROCEDURES**  
Report of the Town Clerk.  
**For Information**  
(Pages 303 - 310)
35. **NON-PUBLIC QUESTIONS ON MATTERS RELATING TO THE WORK OF THE  
COMMITTEE**
36. **ANY OTHER BUSINESS THAT THE CHAIRMAN CONSIDERS URGENT AND  
WHICH THE COMMITTEE AGREE SHOULD BE CONSIDERED WHILST THE  
PUBLIC ARE EXCLUDED**

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## FINANCE COMMITTEE

Tuesday, 12 September 2017

Minutes of the meeting of the Finance Committee held at Committee Room - 2nd Floor West Wing, Guildhall on Tuesday, 12 September 2017 at 1.45 pm

### Present

#### Members:

Jeremy Mayhew (Chairman)	Deputy Wendy Hyde
Deputy Jamie Ingham Clark (Deputy Chairman)	Gregory Lawrence
Randall Anderson	Oliver Lodge
Alderman Nick Anstee	Paul Martinelli
Deputy Roger Chadwick	Deputy Robert Merrett
Karina Dostalova	Deputy Henry Pollard
Sheriff & Alderman Peter Estlin	Alderman Matthew Richardson
Caroline Haines	James de Sausmarez
Deputy Tom Hoffman	Ian Seaton
Michael Hudson	Deputy James Thomson

### In Attendance

#### Officers:

Peter Lisley	-	Assistant Town Clerk
Peter Kane	-	Chamberlain
Caroline Al-Beyerty	-	Chamberlain's Department
Christopher Bell	-	Chamberlain's Department
Carla-Maria Heath	-	Chamberlain's Department
Natalie Evans	-	Chamberlain's Department
Richard Jeffrey	-	Comptroller and City Solicitor's Department
Paul Wilkinson	-	City Surveyor
Peter Young	-	City Surveyors
Paul Double	-	City Remembrancer
Commander David Clark	-	City of London Police

#### 1. APOLOGIES

Apologies for absence were received from Nick Bensted-Smith, Chris Boden, Mark Bostock, Alderman Timothy Hailes, Chris Hayward, Deputy Clare James, Tim Levene, William Pimlott, Ian Seaton, Deputy Philip Woodhouse, Sir Mark Boleat and Deputy Catherine McGuinness.

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

There were no declarations of interest.

3. **MINUTES OF THE PREVIOUS MEETING**

**RESOLVED** – that the public minutes and non-public summary of the meeting held on 25 July 2017 be approved.

4. **OUTSTANDING ACTIONS FROM PREVIOUS MEETINGS**

Members received a report of the Town Clerk which set out outstanding actions from previous meetings of the Committee. Members agreed that the following items could be removed as they had been actioned.

- Central London Forward CESI Programme
- 2016/17 City Fund and Pension Fund and Bridge House Estates Financial Statements

**RESOLVED** – that the report be noted.

5. **REPORT OF THE WORK OF THE SUB-COMMITTEES**

Members received a report of the Town Clerk, setting out the key discussions which had taken place during recent meetings of the Committee's Sub-Committees, as follows:

- Finance Grants Oversight and Performance Sub-Committee held on 25<sup>th</sup> July; and
- Information Technology Sub-Committee held on 14<sup>th</sup> July.

**RESOLVED** – that the report be noted.

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

Members received the draft public minutes and non-public summary of recent meetings of the Committee's Sub Committees.

**RESOLVED** - That:

1. The draft public minutes and non-public summary of the Finance Grants Sub-Committee meeting on 25<sup>th</sup> July be noted.
2. The draft public minutes and non-public summary of the Information Technology Sub-Committee meeting on 14<sup>th</sup> July be noted.

7. **CHAMBERLAIN'S DEPARTMENT RISK MANAGEMENT - MONTHLY REPORT**

Members received a report of the Chamberlain which provided updates regarding the top risks within the Departmental Risk Register

**RESOLVED** – that the report be noted.



8. **IT DIVISION - MEMBER UPDATE**

Members received a report of the Chamberlain which provided an update on the work of the IT Division and the key areas of progress since April 2017. Members noted a drafting error in that there was no 'Appendix B' to this report.

**RESOLVED** - that the report, with the above amendment, be noted.

9. **REVENUE OUTTURN 2016/17 - FINANCE COMMITTEE OPERATIONAL SERVICES**

Members received a report of the Chamberlain which compared the revenue outturn for the operational services overseen by the Committee in 2016/17 with the budget for the year.

In response to a question about carry forwards, the Chairman advised that he challenged these when appropriate. Members were reminded of the procedure for approving carry forwards and that Town Clerks should be asked for further information about both the limit on carry forwards and the criteria used.

**RESOLVED** - that the revenue outturn for 2016/17 and local risk budgets totalling £620,000 (to be carried forward to 2017/18) and a central risk carry forward of £819,000 (as set out in Appendix 2) be noted.

10. **CAPITAL AND SUPPLEMENTARY REVENUE PROJECTS - 2016/17 OUTTURN AND PRUDENTIAL INDICATORS**

Members received a report of the Chamberlain which provided details of the 2016/17 outturn for capital and supplementary revenue projects (SRPs) together with the Prudential Indicators for the City Fund.

**RESOLVED** - that the report be noted.

11. **CENTRAL CONTINGENCIES**

Members received a report of the Chamberlain which provided Members with information regarding the uncommitted balances of the 2017/18 Contingencies.

**RESOLVED** – that the report be noted.

12. **PILOT SCHEME FOR BUSINESS RATES DEVOLUTION IN LONDON**

Members considered a report of the Chamberlain and the Remembrancer in respect of a pilot scheme for business rates devolution in London. Members noted that London Councils was seeking an 'in principle' view from its constituent authorities and the report was also due to be considered by the Policy and Resources Committee on 21 September 2017.

During the debate and questions on this item, the following points were highlighted:

- Members asked for assurance that any proposals for a longer term commitment come back to them for decision, with an analysis of the benefits and risks;

- Would a 2 year pilot scheme be preferable? i.e. allowing an evaluation after 1 year;
- Members were reassured that no penalties would be incurred during the initial pilot, consistent with the 'no detriment' clause;
- Members noted that the pilot would only apply to growth in business rates and that there were no implications for the method of base allocation within the London region;
- The City of London Corporation stood to gain between £10-20m in 2018/19, should the pilot proceed.

In concluding, the Chairman asked for a note of the above debate to be included in the Finance Committee's Resolution to the Policy and Resources Committee.

**RESOLVED**, that – the Finance Committee endorse the following recommendation to the Policy and Resources Committee:

The Policy and Resources Committee authorise the Chairman (or her representative), at the next meeting of the London Councils Congress of Leaders, to:

1. express 'in principle' support for the rates retention pilot scheme set out in London Councils' Draft Prospectus, on condition that the final arrangements include sufficient protection for the position of the City Corporation, so that revenue attributable to the City Premium, the City Offset and the City's formula allocation are unaffected and remain under the City's control;
2. support a method of distribution of any financial dividend from the scheme which either gives relatively high weight to the retention, by the Local Authority, of revenue growth where it is generated, or gives equal weight to that factor alongside those of population, need, and collective investment.

13. **BUSINESS RATES REVALUATION SUPPORT - DISCRETIONARY RATE RELIEF SCHEME**

Members considered a report of the Chamberlain on a proposed scheme for the City of London Corporation's distribution of its share of the discretionary fund to City businesses.

Members suggested that a further increase to the amount up to which cases are delegated to the Chamberlain for decision should be considered, from the £10,000 proposed in the report, to £20,000.

**RESOLVED** - That:

1. Consultation take place on the proposed scheme;
2. Authority be delegated to the Chamberlain, as the Section 151 Officer, to approve the final scheme following the consultation.

**14. THE IMPACT OF THE RESPONSIBLE PROCUREMENT STRATEGY AFTER 12 MONTHS**

Members considered a report of the Chamberlain on the impact of the Responsible Procurement Strategy after 12 months.

**RESOLVED** – that the report be noted.

**15. SUPPLIER HEALTH & SAFETY APPRAISALS**

Members considered a report of the Chamberlain on the Supplier Health and Safety Appraisals. Members noted that this report was before the Committee as there would be cost implications for some suppliers; there was, however, a general agreement that, as this decision sought an incremental and not a fundamental change in policy, officers should consider an amendment to their Scheme of Delegation, to avoid the need for taking this and similar reports to Committees.

**RESOLVED** – that the Safety Schemes in Procurement Accreditation be approved as a requirement for suppliers delivering goods, works and service contracts that have health and safety implications.

**16. ACCOUNTING TREATMENT FOR CITY OF LONDON CORPORATION'S SOCIAL INVESTMENT FUND**

Members considered a report of the Chamberlain on the accounting treatment for the City of London Corporation's Social Investment Fund.

**RESOLVED** - That:

1. The designation of the net value of distributed income, alongside gains and losses on divestment/maturity and the returned underlying capital to the SI Fund, be approved.
2. The transfer of the cumulative impact of all distributed income to date, from inception of the fund from the BHE General Unrestricted Fund and designated against the SI Fund (being a £0.55m adjustment), be approved.
3. The reinvestment of any additional balances, that are designated to the SI Fund in line with its' previously agreed purposes, be approved.

**17. FINANCIAL SUPPORT WITH MAJOR WORKS FOR LEASEHOLDERS**

Members considered a report of the Director of Community and Children's Services on financial support with major works for leaseholders. Members noted that Option 21c had been approved by the Community and Children's Services Committee last week.

The Assistant Director (Community and Children's Services) explained how this type of interest-free scheme was very common and the proposal before Members was to change the upper and lower limits of the scheme.

Members noted that, although the rates for the mandatory schemes are prescribed by the Housing Act, the City of London Corporation has some flexibility over the rates for discretionary loans. Members noted that, whilst the option before them, at 21c in the report, would have a marginal impact on the HRA, the proposal also recognised the new demands on Leaseholders as part of the Five Year Major Works Programme and reflected a sensible balance between the City's competing duties and powers. Members also noted the merits on keeping the scheme as simple as possible to avoid unnecessary administration costs.

Members noted that the works to Great Arthur House would be finished at the end of the year and were sympathetic to the difficulties experienced by tenants during this project.

**RESOLVED** – That the maximum threshold for the discretionary scheme be increased to £72,500 with an interest-free period of three years.

**18. DECISIONS TAKEN UNDER DELEGATED AUTHORITY AND URGENCY PROCEDURES**

The Committee received a report of the Town Clerk which provided information of the action taken by the Town Clerk since the last meeting of the Committee, in consultation with the Chairman and Deputy Chairman, in accordance with Standing Orders 41(a) and 41(b). Members noted a decision in respect of granting of a donation in the sum of £25,000 to the British Red Cross' South Asia Floods appeal.

**RESOLVED** – that the report be noted.

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

There were no questions.

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

The following items of urgent business were raised –

- The Committee noted a further delegated decision in respect of a donation in the sum of £25,000 to the British Red Cross' Emergency Appeal in the aftermath of Hurricane Irma, to be drawn from the City Cash Contingency Fund for National & International Disasters. As this decision had been approved the previous day, the Chairman agreed that Members be notified at today's meeting of the Finance Committee.
- The Committee noted that October Finance Committee would be cancelled. The next meeting of the Committee would take place on 21<sup>st</sup> November.

**21. EXCLUSION OF THE PUBLIC**

**RESOLVED** - That under Section 100(A) of the Local Government Act 1972, the public be excluded from the meeting for the following items on the grounds

that they involve the likely disclosure of exempt information as defined in Part I of Schedule 12A of the Local Government Act.

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

The non-public minutes of the meeting held on 25<sup>th</sup> July were approved.

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

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

**24. REPORT OF THE WORK OF THE SUB-COMMITTEES - NON-PUBLIC ISSUES**

The Committee noted a report of the Town Clerk which advised Members of the key discussions which had taken place during non-public session at recent meetings of the Committee's Sub-Committees, as follows:

- Finance Grants Oversight and Performance Sub-Committee held on 25<sup>th</sup> July; and
- Information Technology Sub-Committee held on 14<sup>th</sup> July.

**RESOLVED** – that the report be noted.

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

The Committee noted the draft non-public minutes of the following Sub-Committee meetings:

- Finance Grants Oversight and Performance Sub-Committee held on 25<sup>th</sup> July; and
- Information Technology Sub-Committee held on 14<sup>th</sup> July.

**RESOLVED** – that the above draft minutes be noted.

**26. PURCHASE OF THE FREEHOLD OF 20 & 21 ALDERMANBURY (CITY'S ESTATE) - CHARTERED INSURANCE INSTITUTE**

The Committee considered and approved a report of the City Surveyor

**27. KEY MESSAGING FOR LONDON: 2017 AND BEYOND**

The Committee received a report of the Director of Communications.

**28. APPLICATION FOR DISCRETIONARY RATE RELIEF**

The Committee received a report of the Chamberlain.

**29. PROVISION FOR BAD DEBTS**

The Committee received a report of the Chamberlain.

30. **DEBTOR BALANCES AND WRITE OFF REPORT 2016-17: CITY OF LONDON POLICE**  
The Committee considered and approved a report of the Commissioner, City of London Police.
31. **FORMER TENANTS RENT ETC. ARREARS WRITE OFFS - CITY FUND AND CITY'S ESTATE**  
Members considered and approved a report from the Comptroller and City Solicitor and the City Surveyor.
32. **REPORT ON WAIVERS AT £50K AND OVER GRANTED SINCE THE LAST FINANCE COMMITTEE**  
The Committee noted a report of the Chamberlain.
33. **MINOR WORKS MEASURED TERM CONTRACTS - TENDER UPDATE**  
The Committee received a report of the Chamberlain.
34. **LOSS OF EUROPEAN SOCIAL FUND (ESF) FUNDING FOR CENTRAL LONDON FORWARD PROGRAMME, FINANCE CONTINGENCY FUND BID**  
The Committee considered a report of the Chamberlain.
35. **ADMITTED BODY STATUS FOR THE AWARDED SUPPLIER FOR THE LOCAL AREA NETWORK (LAN) SERVICES CONTRACT**  
The Committee considered a joint report of the Chamberlain and the Comptroller and City Solicitor.
36. **NON-PUBLIC DECISIONS TAKEN UNDER DELEGATED AUTHORITY AND URGENCY PROCEDURES**  
The Committee noted a report of the Town Clerk.
37. **NON-PUBLIC QUESTIONS ON MATTERS RELATING TO THE WORK OF THE COMMITTEE**  
There were no non-public questions relating to the work of the Committee.
38. **ANY OTHER BUSINESS THAT THE CHAIRMAN CONSIDERS URGENT AND WHICH THE COMMITTEE AGREE SHOULD BE CONSIDERED WHILST THE PUBLIC ARE EXCLUDED**  
The Committee considered an item of urgent business whilst the public were excluded.

**The meeting ended at 3.45 pm**

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Chairman

**Contact Officer: John Cater**  
**tel. no.: 020 7332 1426**  
**john.cater@cityoflondon.gov.uk**

## Finance Committee – Outstanding Actions

Item	Date	Item and Action	Officer responsible	To be completed/ progressed to next stage	Progress Update
1	6 June 2017, item 14	<p><u>Departments being charged for their use of the Comptroller’s Department’s services</u></p> <p>The Chairman asked for a report to the Committee during Autumn 2017, setting out proposals for an internal charging mechanism for legal services, for implementation in 2018/19, and potentially for other centrally provided services.</p>	Chamberlain and Comptroller and City Solicitor	Autumn 2017	Work is underway to explore possible internal charging mechanisms for central services, using legal services as the pilot area. Findings to be reported to November’s Finance Committee.
2	6 <sup>th</sup> June 2017, Item 11	<p><u>Agilisys’ Apprenticeship Roles</u></p> <p>The Chamberlain explained that around 50% of this target had been reached. The Committee agreed that a report on this matter should be submitted to the IT Sub-Committee.</p>	Chamberlain	IT Sub Committee next meets on 18 September 2017.	
3	2 May 2017, Item 16	<p><u>Central London Forward CESI Programme</u></p> <p>Members asked for further information regarding the risk in relation to the loss of ESF Funding for the Central London Forward CESI Programme.</p>	Chamberlain	September 2018	<p>Members welcomed the report as the outcome was a third of what might have been incurred.</p> <p><b>RESOLVED</b> - That Payment of £75k to Central London Forward from the Finance Committee Contingency Fund (City Fund) to mitigate the loss of ESF grant award be approved.</p>

Item	Date	Item and Action	Officer responsible	To be completed/ progressed to next stage	Progress Update
4	31 Jan 2017, Item 12	<u>Corporate Purchase Cards</u> A report to be provided in one year's time to provide an update on progress with reducing the number of rarely-used Purchase Cards and in reducing the use of purchase cards for expenses.	Chamberlain	January 2018	A report will be provided in January 2018.
5	12 September	<u>Pilot Scheme for Business Rates Devolution in London</u> The Chairman asked for a note of the above debate to be included in the Finance Committee's Resolution to the Policy and Resources Committee.	Town Clerk	P&R next meets 21 September	



<b>Committee:</b> Finance Committee	<b>Date:</b> 21 November 2017
<b>Subject:</b> Public Report of the work of the Sub-Committees	<b>Public</b>
<b>Report of:</b> Town Clerk	<b>For Information</b>
<b>Report author:</b> John Cater, Town Clerk's Department	

## Summary

On 19 July 2016, the Finance Committee agreed that, in addition to draft minutes of Sub-Committee meetings, short reports be provided to advise the Committee of the main issues considered by the Sub-Committees at recent meetings. This report sets out the main public issues considered by the following Sub Committees since 25 July 2017:

### **Information Technology Sub Committee Meeting – 18 September 2017**

Members received an update report of the Chamberlain regarding the performance of the IT division during Summer 2017 - The IT Director noted that the feedback was very good so far on roll out of Windows 10 and Office 16, with completion due in December 2017.

### **Efficiency & Performance Sub Committee Meeting – 26 September 2017**

Members considered an update report of The Town Clerk on the work being undertaken on Corporate and Departmental Business Planning.

Members noted that the Service Committees would later this year receive high level Business Plans which would be submitted alongside the Budget Estimate reports. The Town Clerk noted that this was the first step towards achieving full alignment of budgetary and service planning processes.

### **Corporate Asset Sub Committee Meeting – 5 October 2017**

Members received a report of The City Surveyor on CDP targets post March 2018 and energy procurement. The following points were made.

A member welcomed the report, but wanted to see a little more information about how the City Surveyor got to the proposed reduction targets, in response Officers will bring back a report with a final target for Members information and implementation plan focusing on Guildhall (alongside the Barbican, the most energy intensive CoL operational site) in the early part of the new year.

Officers reiterated that further reductions would become harder, as a lot of the fat has been trimmed, to achieve more the Department will have to be more radical. In terms of energy procurement, Members welcomed the approach to 'go out for an open tender'.

## **Recommendations**

The Committee is asked to note the report.

## **Main Report**

### **John Cater**

Senior Committee Services Officer, Town Clerk's Department

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## INFORMATION TECHNOLOGY SUB (FINANCE) COMMITTEE

Monday, 18 September 2017

Minutes of the meeting of the Information Technology Sub (Finance) Committee held at Guildhall, EC2 on Monday, 18 September 2017 at 10.00 am

### Present

#### Members:

Deputy Jamie Ingham Clark (Chairman)  
Hugh Morris (Deputy Chairman)  
Rehana Ameer  
Randall Anderson  
Deputy Keith Bottomley  
John Chapman  
Tim Levene  
Jeremy Mayhew  
Deputy Robert Merrett  
Sylvia Moys

#### Officers:

Peter Kane	-	Chamberlain
Kevin Mulcahy	-	Chamberlain's Department
Melissa Richardson	-	Town Clerk's Department
John Cater	-	Town Clerk's Department
Alistair MacLellan	-	Town Clerk's Department
Sean Green	-	Chamberlain's Department
Gary Brailsford-Hart	-	City of London Police

#### 1. APOLOGIES

Apologies were received from James Tumbridge.

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

There were no declarations.

#### 3. MINUTES

**RESOLVED:** That the public minutes of the meeting held on 14 July 2017, be approved as an accurate record.

#### 4. OUTSTANDING ACTIONS

Members received a joint report of the Town Clerk and The Chamberlain which provided updates of outstanding actions from previous meetings. The following points were made.

- The Chamberlain proposed that the November 2017 Member Survey should focus on gathering the views of new Members, this would serve as a valuable insight into how those who have just recently joined the City view the IT service;
- The Chamberlain and/or The Comptroller would update on the GDPR Implications Report at the November IT Sub Committee meeting;
- The Town Clerk informed members that the Committee would not be receiving a resolution from the Local Government/Police Pensions Board as this was in fact a report for information prepared by Pensions Officers to the Board.

**RESOLVED** – That the report be noted.

**5. WORK PROGRAMME**

Members received a joint report of the Town Clerk and Chamberlain regarding the indicative forward work plan for the period November 2017 to March 2018, and the following point was made.

- In response to a Member wanting to see how the IT roadmap was shaping up, the Chamberlain suggested that this would become more evident in "phase 2" at the beginning of 2018.

**RESOLVED** – That the report be noted.

**6. IT DIVISION - MEMBER UPDATE**

Members received an update report of the Chamberlain regarding the performance of the IT division during Summer 2017, and the following points were made.

- The IT Director noted that the feedback was very good so far on roll out of Windows 10 and Office 16, with completion due in December 2017.
- A Member expressed concern that "some resistance to change was being encountered which was slowing down the change process" in response to which the IT Director and Chamberlain agreed that training was key both for Members and Officers to ensure everyone was fully harnessing the advantages of the IT transformation programme.
- In response to queries from fellow Members the Chairman expressed his concern at the slow progress the City of London Police was making in implementing its IT framework – given that the strategy was agreed in February/March 2017, and that the transformation roadmap was still being prepared. Members were keen to ensure the process did not suffer any undue delays.

- In response to a query from a Member as to what happened to the 20% of the calls that were not resolved by the Service Desk, Members were reassured by the Chamberlain that a call would then be escalated to level 2, then level 3 - effectively all calls were dealt with.
- Members were keen to understand the reasons behind the patchy service of Outlook in recent weeks, in response the IT Director reassured Members that service was now back on track, the recent problems were due to a fault suffered by Virgin Media. Officers were exploring any case against Virgin.
- In response to a Member who expressed concern about the Wifi availability in the City, particularly during the Spring "Innovate Conference", the IT Director informed Members that given the open mediated Wifi Contract had been renewed that year, an update and specific improvement options were a little premature at this stage, however, he would bring an interim update in November.
- The IT Director reassured the Members that the decision by City of London Police to adopt Office 2013 was a purely tactical one, further upgrades could be introduced further down the line, however ,it was felt that in the interests of the City of London Police's interoperability with other Police Forces the older platform was more appropriate.

**7. IT DIVISION RISK UPDATE**

Members received an update report of the Chamberlain regarding the IT Division's Risks, and the following point was made.

- Whilst the Chairman welcomed the clarity in the report, for future versions he proposed giving a little more prominence to the red risks further up in the body of the report.

**RESOLVED**– that the report be noted.

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

There were no public questions.

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

After receiving a request from a Member, the Chairman confirmed that the IT Sub Committee on the 23rd November would be rescheduled to the 24th November. Town Clerks would circulate a memo to all members with the details including the new time slot.

**10. EXCLUSION OF THE PUBLIC**

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

Item No.	Paragraph(s) in Schedule 12A
11	3
12	3
13	7
14a	3
14b	3
15	7

**11. NON-PUBLIC MINUTES**

Members approved the non-public minutes of the meeting held on 14 July 2017 as an accurate record.

**12. NON-PUBLIC OUTSTANDING ACTIONS**

Members received a joint report of the Town Clerk and the Chamberlain which set out outstanding actions from previous non-public minutes of the Committee.

**RESOLVED** – That Members note the report.

**13. AGILISYS CONTRACT NEGOTIATIONS UPDATE**

Members received a report of the Chamberlain regarding the Agilisys Contract extension negotiations.

**RESOLVED-** that the report be noted.

**14. TRANSFORMATION**

**14.1 IT Transformation Programme - Update Report**

Members received a report from The Chamberlain on the IT Transformation Programme.

**RESOLVED-** that the report be noted.

**14.2 Member IT Service Provision**

Members received a report of The Chamberlain on the IT Member service provision.

**RESOLVED** – that the report be noted.

**15. CORPORATE RISK CR 16 - INFORMATION SECURITY AND PSN UPDATE**

Members received a report of The Chamberlain regarding Corporate Risk

**RESOLVED** – that the report be noted.

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

There were no non-public questions.

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

There was no other non-public business.

**The meeting ended at 11.15 am**

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Chairman

**Contact Officer: John Cater  
john.cater@cityoflondon.gov.uk**

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## EFFICIENCY AND PERFORMANCE SUB (FINANCE) COMMITTEE

Tuesday, 26 September 2017

Minutes of the meeting of the Efficiency and Performance Sub (Finance) Committee held at Guildhall, EC2 on Tuesday, 26 September 2017 at 11.30 am

### Present

#### Members:

Jeremy Mayhew (Chairman)  
Deputy Jamie Ingham Clark (Deputy Chairman)  
Randall Anderson  
Deputy Philip Woodhouse

James Thomson (in his capacity as Deputy Chairman of the Police Committee)

#### Officers:

John Cater	-	Town Clerk's Department
Sacha Than	-	Town Clerk's Department
Neil Davies	-	Town Clerk's Department
Richard Horner	-	Town Clerk's Department
Kate Smith	-	Town Clerk's Department
Peter Kane	-	Chamberlain
Caroline Al-Beyerty	-	Chamberlain's Department
Geoff Parnell	-	Chamberlain's Department
Sarah Wall	-	Chamberlain's Department
Ian Dyson	-	Commissioner of the City of London Police
Jane Gyford	-	T/Commander, City of London Police
Lynne Williams	-	Principal, Guildhall School of Music and Drama

**The Committee decided to consider items in the following order: 1, 2, 6, 14, 3, 4 and 7. Following this, the meeting became inquorate and it was decided that all remaining business not considered would be raised at the next scheduled meeting (15<sup>th</sup> November)**

#### 1. APOLOGIES

Apologies were received from Alderman Estlin, Alderman Richardson and Ian Seaton.

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

There were no declarations.

#### 3. MINUTES OF THE PREVIOUS MEETING

**RESOLVED** - That the public minutes of the meeting held on 17 May 2017 be agreed as an accurate record.

4. **OUTSTANDING ACTIONS FROM PREVIOUS MEETINGS**  
The Committee considered the outstanding actions from previous meetings and the Chairman asked that the list be updated.  
  
**RESOLVED** – That the outstanding actions be noted.
5. **WORK PROGRAMME FOR FUTURE MEETINGS**  
Due to the meeting becoming inquorate this item was not discussed and would be considered at the next scheduled Committee meeting on 15 November.  
  
**RESOLVED** – The Town Clerk would circulate the newly drafted Work Programme to Members for their information.
6. **GUILDHALL SCHOOL OPERATING MODEL REVIEW**  
Members received a joint update report of The Chamberlain and The Principal on the Guildhall School's implementation of the Operating Model Review.  
  
**RESOLVED** – That Members note the report.
7. **UPDATE ON CORPORATE AND DEPARTMENTAL BUSINESS PLANNING**  
Members considered an update report of The Town Clerk on the work being undertaken on Corporate and Departmental Business Planning.  
  
Members noted that the Service Committees would later this year receive high level Business Plans which would be submitted alongside the Budget Estimate reports. The Town Clerk noted that this was the first step towards achieving full alignment of budgetary and service planning processes.  
  
**RESOLVED** – That the Committee note the report.
8. **EFFICIENCY & SUSTAINABILITY PLAN UPDATE**  
Due to the meeting becoming inquorate this item was not discussed and would be considered at the next scheduled Committee meeting on 15 November.
9. **QUESTIONS ON MATTERS RELATING TO THE WORK OF THE SUB-COMMITTEE**  
There were no questions.
10. **ANY OTHER BUSINESS THAT THE CHAIRMAN CONSIDERS URGENT**  
There were no items of urgent business.
11. **EXCLUSION OF THE PUBLIC**  
**RESOLVED** - That under Section 100(A) of the Local Government Act 1972, the public be excluded from the meeting for the following items on the grounds that they involve the likely disclosure of exempt information as defined in Part I of Schedule 12A of the Local Government Act.

12. **NON-PUBLIC MINUTES OF THE PREVIOUS MEETING**  
Due to the meeting becoming inquorate, this item was not discussed and would be considered at the next scheduled Committee meeting on 15 November.
13. **OUTSTANDING ACTIONS FROM NON-PUBLIC MINUTES OF PREVIOUS MEETINGS**  
Due to the meeting becoming inquorate, this item was not discussed and would be considered at the next scheduled Committee meeting on 15 November.
14. **DEMAND AND VALUE FOR MONEY REVIEW - SHORT TERM RECOMMENDATIONS AND NEXT STEPS; INCLUDES INDICATIVE TIMELINE**  
Members noted a report of The Commissioner of Police on the Deloitte "Demand and Value for Money Review".
15. **SERVICE BASED REVIEW MONITORING**  
Due to the meeting becoming inquorate, this item was not discussed and would be considered at the next scheduled Committee meeting on 15 November.
16. **UPDATE ON STRATEGIC REVIEW OF FACILITIES MANAGEMENT**  
Due to the meeting becoming inquorate, this item was not discussed and would be considered at the next scheduled Committee meeting on 15 November.
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 was no other business.

**The meeting ended at 1.00 pm**

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Chairman

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## **CORPORATE ASSET SUB (FINANCE) COMMITTEE** **Thursday, 5 October 2017**

Minutes of the meeting of the Corporate Asset Sub (Finance) Committee held at Committee Rooms, 2nd Floor, West Wing, Guildhall on Thursday, 5 October 2017 at 10.00 am

### **Present**

#### **Members:**

Nicholas Bensted-Smith (Chairman)  
Dominic Christian (Deputy Chairman)  
Randall Anderson  
Mark Bostock  
John Chapman  
Henry Colthurst  
Karina Dostalova  
Michael Hudson  
Deputy Edward Lord  
Deputy Jamie Ingham Clark  
Jeremy Mayhew  
Deputy Philip Woodhouse

#### **Officers:**

Natasha Dogra	-	Town Clerk's Department
John Cater	-	Town Clerk's Department
John James	-	Chamberlain's Department
Caroline Al-Beyerty	-	Chamberlain's Department
Geoff Parnell	-	Chamberlain's Department
Paul Wilkinson	-	City Surveyor
Peter Young	-	City Surveyor's Department
Alison Hurley	-	City Surveyor's Department
Mansi Sehgal	-	City Surveyor's Department
Richard Jeffries	-	Comptroller and City Solicitor's Dept.
Jim Turner	-	Barbican Centre
Elizabeth Scott	-	Guildhall Art Gallery

#### **1. APOLOGIES**

Apologies were received from Alderman Alison Gowman, Deputy Alistair Moss, and Deputy John Tomlinson .

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

No declarations of interest were made.

### 3. **MINUTES**

**RESOLVED** – That the public minutes of the previous meeting held on 18<sup>th</sup> July are approved as an accurate record.

### 4. **WORK PROGRAMME FOR THE SUB COMMITTEE**

Members received a joint report of the Town Clerk and The City Surveyor on the work programme for the sub Committee. For future iterations the Chairman requested that the programme should be predominantly forward focused and only include coverage of one previous meeting for reference.

The Chairman also requested that the Town Clerk should coordinate an outstanding actions sheet, which would be updated between meetings and included in agenda packs for future meetings.

**RESOLVED** – that Members noted the Report

### 5. **ENERGY REPORTS OF THE CITY SURVEYOR**

#### 5a **Annual Energy and Performance Update Report**

Members received an update report of the City Surveyor on Annual Energy and Performance.

The report provided the results of the Q1 2017/18 energy consumption for CoL operational sites, an update on the annual trend to meet the energy reduction targets set out in the Corporation's Carbon Descent Plan 2015 (CDP-15), and an update on the energy projects for sub-metering, benchmarking and Temperature Policy.

**RESOLVED** - that Members note the Report

#### 5b **Future Energy Performance Targets**

Members received a report of The City Surveyor on CDP targets post March 2018 and energy procurement. The following points were made.

A member welcomed the report, but wanted to see a little more information about how the City Surveyor got to the proposed reduction targets, in response Officers will bring back a report with a final target for Members information and implementation plan focusing on Guildhall (alongside the Barbican, the most energy intensive CoL operational site) in the early part of the new year.

Officers reiterated that further reductions would become harder, as a lot of the fat has been trimmed, to achieve more the Department will have to be more radical.

In terms of energy procurement, Members welcomed the approach to 'go out for an open tender'.

**RESOLVED** - that Members:

- Noted the Report
- Supported the recommendations in the Report

6. **SUBSOIL LAND TRANSFER - BANK UNDERGROUND STATION - PROGRESS UPDATE**

Members received an update report of The City Surveyor on the subsoil land transfer at Bank Underground station.

A member noted that the work was due to take place close to the Mansion House and enquired as to whether Officers were preparing to measure sound, Officers responded that this hadn't been planned but that this would be explored with the Lord Mayor's team.

**RESOLVED** - that Members note the Report.

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

There were no questions.

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

There were no urgent items.

9. **EXCLUSION OF THE PUBLIC**

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

10. **NON-PUBLIC MINUTES OF PREVIOUS MEETINGS**

The non-public minutes of the previous meeting held on 18th July are approved as an accurate record.

11. **CITY SURVEYOR'S DEPARTMENTAL RISK REGISTER**

Members received a Report of the City Surveyor.

12. **CITY SURVEYOR'S BUSINESS PLAN 2017-18 QUARTER 1**

Members received an update report of The City Surveyor.

13. **ADDITIONAL WORKS PROGRAMME PROGRESS REPORT**

Members received a progress report of The City Surveyor.

14. **BARBICAN CENTRE CAPITAL CAP PROGRESS REPORT**

Members received an update report of the Director of Operations and Buildings.

15. **CYCLICAL WORK PROGRAMME (CWP) BID FOR 2018/19**

Members received a report of the City Surveyor.

16. **GUILDHALL COMPLEX AND WALBROOK WHARF FUTURE MAJOR CAPITAL PROJECTS REPORT**

Members received a report of The City Surveyor.

17. **ANNUAL REPORT ON OPERATIONAL PROPERTY PORTFOLIO**  
Members received a report of The City Surveyor.
18. **OPERATIONAL PROPERTY PORTFOLIO - THIRD PARTY AGREEMENTS**  
Members received a report of the City Surveyor.
19. **WALBROOK WHARF - MEDIUM TERM STRATEGY**  
Members received a report of the City Surveyor.
20. **OPERATIONAL PROPERTY REVIEW/INCENTIVISATION REVIEW UPDATE (SAVINGS AND IMPUTED RENT)**  
Members received a Report of The Chamberlain and The City Surveyor.
21. **OLD FREEMEN'S ASSOCIATION MEMORIAL CLUBHOUSE, ASHTEAD PARK (CITY'S ESTATE) - SURPLUS DECLARATION**  
Members received a Report of the City Surveyor.
22. **LICENCE FOR FRIENDS OF GUILDHALL ART GALLERY TO SITE DONATION BOXES ON GUILDHALL ART GALLERY PREMISES**  
Members received a joint Report of The Town Clerk and the Cultural Hub Director.
23. **GLA ROADS - LAND DISPUTE WITH TRANSPORT FOR LONDON**  
Members received a joint Report of The Comptroller and City Solicitor and The City Surveyor.
24. **LONDON WALL CAR PARK - ALLOCATION OF SURPLUS SPACE**  
Members received a Report of the City Surveyor.
25. **NON PUBLIC DECISIONS TAKEN UNDER URGENCY PROCEDURES SINCE THE LAST MEETING OF THE COMMITTEE**  
Members received a report of the Town Clerk in respect of a decision taken under urgency, in accordance with Standing Order 41(b), since the last meeting of the sub Committee.
26. **NON-PUBLIC QUESTIONS ON MATTERS RELATING TO THE WORK OF THE SUB-COMMITTEE**  
There were no questions.
27. **ANY OTHER BUSINESS THAT THE CHAIRMAN CONSIDERS URGENT AND WHICH THE COMMITTEE AGREE SHOULD BE CONSIDERED WHILST THE PUBLIC ARE EXCLUDED**  
There were four items of urgent business.

**The meeting closed at 12:15pm**

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Chairman



# Agenda Item 7

<b>Committee(s):</b>	<b>Date(s):</b>	<b>Item no.</b>
Audit and Risk Management Committee Finance Committee	10 October 2017 21 November 2017	
<b>Subject:</b> City's Cash Financial Statements 2016/17		<b>Public</b>
<b>Report of:</b> The Chamberlain		<b>For Decision</b>
<b>Report Author:</b> Philip Gregory, Deputy Director, Financial Services		

## Summary

The Annual Report and Financial Statements for City's Cash for the year ended 31 March 2017 are attached at Annex 2 for approval.

Moore Stephens LLP are 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.

The key points in the financial statements are:

- 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 (*these figures can be seen in the Consolidated Statement of Comprehensive Income on page 15*);
- 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 (*the £191.0m is shown in the Consolidated Statement of Changes in Equity on page 17*);
- there are two financial commitments relating to City's Cash that are disclosed in the notes to the financial statements:
  1. the potential contribution of £50m from City's Cash towards the Crossrail Project (*page 55*); and
  2. £5.1m relating to the construction of a replacement swimming pool at the City of London Freemen's School (*page 55*).
- 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 (*para 6 of this report*);

- 
- 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 (*para 12 of this report*);
  - 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 7 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 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:

	<b>31/3/17 £m</b>	<b>31/3/16 £m</b>	<b>Variance £m</b>
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
<b>Operating surplus</b>	<b>229.2</b>	<b>185.7</b>	<b>43.5</b>
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)	-
<b>Surplus for the year</b>	<b>225.6</b>	<b>184.9</b>	<b>40.7</b>

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;

\* 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.

- £0.7m 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
- £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 re-phased to 2017/18. These carry forwards and re-phased 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.

<b>Changes in Equity</b>	<b>31/3/17</b>	<b>31/3/16</b>	<b>Variance</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>
Surplus for the financial year	225.6	184.9	40.7
<b>Unrealised gains/(losses):</b>			
(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)
<b>Net increase in funds</b>	<b>191.0</b>	<b>208.4</b>	<b>(17.4)</b>

### **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. <b>Operating deficit</b>	<b>(7.7)</b>	<b>4.6</b>	<b>12.3</b>
7. Profit on asset sales	1.1	1.8	0.7
8. <b>(Deficit) Surplus (from) to reserves</b>	<b>(6.6)</b>	<b>6.4</b>	<b>13.0</b>

## 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)	-	-	-
<b>(Deficit) Surplus (from) to reserves</b>	<b>(6.6)</b>	<b>6.4</b>	<b>13.0</b>	<b>2.6</b>	<b>10.4</b>



**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](http://www.cityoflondon.gov.uk/about-the-city/budgets-and-spending/Pages/default.aspx).

#### **4. Activities of City's Cash**

Amounts 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 Freeman'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 Freeman's School (in Surrey). They regularly feature among the UK's top performing schools. In each of these institutions, the City of London Corporation provides scholarships and academic bursaries, including match funding 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 currently 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 by members of the public 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 Guildhall 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: <https://www.cityoflondon.gov.uk/about-the-city/how-we-make-decisions/Documents/standing-orders-court-common-council-2017.pdf>.

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).

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.

## **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:

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

\* 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 15). 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 including GSMD 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 replacement 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:
  - Ashted Common,
  - Burnham Beeches,
  - Epping Forest,
  - Hampstead Heath
  - Hampstead Heath Trust,
  - Highgate Wood and Queen's Park Kilburn,
  - West Ham Park,
  - West Wickham Common, Spring Park Wood and Coulsdon and other Commons, and
  - Sir Thomas Gresham Charity.
- City Re Limited - a wholly owned subsidiary company whose principal activity is to provide re-insurance protection. The company is a limited company, limited by shares and is incorporated in Guernsey, registration number 52816. The Directors' Report and Financial Statements have been prepared in accordance with The Insurance Business (Bailiwick of Guernsey) Law, 2002, FRS102 and FRS103 "Insurance Contracts" and are available at [www.cityoflondon.gov.uk](http://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.

## **Approval 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

Jamie Ingham Clark FCA  
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 15 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 pages 10 to 11, 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](http://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 13.

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

.....

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
<b>Income</b>			
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
<b>Total Income</b>	1	<b>153.0</b>	131.8
<b>Expenditure</b>			
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
<b>Total Expenditure</b>	2, 3 and 4	<b>167.8</b>	160.2
<b>Operating surplus / (deficit) before gain / (loss) in fair value of investments</b>		<b>(14.8)</b>	(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)
<b>Operating surplus</b>		<b>229.2</b>	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)
<b>Surplus before taxation</b>		<b>225.6</b>	184.9
Taxation	5	-	-
<b>Surplus for the financial year</b>		<b>225.6</b>	184.9

All amounts relate to continuing operations.

The notes on pages 19 to 59 form part of these financial statements.

# Consolidated Statement of Financial Position

At 31 March 2017

	Notes	2017 £m	2016 £m
<b>Fixed Assets</b>			
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
<b>Total Fixed Assets</b>		<b>2,827.9</b>	<b>2,561.4</b>
<b>Current Assets</b>			
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
<b>Total Current Assets</b>		<b>90.8</b>	<b>110.4</b>
<b>Creditors: amounts falling due within one year</b>	13	<b>59.8</b>	<b>56.7</b>
<b>Deferred income</b>	14	<b>42.8</b>	<b>40.1</b>
<b>Net Current Assets</b>		<b>(11.8)</b>	<b>13.6</b>
<b>Total Assets less Current Liabilities</b>		<b>2,816.1</b>	<b>2,575.0</b>
<b>Provisions for liabilities</b>	15	<b>1.9</b>	<b>1.8</b>
<b>Net Assets excluding pension liability</b>		<b>2,814.2</b>	<b>2,573.2</b>
<b>Defined benefit pension scheme liability</b>	16	<b>294.2</b>	<b>244.2</b>
<b>Net Assets</b>		<b>2,520.0</b>	<b>2,329.0</b>
<b>Capital and Reserves</b>			
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)
<b>Total Capital Employed</b>	17	<b>2,520.0</b>	<b>2,329.0</b>

Approved 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
<b>Comprehensive income</b>			
Surplus for the financial year		<u>225.6</u>	<u>184.9</u>
<b>Other comprehensive income</b>			
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>
<b>Total other comprehensive income</b>		<u>(34.6)</u>	<u>23.5</u>
<b>Total comprehensive income</b>		<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
<b>Cash flows from operating activities:</b>			
<b>Net cash provided by (used in) operating activities</b>	18	<u>(3.1)</u>	<u>(21.4)</u>
<b>Cash flows from investing activities:</b>			
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
<b>Net cash provided by (used in) investing activities</b>		<u>2.0</u>	<u>10.4</u>
<b>Cash flows from financing activities:</b>			
		<u>-</u>	<u>-</u>
<b>Increase/(decrease) in cash in the year</b>		<u>(1.1)</u>	<u>(11.0)</u>
<b>Change in cash and cash equivalents in the reporting period</b>		(1.1)	(11.0)
<b>Cash and cash equivalents at the beginning of the reporting period</b>		11.1	22.1
<b>Change in cash and cash equivalents due to exchange rate movements</b>		-	-
<b>Cash and cash equivalents at end of year</b>		<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.

\* only includes assets acquired since 2000 as earlier historic cost information is not available.

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 close on 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 for that day.

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 45 to 52.

(ii) ***Property Valuations***

The carrying values of investment properties and heritage assets are primarily dependent on judgements of such variables as the state of the markets, location, condition of the properties/assets, indices etc. Valuation is an inexact science with assessments provided by different surveyors/experts rarely agreeing and with prices subsequently realised diverging from valuations. A reduction in estimated valuations would result in reductions to the Revaluation Reserve and/or a loss recorded as appropriate in the Comprehensive Income and Expenditure Statement. For example, a 1% reduction in the value of investment properties and heritage assets would result in a reduction to reserves of £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
<b>Total investment income *</b>	<b>65.9</b>	<b>57.0</b>

\* 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
<b>Total Investment Management Costs</b>	<b>21.8</b>	<b>19.4</b>

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
<b>Total</b>	<b>1,307.0</b>	<b>1,308.6</b>

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
<b>Total</b>	<b>59.7</b>	<b>5.9</b>	<b>8.8</b>	<b>74.4</b>	<b>70.1</b>

#### Equality and inclusion

The City Corporation is committed to equal opportunities in service provision and for all its employees. The Establishment Committee provides high-level Member oversight on equality and inclusion in employment and an officer led Equality and Inclusion Board has been established to actively promote equality, diversity and inclusion in service delivery and employment practices. The Board is responsible for monitoring the delivery of the Equality and Inclusion Action Plan and progress against the Equality Objectives for 2016-20.

The quarterly update reports considered by the Establishment Committee and further information on the City Corporation's Equality and Diversity strategy and objectives together with the Equality and Inclusion Annual Report can be found on the website using the following links.

Establishment Committee:

<http://democracy.cityoflondon.gov.uk/ieListMeetings.aspx?CommitteeId=253>

Equality and Inclusion:

[www.cityoflondon.gov.uk/about-the-city/how-we-make-decisions/Pages/equality-inclusion.aspx](http://www.cityoflondon.gov.uk/about-the-city/how-we-make-decisions/Pages/equality-inclusion.aspx)

## **Workforce**

The City of London Corporation employs approximately 4,600 people in full and part-time positions across all its services. The make-up of the workforce is summarised below:

### **Gender:**

Male: 55.21%

Female: 44.79%

### **Age:**

Under 25: 4.16%

25-34: 22.12%

35-44: 24.05%

45-54: 28.72%

55-64: 18.27%

65 and over: 2.67%

### **Declared disability:**

Yes: 2.73%

### **Ethnicity:**

White: 72.19%

BAME: 16.48%

Not Stated: 11.33%



#### 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	<b>79</b>	76	<b>59</b>	48
70,000 - 79,999	<b>17</b>	17	<b>18</b>	18
80,000 - 89,999	<b>7</b>	9	<b>8</b>	7
90,000 - 99,999	<b>3</b>	2	<b>2</b>	3
100,000 - 109,999	<b>0</b>	3	<b>7</b>	6
110,000 - 119,999	<b>2</b>	2	<b>3</b>	6
120,000 - 129,999	<b>4</b>	1	<b>4</b>	2
130,000 - 139,999	<b>1</b>	3	<b>3</b>	1
140,000 - 149,999	<b>0</b>	1	<b>0</b>	0
150,000 - 159,999	<b>2</b>	0	<b>1</b>	1
160,000 - 169,999	<b>1</b>	2	<b>1</b>	1
200,000 - 209,999	<b>0</b>	0	<b>1</b>	0
240,000 - 249,999	<b>0</b>	0	<b>0</b>	1
250,000 - 259,000	<b>0</b>	0	<b>1</b>	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
<b>Salary is £150,000 or more a year</b>											
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
<b>Salary is between £50,000 and £150,000</b>											
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
<b>Salary is £150,000 or more a year</b>											
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
<b>Salary is between £50,000 and £150,000</b>											
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**

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

	<b>Land and Buildings</b>		<b>Plant and Machinery</b>	<b>Assets Under Construction</b>	<b>Total</b>
	<b>Investment Properties (a)</b>	<b>Freehold (b)</b>			
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
<b>Cost / Valuation</b>					
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 (c)	-	-	-	-	0.0
Transfers (d)	(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>
<b>Depreciation</b>					
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>
<b>Net book value</b>					
At 31 March 2016	<u>1,601.8</u>	<u>149.0</u>	<u>17.1</u>	<u>13.7</u>	<u>1,781.6</u>
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:					
<b>Net book value</b>					
At 31 March 2016	<u>3.5</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3.5</u>
At 31 March 2017	<u>3.5</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3.5</u>

Notes:

- a) 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.

- b) 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 operational 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.
- c) During the year, proceeds from asset disposals were derived from sales of interests in operational land and buildings, including highway land, and payments from developers as compensation for potential diminution in property values arising from loss of light from adjoining construction. However, since the operational assets in question were all acquired before 1<sup>st</sup> April 2000, the carrying values were zero and, therefore, no disposal value is shown in the table.
- d) During the year the Smithfield General Market and Annex was re-classified from being an investment property (£34.4m), to operational land and buildings. This follows the decision to use the site for the relocation of the Museum of London.
- e) 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.

	<b>Consolidated</b>	
	<b>2017</b>	2016
	<b>£m</b>	£m
<b>Valuation</b>		
At 1 April	<b>182.1</b>	182.2
Additions	-	-
Disposals	-	(0.1)
	<u><b>182.1</b></u>	<u>182.1</u>
<b>At 31 March</b>	<u><b>182.1</b></u>	<u>182.1</u>
Comprising:		
Art and sculptures (notes a and b)	<b>181.7</b>	181.7
Forest land	<b>0.4</b>	0.4
	<u><b>182.1</b></u>	<u>182.1</u>

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
<b>Non-property investments held by fund managers:</b>		
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)
<b>Investments at 31 March</b>	<b>705.4</b>	<b>599.5</b>
<b>Non-property investments held by the City of London:</b>		
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	-	-
<b>Investments at 31 March</b>	<b>41.5</b>	<b>64.3</b>
<b>Total investments as at 31 March are analysed between long-term and short-term investments as follows:</b>		
Long term	699.0	596.7
Short term	47.9	67.1
	<b>746.9</b>	<b>663.8</b>



## 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).

	<b>Total £m</b>
<b>Cost / Valuation</b>	
At 1 April 2016	1.4
Additions	-
At 31 March 2017	<u>1.4</u>
<b>Depreciation</b>	
At 1 April 2016	(0.4)
Charge for the year	(0.5)
At 31 March 2017	<u>(0.9)</u>
<b>Net book value</b>	
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/mmF. The lending list is reviewed on a regular basis using advice from credit rating agencies and in-house judgements based partially on credit default swap rates.

The creditworthiness of the counterparties on the 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).

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

<b>Asset type</b>	<b>Change %</b>
<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
<b>Total non-property investments</b>	<b>0.80</b>

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
<b>Total non-property investments</b>	<b>746.90</b>	<b>0.80</b>	<b>752.9</b>	<b>740.9</b>

### 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
<b>Total non-property investments</b>	<b>746.9</b>		<b>751.6</b>	<b>742.2</b>

## 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

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

## 13. Creditors – amounts falling due within one year

	<b>Consolidated</b>	
	<b>2017</b>	<b>2016</b>
	<b>£m</b>	<b>£m</b>
Sundry creditors	<b>34.9</b>	32.7
Rental income received in advance	<b>15.1</b>	13.8
Other receipts received in advance	<b>8.2</b>	7.8
VAT	<b>1.6</b>	2.4
	<hr/> <b>59.8</b> <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 premia 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 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.

<b>Pension scheme liabilities</b>	<b>2016</b>	2015
	<b>£m</b>	£m
The City of London Pension Fund	<b>281.0</b>	231.7
The Teachers' Pension Scheme	<b>13.2</b>	12.5
<b>Total pension scheme liabilities</b>	<b>294.2</b>	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:

<b>Assumptions as at 31 March</b>	<b>2017 % per annum</b>	<b>2016 % per annum</b>	<b>2015 % per annum</b>
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**

<b>Assumed life expectancy from age 65 years</b>	<b>Sex</b>	<b>2016</b>	<b>2016</b>
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:

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

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

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

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

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

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

(g) **Movement in the scheme net liability**

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

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

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

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

	<b>£m</b>	<b>£m</b>	<b>£m</b>
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 2018**

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.

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

## 17. Capital and Reserves

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

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
<b>Operating surplus for the reporting period</b>	<b>229.2</b>	185.7
<b>Adjustments for:</b>		
Depreciation charges	7.3	7.5
Net pension scheme costs	3.6	7.1
(Gains)/losses on non-property investments	<b>(121.8)</b>	8.4
(Gains)/losses on property investments	<b>(122.2)</b>	(222.5)
Dividends, interest and rents from investments	<b>(1.4)</b>	(1.7)
(Increase)/decrease in stock	<b>(0.1)</b>	(0.1)
(Increase)/decrease in debtors	<b>(0.6)</b>	(4.4)
Increase/(decrease) in creditors falling due within one year	<b>3.1</b>	(1.5)
Release of deferred income	<b>(0.3)</b>	(0.2)
Increase/(decrease) in provision	<b>0.1</b>	0.3
	<hr/>	<hr/>
<b>Net cash provided by / (used in) operating activities</b>	<b>(3.1)</b>	<b>(21.4)</b>
	<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 replacement swimming pool at the City of London Freemen'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: <http://democracy.cityoflondon.gov.uk/mgMemberIndex.aspx?bcr=1>.

Members and Chief Officers have been requested to disclose related party transactions of £10,000 or more, 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 (2015/16: £20,000) 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 (2015/16: £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. Grants totalling £384,000 (2015/16: £654,000) 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 (2015/16: £182,000) 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 (2015/16: £185,000) 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 (2015/16: £85,000) was received in rent and service charges;
- another Member was also a director of a company leasing market premises for which £324,000 (2015/16: £298,000) was received in rent and service charges;
- two Members declared interests in PWC LLP which was paid £105,000 (2015/16: £57,000) for consultancy services;
- The City Corporation nominated six Members to the Gresham College Council which received grants of £388,000 (2015/16: £383,000) from City's Cash and paid £13,000 (2015/16: £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 (2015/16: £27,000);
- five Members were Governors or Almoners of Christ's Hospital which is paid £48,000 (2015/16: £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 (2015/16: £40,000) as a founding member;
- four Members were Trustees of Crossrail Art Foundation which received £1,300,000 (2015/16: £485,000) 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 (2015/16: £41,000) in grant funding;
- a Member declared that his accountants were RSM UK Group LLP who were paid £29,000 (2015/16: £183,000) 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 (2015/16: £92,000) for the audit of City's Cash;
- five Members and one Chief Officer were Trustees of City Arts Trust Ltd which paid £110,000 (2015/16: £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 (2015/16: £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 (2015/16: £385,000);
- a Member was Director of TheCityUK which received grants totalling £520,000 from City's Cash (2015/16: 600,000 and paid £28,000 to City's Cash for premises costs);
- 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 (2015/16: £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 £2,457 (2015/16: £2,147) is payable as at 31 March 2017.

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

- a Member was a Board Member of London and Partners Ltd. City's Cash paid £25,000 for participation in exhibitions and partnership fees;
- the City Corporation nominated three Members to the City of London Reserve Forces and Cadets Association which was paid a grant of £42,000;
- 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 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;
- the wife of a Member paid £49,000 to purchase a lease extension for a residential property;
- 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;
- 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; and
- 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.

## **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 approved 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**

**FINAL 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.

<b>City's Cash</b>	
<b>Bridge House Estates</b>	
<b>City's Cash Trusts</b>	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
<b>Sundry and Other Trusts</b>	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><b>Revenue recognition (All funds and entities)</b></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><b>Conclusion:</b> Satisfactory assurance has been gained in respect of the presumed risk of fraud in revenue recognition.</p>
<p><b>Management override (All funds and entities)</b></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><b>Conclusion:</b> Satisfactory assurance has been gained in respect of the presumed risk of management override.</p>
<p><b>Hampstead Heath Ponds (City's Cash Trusts and City's Cash)</b></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><b>Conclusion:</b> Satisfactory assurance has been gained in respect of the risk identified.</p>
<p><b>Investment Property Transactions (Bridge House Estates and City's Cash)</b></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><b>Conclusion:</b> 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><b>Crossrail contribution (City's Cash)</b></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><b>Conclusion:</b></p> <p>Satisfactory assurance has been gained in respect of the risk factor identified.</p>
<p><b>Non-Property Investment Transitions (Bridge House Estates and City's Cash)</b></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><b>Conclusion:</b></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 £
<b>Sundry &amp; Other Trusts</b>				
<b>Hampstead Heath Trust</b>			17,261	17,261
<b>City of London School for Girls Bursary Fund</b>			10,597	10,597
<b>City's Cash Trusts</b>				
<b>Ashtead Common</b>		4,226	4,226	
<b>West Ham Park</b>			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 £
<b>City's Cash Trusts</b>				
<b>Highgate Wood</b>	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)

<b>Observation</b>	<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"> <li>• 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.</li> <li>• The default built in 'Administrator' account has not been renamed, as recommended by Microsoft.</li> </ul>
<b>Risk</b>	<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>
<b>Recommendation</b>	<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"> <li>• 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).</li> <li>• Service accounts should be granted minimum rights to run the intended service; unused/obsolete service accounts should be disabled or deleted.</li> </ul> <p>We further recommend that the default 'Administrator' account is renamed.</p>
<b>Management response</b>	<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>
<b>Responsible Officer</b>	Matt Gosden
<b>Implementation date</b>	With immediate effect for full implementation by 30 November 2017.
<b>2 – Non-compliance with password policy</b>	
<b>(Priority 2)</b>	
<b>Observation</b>	<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>
<b>Risk</b>	<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>
<b>Recommendation</b>	<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>
<b>Management response</b>	<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>
<b>Responsible Officer</b>	Matt Gosden
<b>Implementation date</b>	With immediate effect for full implementation by 31 December 2017.
<b>3 – Database security updates are not applied to Paris Microsoft SQL server</b>	
<b>(Priority 2)</b>	
<b>Observation</b>	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.
<b>Risk</b>	The lack of patch management process for all Microsoft databases could result in a system that is not secure against known vulnerabilities.
<b>Recommendation</b>	We recommend that management in cooperation with Agilysis, extends the patching cycle to include Paris Microsoft SQL database.
<b>Management response</b>	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.
<b>Responsible Officer</b>	Matt Gosden
<b>Implementation date</b>	With immediate effect for full implementation by 31 October 2017.

#### 4 – DRP for the financial systems not recently tested

(Priority 2)

<b>Observation</b>	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.
<b>Risk</b>	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.
<b>Recommendation</b>	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.
<b>Management response</b>	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)
<b>Responsible Officer</b>	Matt Gosden
<b>Implementation date</b>	December 2017

#### 5 – Lack of Review of ISAE 3402 Reports

(Priority 2)

<b>Observation</b>	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.
<b>Risk</b>	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.
<b>Recommendation</b>	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.
<b>Management response</b>	We will request annual ISAE3402 reports for each investment mandate to monitor the auditor's opinion on the overall control environment.
<b>Responsible Officer</b>	Corporate Treasurer/ Group Accountant
<b>Implementation date</b>	With immediate effect for full implementation by 31 March 2018

#### 6 – Annual Declarations

(Priority 2)

<b>Observation</b>	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.
<b>Risk</b>	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.

<b>Recommendation</b>	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.
<b>Management response</b>	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 <a href="http://www.cityoflondon.gov.uk">www.cityoflondon.gov.uk</a> .
<b>Responsible Officer</b>	Philip Gregory
<b>Implementation date</b>	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
<b>Bridge House Estates</b>	
<p><b>Accounts Review (Priority 2)</b></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><b>(Status: Closed)</b></p>
<p><b>Inconsistent Tenancy Management Records (Priority 2)</b></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><b>(Status: Closed)</b></p>
<b>Sundry and Other Trusts</b>	
<p><b>Knowledge transfer (Priority 2)</b></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><b>(Status: Closed)</b></p>
<b>All entities and funds</b>	
<p><b>Corporate Treasury Scheme of Delegation (Priority 2)</b></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><b>(Status: Closed)</b></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 1 – Adjusted Misstatements

As summarised in Section 5, the following adjustments were identified during our audit work and have been incorporated into the financial statements. Where the entity or fund is not noted below, no adjustments were made. All adjustments have been discussed and agreed with the Group Accountant.

	Statement of Financial Activity		Balance Sheet	
	Dr £	Cr £	Dr £	Cr £
<b>Sundry and Other Trusts</b>				
<b>City of London School for Girls Bursary Fund</b>				
Cash			10,567	
Debtors			30	
Creditors				10,597
<i>* Being a manual adjustment for the re-classification between debtors, creditors and cash</i>				
<b>Hampstead Heath Trust</b>				
Bank Overdraft			17,261	
Net Gains/(Losses) on Investments				17,261
<i>* Being a manual adjustment to reflect the movement in cash and gains/losses on investments</i>				
			<b>27,858</b>	<b>27,858</b>
<b>City's Cash Trusts</b>				
<b>Ashtead Common</b>				
Prepayments			2,968	
Expenditure		2,968		
<i>Being the correction for misstatement of expenditure on car hire</i>				
Prepayments			1,258	
Expenditure		1,258		
<i>Being the correction for misstatement of expenditure on car hire</i>				
<b>West Ham Park</b>				
Cash at bank and in hand			10,453	
Creditors – bank overdraft				10,453
<i>Being the reclassification of the 2016/17 bank overdraft from cash to a liability</i>				
			<b>14,679</b>	<b>-</b>

\* Identified by client

## 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 £
<b>City's Cash Trusts</b>				
<b>Highgate Wood</b>				
Income	12,232			
Prepayments				12,232
<i>Being the correction for misstatement of income</i>				
	<b>12,232</b>	-	-	<b>12,232</b>

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

Activities	Income £'000	Surplus/ (Deficit) £'000	Net Assets £'000	Materiality £'000
<b>Sundry Trusts Continued</b>				
<b>City of London Corporation Combined Education Charity</b>				
Advancing education by the provision of grants and financial assistance	39	86	1,124	23
<b>City of London Corporation Relief of Poverty Charity</b>				
Relief of poverty for widows, widowers or children of a Freeman of the City of London	4	16	157	3
<b>City of London Freeman's School Bursary Fund</b>				
Promotion of education through bursaries	47	124	915	18
<b>City of London School Bursary Fund</b>				
Promotion of education through bursaries, scholarships and prizes	119	416	3,871	78
<b>City of London School Education Trust</b>				
Advancing education	304	-	6	6
<b>City of London School for Girls Bursary Fund</b>				
Promotion of education through bursaries, scholarships and prizes	776	757	4,220	74
<b>Corporation of London Charities Pool</b>				
Investments pool for Sundry Trusts	1,022	1,164	22,867	458
<b>Emmanuel Hospital</b>				
Payment of pensions and financial assistance to poor persons	84	282	5,549	51
<b>Guildhall Library Centenary Fund</b>				
Provision of education and training in library, archives, museum, and gallery services	1	3	26	1
<b>Hampstead Heath Trust</b>				
To meet a proportion of the maintenance cost of Hampstead Heath	1,327	3,470	650	660
<b>Keats House</b>				
Maintenance of Keats House	462	37	226	7
<b>King George's Field</b>				
Open space for sports, games and recreation	44	-	-	1
<b>Samuel Wilson's Loan Trust</b>				
Granting of low interest loans to young people who have or are about to set up in business	77	289	2,415	48
<b>Signore Pasquale Favale Bequest</b>				
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
<b>Sundry Trusts Continued</b>				
<b>Sir Thomas Gresham Charity</b>	95	(1)	149	2
To provide a programme of public lectures				
<b>Sir William Coxen Trust Fund</b>				
Granting of assistance to eligible charitable trusts in the form of donations	132	125	2,627	57
<b>Vickers Dunfee Memorial Benevolent Fund</b>				
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)



<b>Committee(s)</b> Finance Committee – For Information	<b>Dated:</b> 21/11/2017
<b>Subject:</b> Chamberlain’s Business Plan – Half Year Update	<b>Public</b>
<b>Report of:</b> Chamberlain	<b>For Information</b>
<b>Report author:</b> Hayley Hajduczek	

## Summary

This report provides Members with a brief update of assurance that the Chamberlain’s department is making good progress in the delivery of the 2017/18 Departmental Business Plan.

Performance broadly is in line with expectations for the second quarter.

## Recommendation(s)

Members are asked to note the report.

## Main Report

## Background

1. The Chamberlain’s Department Business Plan for 2017-2018 was approved by Finance Committee on 2<sup>nd</sup> May 2017. This report has been produced to provide Members with a summary of progress against key deliverables and performance in quarter two of the current financial year.

## Current Position

2. It is a requirement of the Corporate Business Planning Framework that business plan delivery update reports be provided to Committee on a quarterly basis.

## Delivery against Key Improvement Objectives

3. Progress in the delivery of our key improvement objectives is good. Please see updates below:

## Improve underlying IT performance issues and delivering major IT projects (Network Transformation and Desktop Refresh)

4. The Transformation Programme is delivering to budget and all projects are on track. So far £421k of infrastructure related savings have been identified through the Transformation Programme with the shift to Microsoft Cloud services and optimising components of the remaining infrastructure. The programme has completed the desktop transformation for over 500 users and the team are on track to complete across the Corporation by end of the year. Work has begun on replacing the Wide Area Network circuits. End user feedback on the desktop

transformation roll out has been very good. The provider for designing, building and support our new Local Area Network (LAN) has been procured and has started work. The new LAN hardware has been procured. Many new policies have been defined and are now being implemented to ensure the sustainability of our Transformation investment.

### **Maintain focus on value for money over the current funding period and beyond**

5. The focus on delivering Value for Money in all that we do continues. In addition to reviewing the Service Based Review process, departments are seeking to deliver continuous improvement savings as part of an Efficiency Plan. These will be documented in the forthcoming budget reports and reflected in the Medium Term Financial Plan. A rolling review programme to secure more radical changes in efficiency and effectiveness is also in development.
6. A Chief Officer Peer Review programme is supporting Chief Officers in developing ideas that will improve innovation, collaboration, and agility. The outputs from these sessions will inform the Business Plans of all departments going forward particularly in response to the Efficiency Plan.

### **Pursue the responsible procurement agenda and further adoption of smarter, more efficient procurement processes.**

7. City Procurement this quarter has rolled out the use of electronic signature software for all contracts. This reduces time, instances of documentation loss and gives us an online repository of all contract signatures to ensure all paperwork is completed in line with the requirements specified by the Comptroller and City Solicitor.
8. On 19<sup>th</sup> October, Chris Bell attended the CIFPA Annual Procurement Summit to present CoL as a case study on achieving “responsible success” through procurement. Natalie Evans also used CoL as a case study earlier this month, presenting mechanisms to overcome barriers to human rights through ethical sourcing at a meeting of the Inter-American Network on Government Procurement (INGP) in Santiago, Chile. As such, the presentation was aimed at the national directors of procurement in the 32 participating countries of Latin America and the Caribbean.
9. The most significant tactical achievement this quarter has been in the field of mitigating air pollution in London through public procurement. CoL led the London Responsible Procurement Network’s most recent meeting. Successful ways of encouraging supply chain partners to reduce NOx and PM emissions through contractual requirements or supplier evaluation within tenders were showcased. These mechanisms were collated and a harmonised approach is now being established through collaboration with participating entities. The aim is to develop a more robust, standardised approach to driving e.g. consolidation, dust suppression, the uptake of alternative vehicles and other innovative technologies used to reduce emissions harmful to human health.

## **Provide assurance to the City and its Partners on their control environments, supporting the risk management framework and promoting an anti-fraud culture**

10. Work continues on the 2017/18 audit plan with 24% of audits issued to final or draft report stage as at 31 September, and 31% work in progress. A revised, more robust and transparent recommendation follow-up process has been introduced, with the opportunity for call-in by the Audit and Risk Management Committee where appropriate for non-compliance.
11. Work is progressing, supported by Zurich Municipal, to develop consistency and understanding around risk appetite for the City Corporation. Initial survey of senior officers and Members has now been completed and a detailed analysis of the results is being undertaken. Work also continues on developing a more consistent approach to the corporate risk management process through additional training and support.
12. The City's Internal Audit team continues to promote a fraud awareness culture across the City Corporation, particularly in higher fraud risk areas.

### **Delivery against Key Performance Indicators**

13. The Chamberlain's Performance Scorecard is shown as Appendix 1 to this report. This shows good performance across many of the KPIs in place, the following are of note:
  - Accounts Payable invoice turnaround for Small and Medium Sized Enterprises (10 days) – performance for the quarter is 84% which is a 26% increase on the previous quarter. Performance against the 10 days payment target had dipped in the previous quarter due to the Accounts Payable Team dealing with a backlog of invoices that built up as a result of year-end system down time, prioritising payment of annual rates and council tax bills for City Corporation properties and some resource capacity issues. The team have focused resources to catch up as quickly as possible and are continuing to monitor payment performance regularly to ensure that performance against this target continues to improve.
  - % of Invoices Received Electronically by the AP team – current performance is 92% for this quarter 3% short of the 95% target. The team continues to encourage suppliers to send invoices electronically.
  - Procurement savings target is below the target by £0.24million this is due to a delay in approval of the Wireless Concession saving, however this has now been confirmed and will be reflected in the following period.
  - Commercial rent collection rates are in line with target. Business Rate collection is at 59.1% for the quarter slightly ahead of the 58% target.
  - IT Service Performance - All incidents for Agilisys were resolved within SLA. All availability targets were met.

### **Chamberlains Finance Dashboard**

14. A Finance Management Information Dashboard is currently in development, a first version is attached for information as Appendix 2. At this stage in the year there are no significant points to draw attention to, the format and presentation will be developed and enhanced over the year.

## **Conclusion**

15. Members are asked to note that good progress is being made in the delivery of the Chamberlain's business plan. Performance for the first quarter of the year is broadly in line with expectations.

## **Appendices**

- Appendix 1 – Chamberlains Department Scorecard
- Appendix 2 – Chamberlains Department Finance Dashboard

## **Background Papers**

- Report to Finance Committee 25/07/2017: Chamberlain's Business Plan – First Quarter Update
- Report to Finance Committee 02/05/2017: Chamberlain's Business Plan 2017/18

## **Hayley Hajduczek**

Business Manager

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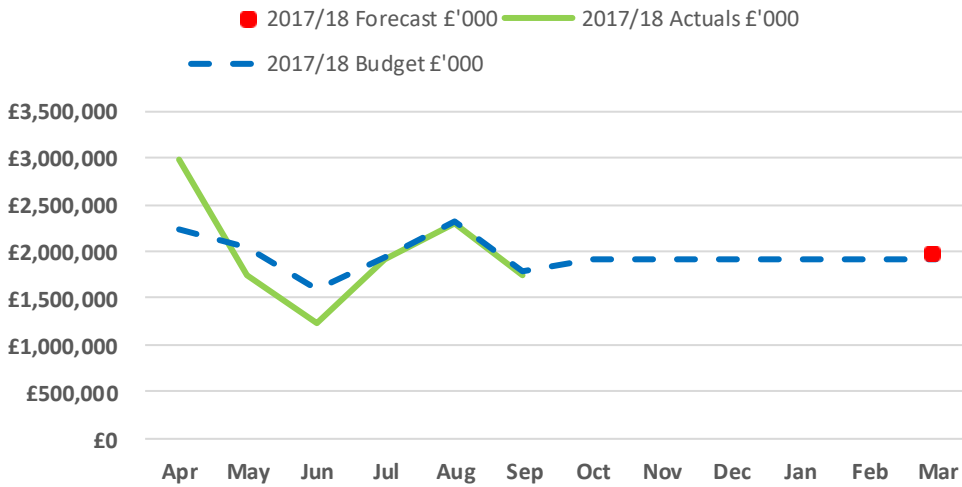
## Chamberlain's Department Performance Scorecard

				Quarterly update			
	Measure	2016/17 performance	2017/18 target	Qtr 1	Qtr 2	Qtr 3	Qtr 4
Accounts Payable invoice turnaround (30 day)	% paid measured quarterly	97%	97%	97%	96%		
Accounts Payable invoice turnaround for SME (10 day)	% paid measured quarterly	87%	88%	58%	84%		
		Cumulative:		58%	70%		
% of Invoices Received Electronically by the AP team	measured quarterly	Target Profile:		94%	95%	96%	97%
		93%	97%	92%	92%		
Annual Procurement Savings (cumulative)	Savings achieved	Target Profile:		£1.90m	£3.58m	£5.14m	£6.47m
		£7.98m	£6.47m	£1.98m	£3.34m		
Commercial rent collection rates	% collected	98.61%	98%	97.95%	98.95%		
Business Rates collection rates (cumulative)	% collected	Target Profile:		28.0%	58.0%	89.25%	99.75%
		99.75%	99.75%	31.2%	59.1%		
Internal Audit Performance (cumulative)	Audit Plan delivery (%)	95%	96%	14%	32%	62%	96%
				9%	24%		
IT Service Performance (new KPI) Average over the year so far <i>(to be reviewed as part of the Agilisys contract extension)</i>	Fixing Issues			Application Availability			
	P1 incidents fixed within 2hrs (98%)	P2 incidents fixed within 6hrs (98%)		Application availability (99%)	Telephony Availability (99.5%)	Datacentre LAN Availability (99.9%)	Corporate Network Availability (99.5%)
	COL 6 93.75% COLP 2 100%	COL 15 93.75% COLP 0 100%		COL 99.99% COLP 100%	COL 99.6% COLP 99.9%	COL 99.97% COLP 100%	COL 99.69% COLP 99.94%
Publication of City Fund Accounts within Statutory Deadline of 30 September					<b>Status:</b>	Complete	
Delivery of a balanced budget and Medium Term Financial Plan for City Fund, approved by Court of Common Council by 31 March					<b>Status:</b>	On Track Departments are preparing their estimate reports	
Effective financial management: Expenditure against Departmental Local Risk Budgets within $\pm 5\%$ (year-end target)					<b>Status:</b>	On Track Overspent but within 5%	
Provide a high quality service to our customers measured through our annual customer survey Cumulative average assessment "good"						2016/17 Achieved	2017/18
Increased staff engagement, measured by percentage of positive responses to Staff Survey Q4: "I recognise that if I am successful in my role it contributes to successful delivery of the Department's Business Plan"					2016/17 87%	Target 92%	

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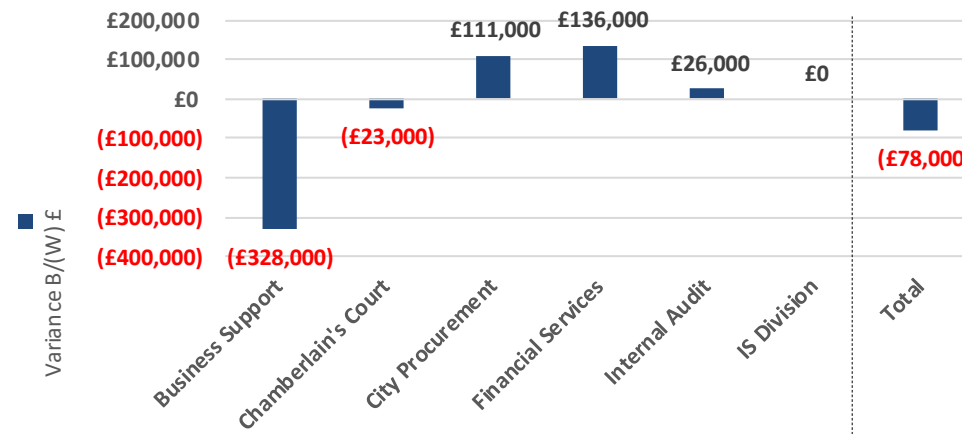
# Chamberlain's Department Finance Dashboard Q2 2017/18

## Chamberlain's Net Local Risk Performance - 2017/18



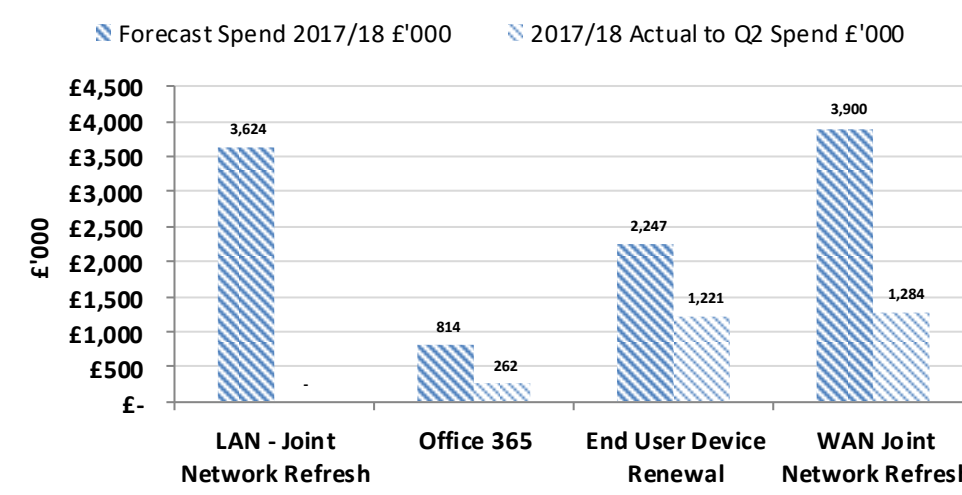
- 2017/18 spend to Q2 largely in line with budget.
- Forecast outturn currently £78k worse than budget.

## Projected Outturn Variance vs. Latest Approved Local Risk Budget



- Business Support forecast includes departmental vacancy allowance. Expectation is all divisions will achieve better than budget by year end.
- Financial Services forecast under-spend of £136k largely relates to vacant posts.
- City Procurement forecast under-spend of £111k largely relates to unbudgeted income.

## Projects Spend 2017/18 Forecast Vs Q2 Actuals



- The Chamberlain is committing £10.6m to investment in new technology during 2017/18.

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<b>Committee:</b>	<b>Dated</b>
Finance Committee	21 November 2017
<b>Subject:</b> Revenue Budget Monitoring to September 2017	<b>Public</b>
<b>Report of:</b> Chamberlain	<b>For Information</b>
<b>Report author:</b> Philip Gregory, Deputy Financial Services Director	

## Summary

The overall forecast year end position at the end of quarter two is £4.8m better than budget. This comprises an adverse variance of £1.5m on Chief Officer Cash Limited Budgets which has been more than offset by a favourable variance of £5.3m on Central Risk Corporate Income Budgets.

### Chief Officer Cash Limited Budgets

The year-end forecast at quarter two is £1.5m (1%) worse than the latest approved budget of £212.5m. This represents a worsening position of £1.8m compared to the forecast year end position at quarter one. Key causes of the deterioration are budget pressures in relation to the Police service provision and unexpected costs borne by the City Surveyor.

### Central Risk Budgets - Corporate Income Budgets

Property investment income and interest earnings are anticipated to be better than budget by £3.9m and £1.4m respectively at year end.

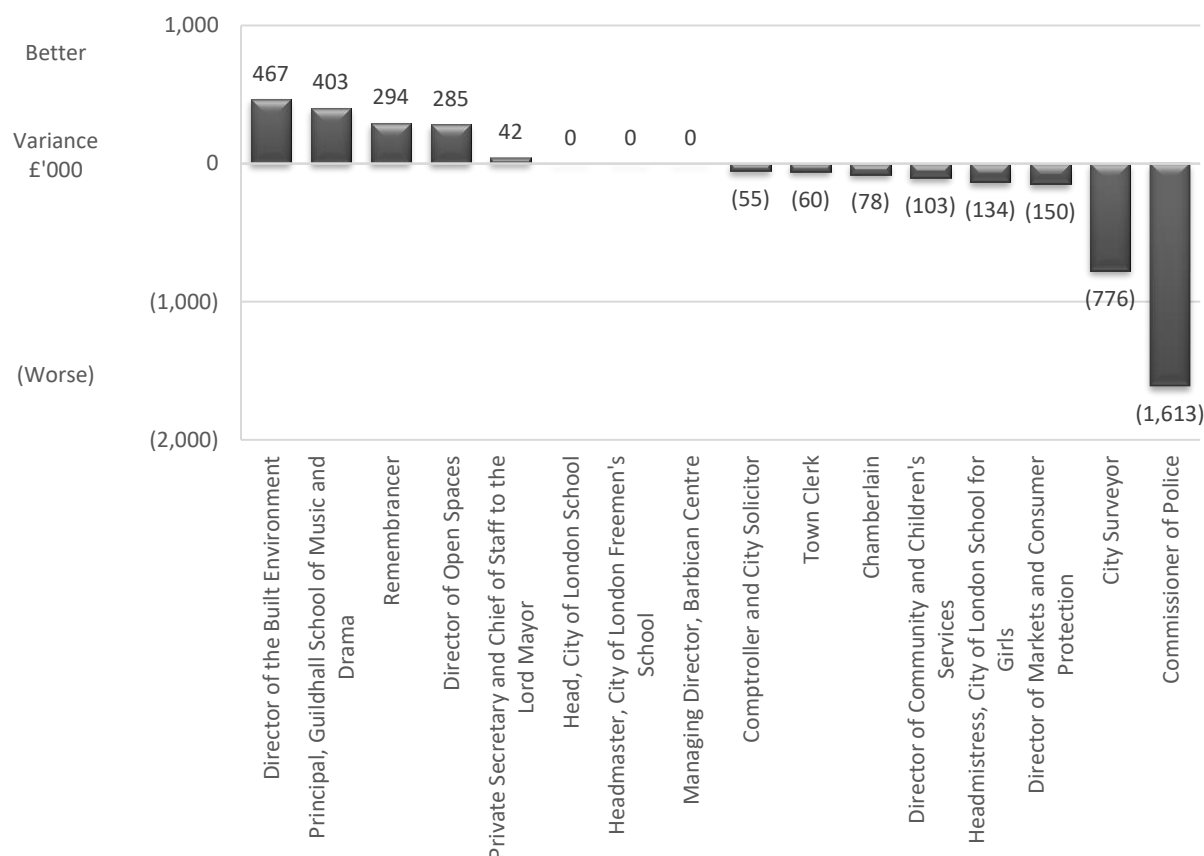
## Recommendation

Members are asked to note the report.

## Main Report

### Chief Officer Cash Limited Budgets

- The year-end forecast is £1.5m (1%) worse than the latest approved budget of £212.5m. Chief Officer variances against net local risk budgets are shown in the graph below.

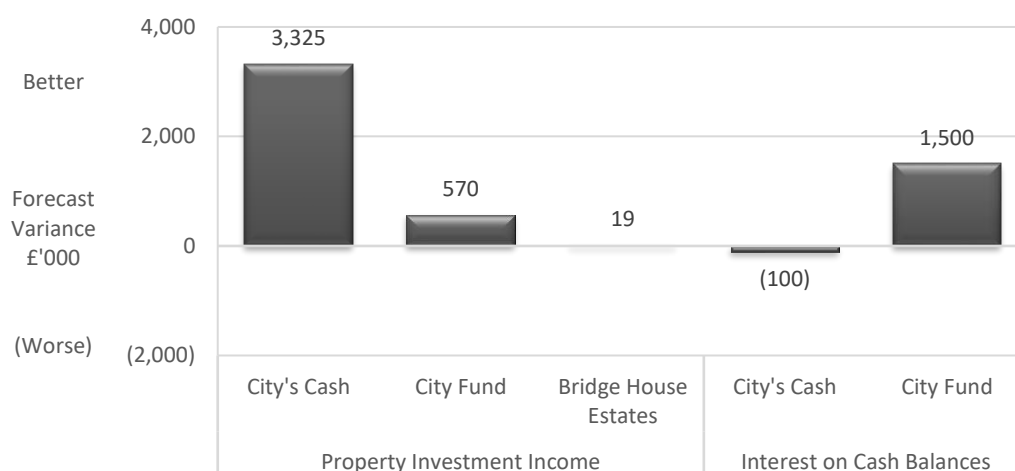


- The forecast comprises a favourable variance of £3.3m (1%) against budgeted income of £239.3m which has been more than offset by an unfavourable variance of £4.8m (1%) against budgeted expenditure of £451.8m. Brief commentary for significant variances and mitigating actions being taken are outlined in Appendix 1.
- The quarter two year-end forecast represents a worsening position of £1.8m compared to the forecast year end position at quarter one. Key causes of the deterioration are budget pressures in relation to the Police service provision and unexpected costs borne by the City Surveyor.
- The achievement of the Police efficiency savings target is at present proving to be extremely challenging in light of the increased terror threat and the impact on both pay and non-pay budgets. The force will continue to seek opportunities to address this issue.

5. The City Surveyor has borne substantially higher than expected void costs at 4-14 Tabernacle and 15 Worship Street, however this is more than compensated for by the increase in rental income from the property portfolio on central risk, see paragraph 7.

### Central Risk - Corporate Income Budgets

6. Year-end corporate income is forecast to be £5.3m (4%) better than budget of £123m comprising £3.9m for property investment income and £1.4m for interest on cash balances.



7. Property investment income is forecast to be £3.9m (3%) better than the original budget of £119.6m as follows:

- City's Cash (£3.3m) – following a number of rent reviews, new lettings and lease renewals at various properties including Smithfield Commercial Offices and 213-215 Tottenham Court Road. As well as rent received for a new property acquisition at 21 Worship Street and additional rental income anticipated from Orsman Road.
- City Fund (£0.6m) – due to a tenant at 43 Worship Street continuing in occupation after expiration of lease.

8. The forecast outturn for interest earnings is anticipated to be £1.4m better than original budget of £3.4m (41%) at year end. This comprises a favourable variance of £1.5m on City Fund partially offset by an unfavourable variance of £0.1m on City's Cash. This reflects securing better than expected returns and the expected rate of return will be reviewed during the production of the Medium Term Financial Forecast.

## **Appendices**

- Appendix 1: Brief commentary for the main full year variances for Chief Officer Cash Limited Budgets
- Appendix 2: Detailed full year variances and comparison with the previous quarter for Chief Officers Cash Limited Budgets by Fund
- Appendix 3: Summary of changes from original budget to latest budget at 30<sup>th</sup> September 2017 for Chief Officer Cash Limited Budgets
- Appendix 4: Detailed full year variances for Central Risk Corporate Income Budgets

### **Caroline Al-Beyerty**

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### **Philip Gregory**

Deputy Financial Services Director

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Chief Officer	Latest Gross Income/ (Expenditure) Budgets* £'000	Forecast Variance Better/ (Worse) £'000	Forecast Variance Better/ (Worse) %	Cause/Action
Director of Built Environment	14,429	198	1	Additional income from public conveniences, traffic management road closures, road permitting scheme, Bank Station upgrade TfL funding, off street car parks and recoverable works increased charges for administrative fees and staff time.
	(31,231)	269	1	Reduced expenditure is mainly due to vacant posts, reduced electricity charges at the car parks, lower staff costs in public conveniences (provision made for pension scheme but staff opted out) and reduced rates liability. Penalty deductions have also been imposed on 'Amey' for failure to achieve the required KPI's on street cleansing.
Principal, Guildhall School of Music and Drama	20,983	557	0	Additional income from higher student enrolment.
	(26,677)	(154)	(1)	Increased teaching costs due to additional student numbers.
Remembrancer	1,465	294	20	Increased income from lettings.
Director of Open Spaces	15,071	451	3	The Superintendent of the Cemetery and Crematorium expects last year's income to be attained which will result in a better than budgeted position of £314k; Tower Bridge is expecting to have a year- end surplus of around £100k and Westham Park are predicting an overachievement of income of £117k for a playground project.
	(25,455)	(166)	(1)	Additional staff costs at City Open Spaces and resources required for a playground project at Westham Park for which income has been raised.
Managing Director, Barbican Centre	26,516	1,088	4	Additional income from positive box office performance.
	(43,854)	(1,088)	(2)	There are several risks in buildings areas surrounding health and safety compliance, principally in fire safety. The delivery of SBR savings in the buildings division has also taken longer than anticipated and the majority will be made in 2018/19. The overspend on expenditure has been offset by additional income.
Chamberlain	436	167	38	Additional income largely from supplier rebates, reimbursements from London Councils for secondment costs and funding from Central London Forward for running a 'Competitive Dialogue' on their behalf.
	(23,858)	(245)	(1)	Overspend is mainly due to the lower than expected vacancy allowance partially offset by savings across several areas. Further savings will be identified in the second half of the year but these have so far not been scored.
Director of Community and Children's Services	16,777	235	1	Due to unspent grant income (DSG, Adult and Community Learning) from previous years which was not budgeted.
	(27,384)	(338)	(1)	Pressures on adult social care and older people services. A report is currently being prepared requesting additional resources.
City Surveyor	12,583	322	3	Due to an additional draw down from the balance sheet for 6-8 Bonhill of £608k which is partially offset by a reduced dilapidations drawdown of £101k and a shortfall of income from property deals of £175k.
	(56,106)	(1,098)	(2)	Overspend is mainly due to unexpected void costs at 4-14 Tabernacle and 15 Worship Street of £886k and funding for APFM posts not being carried forward of £290k, partially offset by savings on rates and professional fees due to lower than expected tenant turnover. The unfavourable local risk position is more than compensated for by the increase in rental income from the property portfolio in central risk.
Commissioner of Police	(120,234)	(1,613)	(1)	Overspend is mainly due to the failure to identify budgeted savings and additional fees. The achievement of the efficiency savings target is at present proving to be extremely challenging in light of the increased terror threat and the impact on both pay and non-pay budgets. The force will continue to seek opportunities to address this issue. The unfavourable local risk position is more than compensated for by the increase in rental income from the property portfolio in central risk.

\*Brackets have been used to denote expenditure

Original Budget	Chief Officer - Local Risk Budgets	Full Year Forecast as at 30th June				Full Year Forecast as at 30th September			
		Latest Budget	Forecast	Variance Better/ (Worse)		Latest Budget	Forecast	Variance Better/ (Worse)	
		£'000	£'000	£'000	%	£'000	£'000	£'000	%
	<b>City Fund</b>								
(1,753)	Chamberlain	(1,753)	(1,753)	0	0	(1,854)	(1,759)	95	5
(5,068)	City Surveyor	(5,077)	(5,155)	(78)	(1)	(5,375)	(5,653)	(278)	(5)
(9,420)	Director of Community & Children's Services	(9,797)	(9,851)	(54)	(1)	(10,103)	(10,206)	(103)	(1)
(1,966)	Director of Markets & Consumer Protection	(2,152)	(2,054)	98	5	(2,343)	(2,333)	10	0
753	Director of Open Spaces	669	1,019	350	52	594	908	314	(53)
(15,405)	Director of the Built Environment	(16,075)	(15,885)	190	1	(16,545)	(16,079)	466	3
(15,851)	Managing Director, Barbican Centre	(17,053)	(17,053)	0	0	(17,338)	(17,338)	0	0
(13,058)	Town Clerk	(13,302)	(13,302)	0	0	(13,634)	(13,694)	(60)	0
<b>(61,768)</b>	<b>Total City Fund (excluding Police)</b>	<b>(64,540)</b>	<b>(64,034)</b>	<b>506</b>	<b>1</b>	<b>(66,598)</b>	<b>(66,154)</b>	<b>444</b>	<b>1</b>
	<b>City's Cash</b>								
(70)	Chamberlain	(70)	(70)	0	0	(75)	(98)	(23)	(31)
(14,710)	City Surveyor	(14,952)	(15,098)	(146)	(1)	(15,446)	(15,911)	(465)	(3)
(500)	Director of Community & Children's Services	(504)	(495)	9	2	(504)	(504)	0	0
(1,214)	Director of Markets & Consumer Protection	(1,257)	(1,425)	(168)	(13)	(1,338)	(1,498)	(160)	(12)
(10,473)	Director of Open Spaces	(10,781)	(10,781)	0	0	(10,957)	(11,086)	(129)	(1)
(881)	Head, City of London School	(933)	(933)	0	0	(933)	(933)	0	0
45	Headmaster, City of London Freeman's School	(5)	(5)	0	0	(5)	(5)	0	0
(113)	Headmistress, City of London School for Girls	(150)	(150)	0	0	(150)	(284)	(134)	(89)
(5,366)	Principal, Guildhall School of Music & Drama	(5,403)	(5,403)	0	0	(5,694)	(5,291)	403	7
(2,567)	Private Secretary & Chief of Staff to the Lord Mayor	(2,565)	(2,565)	0	0	(2,725)	(2,683)	42	2
(1,166)	Remembrancer	(1,191)	(1,191)	0	0	(1,226)	(1,226)	0	0
(568)	Town Clerk	(571)	(571)	0	0	(637)	(637)	0	0
<b>(37,583)</b>	<b>Total City's Cash</b>	<b>(38,382)</b>	<b>(38,687)</b>	<b>(305)</b>	<b>(1)</b>	<b>(39,690)</b>	<b>(40,156)</b>	<b>(466)</b>	<b>(1)</b>
	<b>Bridge House Estates</b>								
(2,441)	City Surveyor	(2,488)	(2,488)	0	0	(2,563)	(2,563)	0	0
14	Director of Open Spaces	(21)	(21)	0	0	(21)	79	100	476
(257)	Director of the Built Environment	(257)	(257)	0	0	(257)	(256)	1	0
(1,472)	Town Clerk	(1,472)	(1,456)	16	1	(1,485)	(1,485)	0	0
<b>(4,156)</b>	<b>Total Bridge House Estates</b>	<b>(4,238)</b>	<b>(4,222)</b>	<b>16</b>	<b>0</b>	<b>(4,326)</b>	<b>(4,225)</b>	<b>101</b>	<b>2</b>
	<b>Guildhall Administration</b>								
(21,138)	Chamberlain	(21,138)	(21,127)	11	0	(21,493)	(21,643)	(150)	(1)
(6,763)	City Surveyor	(6,855)	(6,857)	(2)	0	(6,875)	(6,908)	(33)	0
(2,981)	Comptroller and City Solicitor	(3,325)	(3,375)	(50)	(2)	(3,435)	(3,490)	(55)	(2)
384	Remembrancer	373	489	116	31	373	667	294	79
(6,298)	Town Clerk	(6,382)	(6,382)	0	0	(6,407)	(6,407)	0	0
<b>(36,796)</b>	<b>Total Guildhall Administration</b>	<b>(37,327)</b>	<b>(37,252)</b>	<b>75</b>	<b>0</b>	<b>(37,837)</b>	<b>(37,781)</b>	<b>56</b>	<b>0</b>
<b>(140,303)</b>	<b>Grand Total (excluding Police)</b>	<b>(144,487)</b>	<b>(144,195)</b>	<b>292</b>	<b>0</b>	<b>(148,451)</b>	<b>(148,316)</b>	<b>135</b>	<b>0</b>
(63,998)	Commissioner of Police (City Fund)	(60,402)	(60,402)	0	0	(64,038)	(65,402)	(1,613)	(2)
<b>204,301</b>	<b>Grand Total</b>	<b>(204,889)</b>	<b>(204,597)</b>	<b>292</b>	<b>0</b>	<b>(212,489)</b>	<b>(213,718)</b>	<b>(1,478)</b>	<b>(1)</b>

<b>Budget changes for Chief Officer - Cash Limited Budgets (Excluding Police)</b>		
	£'000	£'000
<b>Original Local Risk Budget (excluding Police)</b>		<b>(140,303)</b>
Previously reported budget movements at Quarter 1		(4,184)
Approved local risk carry forwards	(2,850)	
Additional resources for London Living Wage and 3.5% increase in employer pension fund contributions	(874)	
Additional resources for homelessness services	(196)	
Reclassifications of budgets to central risk	83	
Additional resources for Apprenticeship scheme	(77)	
Adjustment for the Central Grants Unit operational costs incurred within City Bridge Trust	60	
Additional funding for Barbican Centre Exhibition Halls Feasibility Study	(50)	
Additional resources for Artizan St following rates review	(33)	
Additional funding for STEM and Policy Education Programme Legacy	(24)	
Additional funding towards float at Lord Mayor's Show	(3)	
		<b>(3,964)</b>
<b>Latest Local Risk Budget (excluding Police)</b>		<b>(148,451)</b>

<b>Central Risk - Corporate Income Budgets</b>				
	<b>Original Budget</b>	<b>Forecast Outturn</b>	<b>Variance Better/(Worse)</b>	
	£'000	£'000	£'000	%
<b>Property Investment Income</b>				
City's Cash	53,014	56,339	3,325	6
City Fund	44,978	45,548	570	1
Bridge House Estates	21,577	21,596	19	1
<b>Total Property Investment Income</b>	<b>119,569</b>	<b>123,483</b>	<b>3,914</b>	<b>3</b>
<b>Interest on Cash Balances</b>				
City Fund	3,000	4,500	1,500	50
City's Cash	300	200	(100)	(33)
Bridge House Estates	100	100	0	0
<b>Total Interest on Cash Balances</b>	<b>3,400</b>	<b>4,800</b>	<b>1,400</b>	<b>41</b>
<b>Grand Total</b>	<b>122,969</b>	<b>128,283</b>	<b>5,314</b>	<b>4</b>

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<b>Committee(s)</b>	<b>Dated:</b>
Finance Committee – For Information	21/11/2017
<b>Subject:</b> Chamberlain’s Department Risk Management – Quarterly Report	<b>Public</b>
<b>Report of:</b> Chamberlain	<b>For Information</b>
<b>Report author:</b> Hayley Hajduczek, Chamberlain’s Department	

## Summary

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

Risk is reviewed regularly by the departmental Senior Leadership Team as part of the ongoing management of the operations of the Chamberlain’s department.

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

- **CR19 – IT Service Provision (Current Status: RED)**
- **CR16 – Information Security (Current Status: AMBER)**
- **CR23 – Police Funding Risk (Current Status: AMBER)**

The Senior Leadership Team continues to monitor closely the progress being made to mitigate these risks. Delivery of the IT Transformation Project continues with many workstreams delivered by the end of 2017. The completion of the project will ensure sustainable performance improvements across the organisation.

## Recommendation(s)

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

## Main Report

### Background

1. The Risk Management Framework of the City of London Corporation requires each Chief Officer to report regularly to Committee the key risks faced in their department. Finance Committee has determined that it will receive the Chamberlain’s risk register on a quarterly basis with update reports on RED rated risks at the intervening Committee meetings.
2. Chamberlain’s risk management is a standing agenda item at the monthly Departmental Senior Leadership Team (SLT) meeting, over and above the suggested quarterly review. SLT receives the risk register for review, together with a briefing note highlighting any changes since the previous review. Consideration is

also given as to whether there are any emerging risks for inclusion in the risk register within Divisional updates on key issues from each of the Directors, ensuring that adequate consideration is given to operational risk.

3. Between each SLT meeting, risk and control owners are consulted regarding the risks for which they are responsible, with updates captured accordingly.

### **Identification of new /emerging risks**

New and emerging risks are identified directly by the Senior Leadership Team as part of the monthly review process.

### **Summary of Risks**

4. The Chamberlain's department currently has three corporate risks and two risks on the departmental risk register, attached as Appendix 1 to this report, assessed as 2 RED risks, 3 AMBER risks. These are:

#### **CR19 – IT Service Provision (Current Risk: Red – no change)**

The Procurement of the Local Area Network hardware is now complete. The IT team have awarded the contract based on LAN design, build and support. Remedial works continues to improve service availability before new solution is introduced across the City Corporation and City of London Police. The Wide Area Network work is slightly behind schedule however, the implementation phase has begun. The risk is expected to reduce to Amber by December 2017 followed by steady progress to Green in the following months.

#### **CR16 – Information Security (Current Risk: Red – no change)**

The team have now completed the following works to improve the security threat to information:

- Managing user privileges
- Improved remote access arrangements
- User education and awareness.

Following a penetration test by an external company the IT team have developed and implemented a fix for all identified security gaps. Work continues to decommission aged and vulnerable equipment, to be completed in December 2017.

#### **CR23 – Police Funding (Current Risk: Amber – no change)**

Monitoring of the CoLP forecast is ongoing and the Force are mitigating unmet savings targets and cost variances from underspends resulting from vacant posts. The outturn position will continue to be monitored throughout 2017/18. The forecast drawdown on reserves is currently £100k which would leave a closing balance of £3.4m.

### **CHB012 – Value for Money (Current Risk: Amber – no change)**

A Chief Officer Peer Review process continues exploring how Chief Officers can improve innovation, collaboration, and agility within working practices, expecting to reach completion by the end of the financial year. These sessions will inform medium term business plans to help achieve requirements of the Corporate Efficiency and Sustainability Plan and accommodate continuous budget reductions for 3 years starting from 2018/19.

Value for Money challenge is now embedded in the business planning process with an annual self-certification from departments forming part of the suite of supporting documents.

### **CHB FS004 – Management Information Provision (Current Risk: Amber – no change)**

This is a new risk emerging following the completion of the main Oracle implementation objectives. This risk covers a lack of relevant management information to Members, Chief Officers and budget holders leading to in delays to decision making or poor decision making. This leads to processes for financial management fail to direct resources appropriately to priorities. A project manager has been appointed to lead the development of management information in conjunction with the implementation of forecasting within Oracle. Progress is being made in defining the scope of management information required. Dashboards have been developed for inclusion in departmental Business Plans.

### **Other changes since last report**

#### **CHB IT011 – IT Service Outage (Current Risk: closed)**

This risk was seen to be a duplication of CR19 for IT Service Provision, as such the risk has been removed from the register.

### **Conclusion**

5. Members are asked to note the actions taken to manage these departmental and corporate risks in relation to the operations of the Chamberlain's Department.

### **Appendices**

- Appendix 1 Chamberlain's Department Detailed Risk Register

### **Background Papers**

Monthly Reports to Finance Committee: Finance Committee Risk

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# CHB Corporate and departmental risks - detailed report

Report Author: Hayley Hajduczek

Generated on: 06 November 2017

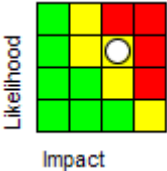
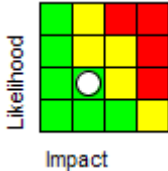



Risk no, title, creation date, owner	Risk Description (Cause, Event, Impact)	Current Risk Rating & Score		Risk Update and date of update	Target Risk Rating & Score		Target Date	Current Risk score change indicator
<b>CR16 Information Security</b>  22-Sep-2014  Peter Kane	<p><b>Cause:</b> Breach of IT Systems resulting in unauthorised access to data by internal or external sources. Officer/ Member mishandling of information.</p> <p><b>Event:</b> Cybersecurity attack - unauthorised access to COL IT systems. Loss or mishandling of personal or commercial information.</p> <p><b>Effect:</b> 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>	Likelihood  Impact 	16	Following key tasks have now been completed: <ul style="list-style-type: none"> <li>managing user privilege</li> <li>remote access</li> <li>User education and awareness.</li> </ul> Following a penetration test by an external company the IT team have developed and implemented a fix for all identified security gaps.  Work is continuing to complete the implementation of the action plan patching equipment and decommissioning aged and vulnerable equipment. This work will be completed by the 10th Dec 2017.	Likelihood  Impact 	8	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	25-Oct-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 to execute mitigating actions from plan in place.	Gary Brailsford-Hart	25-Oct-2017	30-Apr-2018
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	25-Oct-2017	30-Apr-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
CR19 IT Service Provision  14-Jul-2015 Sean Green	<p><b>Cause:</b> The whole Police IT Estate and parts of the Corporation are in need of further investment.</p> <p><b>Event:</b> For the Corporation, poor performance of IT Service and for the Police critical failure of the Police IT Service.</p> <p><b>Effect:</b> 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	<p>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.</p> <p><b>25 Oct 2017</b></p>	<p>Likelihood</p> <p>Impact</p>	6	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 has been procured. IT have awarded the contract for the LAN design, build and support. The WAN is slightly implementation is now underway.	Sean Green	25-Oct-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	25-Oct-2017	31-Dec-2017
CR19e	This is the first phase of the revised project to fully replace ageing unsupportable networking hardware from the City and City Police's infrastructure.	Implementation phase is in progress.	Sean Green	25-Oct-2017	31-Mar-2018
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	25-Oct-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
CR23 Police Funding  21-Nov-2016  Peter Kane	<p><b>Cause:</b> Reduction in government funding and growing demand in Policing services leading to pressures for the City Fund -Police.</p> <p><b>Event:</b> 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><b>Effect:</b> 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>		12	<p>The Medium Term Financial Plan indicated a growing deficit in funding Police services £1.6m.</p> <p>Deloitte review into Police value for money and efficiency has been reported to Police and Finance Committees and indicates that further savings are possible. Police colleagues have identified short term savings of £400k and a wider response to medium term and long term opportunities are currently being developed.</p>		4	31-Mar-2018	
				30 Oct 2017				

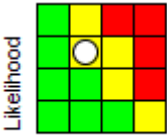
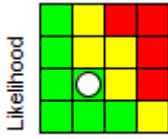

Action no, Action owner	Description	Latest Note	Managed By	Latest Note Date	Due Date
CR23a	Limited opportunities in 2017/18 to make in year savings against front line police officer budgets without impacting adversely on delivery of key policing plan objectives. Police staff numbers subject to further scrutiny as part of in-year savings exercise.	Chief Officer Cash Limited Budgets include a savings target of £1.2m against the non-pay budget of £29.3m. The force has managed to secure savings of £0.33m against Repair and Maintenance, Travelling Expenses, Tasking and Core Directorate Overtime Budgets; however, this currently falls short of the savings target by £0.87m.	Michelle King	30-Oct-2017	31-Mar-2018
CR23b	Exhaust the Police Reserves by 31 March 2018	The actual drawdown on reserves in 2016/17 was £0.6m, an improvement of £2m compared to the forecast position. Current anticipated year-end draw down in 2017/18 is £1.6m; leaving Reserve balance of £1886k.	Philip Gregory; Michelle King	30-Oct-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>Completed - The Deloitte review into Police value for money and efficiency has been completed and reported to Police Committee and Finance Committee.</p> <p>Police colleagues have prepared an action plan for quick wins identifying £400k of savings, which was agreed by Police Committee and Efficiency &amp; Performance Sub Committee in September.</p> <p>Longer term actions are yet to be agreed. Police and Chamberlain's are currently discussing the size of the transformation team to lead the work. The Deloitte review identified potential further opportunities for savings through greater use of shared service- see separate action CR23e below.</p>	Caroline Al-Beyerty; Alistair Sutherland	30-Oct-2017	31-Aug-2017
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-Oct-2017	31-Mar-2018

CR23e	Efficiency and Performance Sub Committee commissioned a review of shared services.	The scope of the review is currently being agreed.	Caroline Al-Beyerty; Alistair Sutherland	01-Nov-2017	31-Dec-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
<b>CHB FS001 Value for Money (VFM)</b>  21-Nov-2016 Caroline Al-Beyerty; Peter Kane	<b>Cause:</b> The City Corporation needs to be able to demonstrate it is achieving value for money in all its areas of expenditure. <b>Event:</b> Reduced funding available to the City Corporation emphasises the need to use funds in a way that achieves value for money. <b>Effect:</b> City Corporation will be unable to demonstrably achieve progress on obtaining value for money, significantly impacting on both service delivery levels and reputation.	 Likelihood	12	VFM challenge is now embedded in the business planning process with an annual self assessment of performance on VFM from service departments. Feedback from the pilot in DCCS will be used to provide guidance to support the process.  The Peer Review process is now underway and is expected to complete by 31 March with outputs included in the business plans for department showing better alignment of activities to outcomes.  A programme of VFM probes into particular service areas or topics will be drawn up in the next month. In response to areas identified during the service based review two probes have been commissioned.	 Likelihood	4	31-Mar-2018	
		Impact		1. A thematic review of the findings from the facilities management review, reported to this cttee and  2. An efficiency review of library services has recently commenced, following the policy decision not to reduce the number of libraries.  <b>25 Oct 2017</b>	Impact			



Action no, Action owner	Description	Latest Note	Managed By	Latest Note Date	Due Date
CHB FS001b	VFM to be embedded in the Business Planning process, including an annual self—assessment of performance on VFM by service departments which highlights areas requiring improvement, open to scrutiny by Service Committees and Efficiency & Performance Sub-Committee.	VFM challenge embedded in the Business Planning process with an annual self—assessment of performance on VFM by service departments. This is included in the Business Planning advice going out in October to all department leads. A pilot of the self -assessment is being carried out by DCCS.	Mark Jarvis	25-Oct-2017	31-Dec-2017
CHB FS001c	Detailed post-SBR Efficiency Plan to be drafted and implemented, including a framework that would incorporate continuous improvement savings and a rolling review programme to secure more radical changes in efficiency and effectiveness.	<p>The pilot for the Chief Officer Peer Review has now been completed and the methodology has been refined for the wider roll out. Sessions began in September, with the intention of completing the Peer Review by March 2018. These sessions will help Chief Officers develop their business plans to make efficiency savings or generate income to help meet the annual 2% continuous improvement requirements of the Efficiency and Sustainability Plan and achieve better alignment of activities to the outcomes in the corporate business plan.</p> <p>An Efficiency and Sustainability Plan update paper will be reported to Efficiency and Performance Sub-Committee in November 2017. This paper will provide Members with an update on the Chief Officer Peer Review and the review of Central Risk items and how they support departments preparation for the annual 2% continuous improvement budget reductions from 2018/19. The outcomes of the Chief Officer Peer Review will be reported to Efficiency and Performance Sub-Committee in quarter 1 of the 2018/19 financial year.</p>	Geoff Parnell	03-Nov-2017	31-Mar-2018
CHB FS001d	Build a programme of VFM probes into specific service or cross.	<p>In response to areas identified during the service based review two probes have been commissioned.</p> <ol style="list-style-type: none"> <li>1. A thematic review of facilities management review, reported to this cttee and</li> <li>2. An efficiency review of library services has recently commenced, following the policy decision not to reduce the number of libraries.</li> </ol>	Caroline Al-Beyerty	03-Nov-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
<b>CHB FS004 Management Information Provision</b>  13-Jun-2017 Philip Gregory	<b>Cause:</b> Lack of relevant management information to Members, Chief Officers and budget holders results in delays to decision making or poor decision making. Knock on impact results in resources not being correctly prioritised. <b>Event:</b> Systems are not in place to support effective financial forecasting of revenue budgets and capital projects. <b>Effect:</b> processes for financial management fail to direct resources appropriately to priorities.	 Likelihood Impact	6	A project manager has been appointed to lead the development of management information in conjunction with the implementation of forecasting within Oracle. Progress is being made in defining the scope of management information required.  <b>26 Oct 2017</b>	 Likelihood Impact	4	31-Mar-2018	

Action no, Action owner	Description	Latest Note	Managed By	Latest Note Date	Due Date
CHB FS004a	Agree a corporate suite of management information dashboards to include in Departmental Business Plans.	Dashboards have been developed across consistent themes and in a house style for inclusion in Q2 departmental business plans. These are to be augmented by departmental specific metrics where desired.	Simon Whelan	23-Oct-2017	01-Feb-2018
CHB FS004b	Phased roll-out of PA (Projects) forecasting with finance teams taking the lead in providing training and support for project managers.	A baseline forecast has been established in Oracle for all projects as at 21st March 2017 and forecasting in Oracle has been rolled out corporate wide with first corporate forecast being used for medium term financial plan reporting to Members in November. Finance staff have provided hands on training for their project managers on forecasting. Chamberlain's will also be providing training in financial management of projects as part of the corporate project manager training being developed with the Town Clerks Project office. New project reports are being finalised by the capital team in conjunction with the Oracle team which will significantly improve financial management information.	Julie Smith	26-Oct-2017	31-Jan-2018
CHB FS004c	Phased roll-out of GL (Revenue) forecasting with finance teams taking the lead in providing training and support for budget managers.	Profiling is now BAU. Good progress has been made on forecasting with all but the Police Department having up to date forecasts for revenue budgets in Oracle. The deadline of end of November should be achievable. Regular revenue training sessions are being developed for all existing budget holders and new budget holders.	Julie Smith	26-Oct-2017	31-Dec-2017
CHB FS004d	Financial management information requirements to be harvested across the organisation with an aim of ensuring that managers have the information they need to make good quality decisions.	Following a series of meetings with finance business partners across the organisation, management information requirements have been collected and will be assessed, prioritised and resourced before being fed into delivery workplans.	Simon Whelan	23-Oct-2017	31-Dec-2017
CHB FS004e	Establish mechanisms to ensure that departmental management information practises are up to date and in line with current best practice.	Research on current best practice and the art of the possible is underway with an aim of ensuring that departmental management information practices and techniques are up to date.	Simon Whelan	23-Oct-2017	01-Feb-2018

<b>Committee(s):</b>	<b>Date:</b>
Finance Committee	21 November 2017
<b>Subject:</b> Financial Services Division – Quarterly Update	<b>Public</b>
<b>Report of:</b> The Chamberlain	<b>For Information</b>
<b>Report author:</b> Caroline Al-Beyerty	

## Summary

Over the last quarter, Financial Services Division has been delivering well on work plans. On the division’s key performance indicators, progress is very good. There is only one amber indicator- the number of freedom’s in the last quarter, which is marginally behind target.

Key highlights from the last quarter have been:

- Achievement of earlier accounts production
- Successful piloting of the Chief Officer Peer review process
- Progress with the Facilities Management review; in particular, reporting on the findings from a thematic review of maintenance across sites.

## Recommendation

Members are asked to note the report.

## Main Report

1. The key performance indicators in the Chamberlain’s business plan for the division relevant for the last quarter (July - September) are set out in Appendix 1. The one amber area relates to income from freedom ceremonies. The target is to exceed the number of freedoms in the same period on the previous year. By month six, 795 people have been admitted to the freedom compared to 857 for the same time last year. However, the last quarter (July to September) shows 394 people admitted to the freedom compared to 400 in the same quarter last year, so it appears numbers are catching up. To improve the diversity of freedom applications, work continues on targeted initiatives.
2. A few key areas to draw out from the division’s work over the last quarter:
3. The trial of **closing the accounts early**, i.e. production of draft statements for the City Fund and Pension Fund by 31 May, worked well. The accounts were handed to the external auditors and their audit was largely complete by Audit and Risk Management Committee in July. The Bridge House Estates accounts were completed earlier than planned and the external auditors were able to present their work at the Audit and Risk Management Committee in July. City’s Cash

accounts were completed earlier than in previous years, although two weeks behind initial schedule. The accounts were handed to the external auditors in a more complete form than has been achieved previously. A full lessons learned exercise will be completed in preparation for closing the 2017/18 accounts for all funds. The City Fund and Pension Fund, Bridge House Estates and City's Cash audits are now complete and have been approved by Audit & Risk Management and Finance Committees following a number of Member briefings. Planning is now underway for closing of the 2017/18 accounts to ensure the early closing deadlines for City Fund and Pension Fund are met.

4. The Deloitte review into **Police value for money** and efficiency has been reported to Police and Finance Committees and indicates that further savings are possible. Police colleagues have identified short term savings of £400k and a wider response to medium term and long-term opportunities is currently being developed.
5. On the **Service Based Review Cross Departmental Workstreams**, the **Efficiency and Sustainability Plan** sets out a framework that incorporates continuous improvement savings, with the Chief Officer Peer Review programme currently underway to help secure more radical changes in efficiency and effectiveness, alongside a limited number of cross-cutting reviews. The key aspects are:
  - An across the board light touch continuous improvement target reducing departmental budgets by 2% from 2018-19.
  - A rolling programme of Chief Officer Peer Reviews to help identify more value for money and continuous improvements.
  - A review of central risk items.
6. The pilot for the **Chief Officer Peer Review** has now been completed and the methodology has been refined for wider roll out. Sessions began in September, with the intention of completing the Peer Review by March 2018. These sessions will help Chief Officers develop their business plans to make efficiency savings or generate income to help meet the annual 2% continuous improvement requirements of the Efficiency and Sustainability Plan and achieve better alignment of activities to the outcomes in the corporate business plan, including cross departmental working on the 'big issues' for the Corporation and London e.g. air quality.
7. The **FM Review Project** continues to make steady progress. The reviews at City of London Police and Tower Bridge are now complete and in the implementation phase and a final workshop is being organised for the 3 Independent Schools. Further reviews have now been initiated and a draft report will be presented to the FM & AM Review Project Board at the end of this month on Libraries and further reports at the end of December will be made for Open Spaces and Housing.
8. In addition to these site-specific reviews, the FM Review Project Team has concluded a review of FM Maintenance services across the corporation and a review of the interfaces between the City Surveyor's Operations Department and departments using corporate FM services. The implementation tasks for the completed reviews are being monitored closely by the Project Board and a regular summary highlight report will continue to be made to the Strategic Resources Group and Summit as required. A further update will also be made to the Efficiency and Performance Sub-Committee and Corporate Asset Sub-Committee in November.

We remain confident that the 2017/18 SBR target of £440k will be met. The target for 2018/2019 remains challenging (£800k Facilities Management and £200k Asset Management), however this target should still be achievable.

9. Work is underway to improve the quality and quantity of financial **management information** produced for both management teams and committee reporting. The Chamberlain's Finance Dashboard for Q1 of 2017/18 was presented to this Committee in July and is refreshed and updated for Q2 with an additional emphasis on aiding visual interpretation of key metrics such as:
- Departmental spend to Q2 against profiled budget with forecast of full-year position.
  - Variance of forecast outturn from full-year budget for team / activity area.
  - Spend to Q2 against budget for key departmental projects.
  - Any additional metrics as required.

## **Conclusion**

10. Progress has been good over the last quarter across the division's work programme. The focus for the next quarter will be budget estimates and the Corporation's medium term financial planning both for business as usual and proposed capital schemes.

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FSD KPI's Balanced Scorecard 2017/18							
				Quarterly update			
	Measure	2016/17 performance	2017/18 target	Qtr 1	Qtr 2	Qtr 3	Qtr 4
Business Rates collection	% collected (cumulative)	99%	99.75%	31.2% (target 30%)	tba% (target 59%)	% (target 85%)	%
Commercial Rent collection	% collected	98%	98%	97.95%	98.95%		
Implementation of 2017/18 FSD SBR savings				Status:			On target
Publication of City Fund Accounts within Statutory Deadline				Status:			Complete
Delivery of a balanced budget and Medium Term Financial Plan for City Fund, approved by Court of Common Council by 31 March				Status:			On target
PO Compliant Invoices	Percentage	97%	96%	96%	97%	%	%
Income from Chamberlains Court : Freedoms	Number of freedoms/period compared to same period in previous years (cumulative)	1,678	1,700	406 (target 425)	795 (target 850)	(target 1275)	(target 1,700)
Professionally qualified accountancy staff as a % of total finance staff undertaking reporting, controls and decision support processes (measured annually)	CIPFA Indicator FS1	25.7%	25%	tba			Annually
Provide a high quality service to our customers (measured annually)	Annual customer survey – Average lowest score	7.15	7.5	tba			Annually
Increased staff engagement (measured annually)	Percentage of positive responses to Staff Survey Q4: "I understand how my work helps the Chamberlain's Department to achieve its objectives"	87%	90%	tba			Annually

<b>Committee:</b> Finance Committee	<b>Dated:</b> 21 November 2017
<b>Subject:</b> Central Contingencies	<b>Public</b>
<b>Report of:</b> Chamberlain	<b>For Information</b>
<b>Report author:</b> Philip Gregory	

### Main Report

1. Service Committee budgets are prepared within the resources allocated by the Policy and Resources Committee and, with the exception of the Policy and Resources Committee, such budgets do not include any significant contingencies. The budgets directly overseen by the Finance Committee therefore include central contingencies to meet unforeseen and/or exceptional items that may be identified across the City Corporation's range of activities. Requests for allocations from the contingencies should demonstrate why the costs cannot, or should not, be met from existing provisions.
2. In addition to the central contingencies, the Committee has a specific City's Cash contingency of £100,00 to support humanitarian disaster relief efforts both nationally and internationally, which has been fully committed for 2017/18.
3. The uncommitted balances that are currently available are set out in the table below. At the time of preparing this report there are no requests for funding elsewhere on the agenda.

2017/18 Contingencies – Uncommitted Balances at 6 November 2017				
	City's Cash	City Fund	Bridge House Estates	Total
	£'000	£'000	£'000	£'000
General Contingencies	409	103	22	534
National and International Disasters	0	0	0	0
<b>Uncommitted Balances</b>	<b>409</b>	<b>103</b>	<b>22</b>	<b>534</b>
Requests for contingency allocations	0	0	0	0
<b>Balances pending approval</b>	<b>409</b>	<b>103</b>	<b>22</b>	<b>534</b>

4. The sums which the Committee has previously allocated from the 2017/18 contingencies are listed in Appendix 1.

## Recommendation

5. Members are asked to note the contents of this report.

### Appendices

- Appendix 1 – Allocations from 2017/18 contingencies

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**2017/18 General Contingency – City’s Cash**

Date	Description	Responsible Officer	Allocation £	Balance £
	2017/18 Provision			950,000
	2016/17 Provision brought forward to fund allocations agreed in previous years			85,000
	Total Provision			1,035,000
21 Oct 2014	Up to £98,500 in match funding (in partnership with the Mercers' Company) for a biography of Sir Thomas Gresham phased over 5 years	TC	60,000	
17 Feb 2015	Grant funding for The Honourable The Irish Society (£25,000 p.a. for 2014/15 and 2015/16) with payment of the grant conditional upon the purchase of the land for development which was delayed until 2016/17	TC	25,000	
2 May 2017	Funding of £375k towards the CoL and CoL Police IT project (£70,000 City’s Cash, £290,000 City Fund and £15,000 Bridge House Estates).	CHB	70,000	
6 June 2017	Funding of £140,000 for three additional posts in the Public Law Division of the Comptroller and City Solicitor’s Department (£97,000 City Fund, £36,000 City’s Cash and £7,000 Bridge House Estates).	C&CS	36,000	
25 June 2017 (Urgency)	Funding of up to £50,000 towards the Beech Street project to explore its potential uses	CS/CLSG	50,000	
1 Aug 2017 (Urgency)	Funding of approximately £60,000 for additional posts in Town Clerks	TC	60,000	

Appendix 1 2017/18 Contingencies

Date	Description	Responsible Officer	Allocation £	Balance £
17 Oct 2017 (Urgency)	Funding of £275,000 towards a feasibility study in relation to a proposed new combined court feasibility study	TC/CS	275,000	
18 Oct 2017 (Urgency)	Funding of £50,000 towards a feasibility study for a possible investment scheme in subsidised accommodation for teachers	TC	50,000	
	Total allocations agreed to date			626,000
	Balance remaining prior to any requests that may be made to this meeting			409,000

**2017/18 General Contingency – City Fund**

Date	Description	Responsible Officer	Allocation £	Balance £
	2017/18 Provision			800,000
	2016/17 Provision brought forward to fund allocations agreed in previous years			0
	Total Provision			800,000
17 Feb 2015	Funding of £142,000 towards an appeal regarding Greater London Authority Roads (£84,000 for 2014/15 and £58,000 for 2015/16)	C&CS/CS	15,000	
19 Jan 2016	Additional funding towards the Greater London Authority Roads appeal	C&CS/CS	80,000	
12 Apr 2017 (Urgency)	Funding for the CoL and CoL Police IT project towards Security Assurance Testing	CHB	90,000	

Appendix 1 2017/18 Contingencies

Date	Description	Responsible Officer	Allocation £	Balance £
2 May 2017	Funding of £375k towards the CoL and CoL Police IT project (£70,000 City's Cash, £290,000 City Fund and £15,000 Bridge House Estates)	CHB	290,000	
6 June 2017	Funding of £140,000 for three additional posts in the Public Law Division of the Comptroller and City Solicitor's Department (£97,000 City Fund, £36,000 City's Cash and £7,000 Bridge House Estates)	C&CS	97,000	
25 June 2017 (Urgency)	Funding of up to £50,000 towards the Beech Street project to explore its potential uses	CS/CLSG	50,000	
12 Sept 2017	Funding of £75,000 to Central London Forward to mitigate the loss of ESF grant award	CHB	75,000	
	Total allocations agreed to date			697,000
	Balance remaining prior to any requests that may be made to this meeting			103,000

**2017/18 General Contingency – Bridge House Estates**

Date	Description	Responsible Officer	Allocation £	Balance £
	2017/18 Provision			50,000
2 May 2017	Funding of £375k towards the CoL and CoL Police IT project (£70,000 City's Cash, £290,000 City Fund and £15,000 Bridge House Estates).	CHB	15,000	
6 June 2017	Funding of £140,000 for three additional posts in the Public Law Division of the Comptroller and City Solicitor's Department. Split £97,000 City Fund, £36,000 City's Cash and £7,000 Bridge House Estates.	C&CS	7,000	
	Total allocations agreed to date			28,000
	Balance remaining prior to any requests that may be made to this meeting			22,000

**2017/18 National & International Disasters Contingency – City's Cash**

Date	Description	Responsible Officer	Allocation £	Balance £
	2017/18 Provision			100,000
24 May 2017	Red Cross and Manchester City Councils 'We love Manchester Appeal'	TC	25,000	
1 Sept 2017	Red Cross South Asia Floods Emergency Appeal	TC	25,000	
12 Sept 2017	Red Cross Hurricane Irma Emergency Appeal	TC	25,000	
19 Sept 2017	Red Cross Myanmar Appeal	TC	25,000	
	Total allocations agreed to date			100,000
	Balance remaining prior to any requests that may be made to this meeting			0

Key to Responsible Officers:

CS – City Surveyor

TC – Town Clerk

C&CS – Comptroller and City Solicitor

CHB – Chamberlain

CLSG – Headmistress of the City of London School for Girls

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<b>Committee(s)</b>	<b>Dated:</b>
Finance Committee – For Information	<b>21 November 2017</b>
<b>Subject:</b> Tender for External Auditor	<b>Public</b>
<b>Report of:</b> The Chamberlain	<b>For Information</b>
<b>Report author:</b> Philip Gregory, Deputy Director, Financial Services	

## Summary

Under the statutory framework for local public audit the Corporation must appoint an external auditor for the City Fund and Pension Fund by 31 Dec 2017 for the audit of the accounts of the 2018/19 financial year. The Corporation decided to progress with a single procurement process to appoint the same external auditor for all funds at the meeting of the Audit and Risk Management Committee on 7 Feb 2017, re-establishing an Independent Audit Appointment Panel (IAAP) as required under the Local Audit and Accountability Act 2014.

This report provides further information on the procurement process followed so far and the route to awarding the contract by the deadline of 31 Dec 2017.

## Recommendation(s)

Members are asked to:

- Note the report.

## Main Report

### Background

1. In 2012 the Audit and Risk Management Committee concluded that, following the abolition of the Audit Commission, it would be beneficial to have the same auditor across funds. As an interim measure Members resolved to re-tender the contract for the non-local authority funds to be co-terminus with the expected end in 2016/17 of the Audit Commission regime for local authority funds thereby facilitating a single procurement process for the audit of all funds. However, in 2015 the Government decided to extend the transitional arrangements put in place after the Audit Commission was abolished by a year to cover the audit of the 2017/18 accounts.
2. Under the new arrangements put in place by the Local Audit and Accountability Act 2014 (the Act) the City Corporation must appoint an external auditor for the City Fund and Pension Fund by 31 December 2017 for the audit of the accounts of the 2018/19 financial year.

3. In Feb 2017 the Audit and Risk Management Committee decided to undertake an individual procurement and appointing exercise This allowed the Corporation the flexibility to combine the procurement and appointment of both the local authority and non-local authority audits into a single exercise. Tenders would be sought under a single contract for all funds.
4. To comply with the statutory requirements the Independent Audit Appointment Panel (IAAP) was re-established. The statutory framework for local public audit requires the auditor panel to advise the authority on:
  - the selection and appointment of the auditor;
  - Whether the authority should adopt a policy on obtaining non-audit services from the auditor, including the contents of such a policy;
  - Any proposal by the authority to enter into a liability limitation agreement;
  - Maintaining an independent relationship with its auditor; and
  - The outcome of any investigation of an auditor's resignation from office, if this occurs, or on any proposal to remove a local auditor from office.

### **Current Position**

5. The IAAP met in May 2017 for consultation on the Invitation To Tender (ITT) documents following which the ITT was live during July 2017. A competition under the Crown Commercial Service ConsultancyONE framework was conducted, resulting in four tenders being submitted during Aug 2017. The tenders were evaluated with the following price/technical split: Price 30% and Technical 70%.
6. All submissions were evaluated by the IAAP which consisted of two Independent members of the Audit & Risk Committee and an elected Member. Each bidder was then invited to a clarification meeting on 9 Oct 2017 following which a winning bidder has been selected.
7. The winning bidder's tender submission was very well received by the evaluation panel and this was further confirmed following bidder clarification meetings. The key points are:
  - Experience of delivering audit services for Local Authorities;
  - Identified the key issues facing the City of London in relation to audit services;
  - Will be providing a high quality skills mix within their project team;
  - Provided high quality submission in relation to their audit planning and with particular regard to the accelerated statutory timetable for local government and the Corporation's aspiration to achieve a more harmonised and accelerated timetable across all its funds.
8. A report will be presented to Court of Common Council for their approval on 7 Dec 2017. Following this the timetable for confirming the award of the contract will be:
  - Publish Alcatel letters: 8 Dec 2017
  - Contract Award: 18 Dec 2017
  - Contract go live: 1 Jan 2018



## **Conclusion**

9. A process has been undertaken to establish an IAAP to award the contract for the appointment of an external auditor for the City Fund and Pension Fund by the statutory deadline of 31 Dec 2017. The Corporation decided to progress with a single procurement process to appoint the same external auditor for all funds.
10. The contract award will be presented to Court of Common Council on 7 Dec 2017 for their approval, enabling the contract to go live from 1 Jan 2018.

## **Appendices**

- None

## **Background Papers**

- Interim Report on the Audit of the Non Local Authority Funds, Audit and Risk Management Committee 7 Mar 2012;
- Local Public Audit – update, Audit and Risk Management Committee 14 June 2012;
- Audit of Non-City Fund Accounts, Audit and Risk Management Committee 12 July 2012;
- Appointment of Non-Local Authority Funds Auditors, Audit and Risk Management Committee 20 Sept 2012;
- Local Audit and Accountability Bill, Audit and Risk Management Committee 25 June 2013;
- External Audit Arrangements, Audit and Risk Management Committee 7 Feb 2017.

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<b>Committee(s):</b>	<b>Date(s):</b>
Finance – For Decision	21 Nov 2017
<b>Subject:</b>	<b>Public</b>
Discretionary Council Tax Discounts and Exemptions	
<b>Report of:</b>	<b>For Decision</b>
Chamberlain	
<b>Report author:</b>	
Carla-Maria Heath	

### Summary

Since the financial year 2013/14 local authorities have had the power to grant discretionary discounts from council tax of any amount up to 100%. There have been individual applications for such discounts on various grounds and the consideration of these has been delegated to the Chamberlain.

However, local authorities are being urged to assist care leavers as a particularly vulnerable group within the community. Also, with the introduction of Universal Credit by the Department for Work and Pensions, many tax payers do not realise that they have to apply separately for council tax support (CTS) that replaced council tax benefit and consequently are applying late; it has not been possible to backdate the CTS.

This report proposes to exempt care leavers from council tax and to provide discretionary discounts to council tax payers in receipt of CTS where CTS cannot be backdated or in other exceptional circumstances where the tax payer is vulnerable. The cost for both groups is unlikely to exceed £12,000 in any one year.

### Recommendation(s)

Members are asked to:

- Agree that from the financial year 2017/18 100% discretionary discounts be awarded to care leavers within the City up to the age of 25 under Section 13A of the Local Government Finance Act 1992 subject to liability considerations;
- Agree from the financial year 2017/18 to award discretionary discounts under Section 13A of the Local Government Finance Act 1992 to provide CTS in exceptional circumstances as set out in paragraphs 16 to 19;
- Delegate authority to the Chamberlain to administer the discounts.

## Main Report

### Background

1. Until 2013 there was a national Council Tax Benefit scheme to assist people on low incomes with their council tax bills. This was replaced by a locally determined Council Tax Reduction Scheme (CTRS) from the financial year 2013/14, referred to as council tax support (CTS). To protect residents on low incomes, the City Corporation adopted the Government's default scheme for the financial years 2013/14 to 2015/16 and since then has kept the CTRS in line with Government increases of benefits generally. This means that City residents may still obtain 100% CTS if eligible. Many local authorities have capped the amount of CTS at a lesser amount to all those of working age.
2. Those leaving the City Corporation's care may apply for CTS in the same way as any other council tax payer and if eligible, may receive 100% CTS. However, the CTS is not granted automatically and care leavers have to apply for support. Claim forms are quite complicated.
3. The Community and Children's Services Committee considered the situation with care leavers at its meeting in September and agreed in principle to them being exempted from council tax. For those leaving the City's care and placed in accommodation outside the City's boundaries this is not possible and the Committee agreed to provide grant to those care leavers to enable them to pay their council tax. Further information about the report is available if requested.
4. Following changes to the housing benefit regulations, the City CTRS does not allow CTS to be backdated more than one month from the date of application which has led to some claimants not receiving as much CTS as they might have previously. Formerly housing benefit could be backdated twenty six weeks.

### Current Position

5. Care leavers are recognised as being vulnerable and needing help to adjust to paying bills such as council tax. The City Corporation acts as a corporate parent to the children in its care and the principle of good parenting is to have the same aspirations and provide the same kind of care that good parents would provide for their own children. Young people leaving care have often had very difficult lives and they start living independently much earlier than their peers.
6. There are currently two care leavers who have left the City's care within the City; they are eligible to apply for CTS.
7. Earlier this year the Children's Commissioner for England wrote personally to the Chairman of Policy and Resources asking that care leavers within the City area be exempted from paying council tax. She said that "*children leaving*

*care often struggle with the new financial responsibilities of independence. Some are unaware they even need to pay Council Tax, others don't know how, and many tell me that Council Tax bills are an unexpected and onerous financial burden that can force them into arrears. Taking on new financial responsibilities is part of the move to independence for all young people but care leavers have to face these responsibilities much younger than most and often without family members to fall back on for guidance and support".*

8. In the current situation care leavers can apply for CTS and if eligible, will be awarded the appropriate amount. However, this would not necessarily be 100% support. Also as set out both in the Commissioner's letter and the Children's Society's report "The Wolf at the Door" often they will not know how to apply for help and council tax debts may increase.
9. Since the housing benefit backdating rules changed, CTS, mirroring housing benefit has also not been backdated for more than one month. This has led to arrears in some cases. The introduction of Universal Credit has added to the problem in that many applying for Universal Credit administered by the Department for Work and Pensions do not realise that they have to apply for CTS separately and when they do apply, the award cannot be backdated more than one month from the date of claim. There are also other exceptional cases of vulnerable people, often with mental health issues, who do not apply for CTS in time.
10. Both care leavers and others who do not apply for CTS in a timely manner are likely to be on very low incomes but the problems will only become apparent after recovery through the Magistrates' Court. Action by enforcement agents against these vulnerable individuals may ensue. Recovery action against such groups takes staff time for little gain while at the same time risking damage to the City Corporation's image.

## **Proposals**

### **Care Leavers**

11. It is proposed to exempt all care leavers up to the age of 25 from council tax. This is the statutory age at which authorities can no longer provide support; also the benefit regulations are less generous to those under the age of 25. This can be achieved by awarding discretionary discounts of 100% of council tax under the provisions of Section 13A of the Local Government Finance Act 1992. Applications would not need to be made and the discounts would be awarded on notification to the Chamberlain's Council Tax Section by the Children's and Community Services Department that a young person leaving the City's care has been placed in accommodation within the City. If it becomes apparent that the person would be eligible for Council Tax Support and has applied for Universal Credit, then the CTS would be awarded rather than the discount. There are likely to be around two cases each year.
12. It is possible that there are people leaving the care of other local authorities who are placed in accommodation within the City. These would not be known to the City Corporation but if they are identified, they should not be

discriminated against and it is proposed therefore that the discounts should apply to them as well. Such cases are rare and it is highly unlikely that there would be more than one case per year.

13. It is assumed that care leavers would be in Band C properties generally and to receive the discount, they would need to be the only person at the property liable for council tax and hence would receive 25% discount before the exemption is applied. This would result in less than £2,000 being awarded annually.
14. If other resident(s) move in and are liable for council tax, or the council tax liability changes in any other way, the discretionary discount would be adjusted as necessary to take into account the change in liability.

### **Other Council Tax Discounts to Supplement Council Tax Support**

15. It is also proposed to award discretionary discounts from council tax under Section 13A of the Local Government Finance Act 1992 in appropriate circumstances to supplement Council Tax Support. Generally this will be in order to backdate CTS where a claimant has claimed late or where there are issues with Universal Credit. There are unlikely to be many cases a year and £10,000 per annum should adequately cover all cases. This assumes that there are 20 claimants liable for Band D properties.
16. Other residents who may be liable for council tax or non dependants will be taken into account when awarding any discretionary discount and changes in circumstances will be taken into account.
17. It is proposed that the administration of these exemptions/discounts be delegated to the Chamberlain.
18. Several local authorities have either taken the decision to exempt care leavers or are planning to do so in the future. Most have a discretionary fund to top up council tax support. The City has never set up such a fund as it is possible for 100% council tax support to be awarded. However, with the changes to the backdating rules and the introduction of Universal Credit, it is now necessary to provide for discretionary discounts for CTS claimants in exceptional circumstances.
19. The amounts of discretionary discount granted both to care leavers and others to increase the amount of CTS would be reported annually to this Committee.

### **Implications**

20. The financial implications are small, unlikely to be more than £12,000 in total in any one year but the positive effects on the individuals could be great. Assistance would be provided to the most vulnerable in our society at a time when they are most in need. Council tax arrears would be avoided and people would be given a positive start, either as young adults leaving care or people in need of financial support who will be better able to manage their finances. To do nothing could bring considerable reputational risk to the City

Corporation with increased work but little gain in the amount of council tax collected.

## **Conclusion**

21. Members are asked to agree to the proposals to award 100% discretionary council tax discounts to care leavers without application, to award discretionary discounts to supplement Council Tax Support in certain other circumstances and to delegate the administration of these discounts to the Chamberlain.

## **Appendices**

None

## **Background Papers:**

None

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<b>Committee(s):</b>	<b>Dates(s):</b>
Planning & Transportation	14 <sup>th</sup> November 2017
Finance	21 <sup>st</sup> November 2017
Streets and Walkways Sub	24 <sup>th</sup> November 2017
Court of Common Council	7 <sup>th</sup> December 2017
<b>Subject:</b>	<b>Public</b>
Annual On-Street Parking Accounts 2016/17 and Related Funding of Highway Improvements and Schemes	
<b>Report of:</b>	<b>For Information</b>
Chamberlain	
<b>Report author:</b>	
Simon Owen, Chamberlain's Department	

## Summary

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

The purpose of this report is to inform Members that:

- the surplus arising from on-street parking activities in 2016/17 was £6.313m;
- a total of £3.421m, was applied in 2016/17 to fund approved projects; and
- the surplus remaining on the On-Street Parking Reserve at 31st March 2017 was £20.121m, which will be wholly allocated towards the funding of various highway improvements and other projects over the medium term.

## Recommendation

Members are asked to:

- Note the contents of this report for their information before submission to the Mayor for London.

## Main Report

### Background

1. Section 55(3A) of the Road Traffic Regulation Act 1984 (as amended), requires the City of London in common with other London authorities (i.e. other London Borough Councils and Transport for London), to report to the Mayor for London on action taken in respect of any deficit or surplus in their On-Street Parking Account for a particular financial year.

2. Legislation provides that any surplus not applied in the financial year may be carried forward. If it is not to be carried forward, it may be applied by the City for one or more of the following purposes:
- a) making good to the City Fund any deficit charged to that Fund in the 4 years immediately preceding the financial year in question;
  - b) meeting all or any part of the cost of the provision and maintenance by the City of off-street parking accommodation whether in the open or under cover;
  - c) the making to other local authorities, or to other persons, of contributions towards the cost of the provision and maintenance by them, in the area of the local authority or elsewhere, of off-street parking accommodation whether in the open or under cover;
  - d) if it appears to the City that the provision in the City of further off-street parking accommodation is for the time being unnecessary or undesirable, for the following purposes, namely:
    - meeting costs incurred, whether by the City or by some other person, in the provision or operation of, or of facilities for, public passenger transport services;
    - the purposes of a highway or road improvement project in the City;
    - meeting the costs incurred by the City in respect of the maintenance of roads at the public expense; and
    - for an “environmental improvement” in the City.
  - e) meeting all or any part of the cost of the doing by the City in its area of anything which facilitates the implementation of the Mayor’s Transport Strategy, being specified in that strategy as a purpose for which a surplus can be applied; and
  - f) making contributions to other authorities, i.e. the other London Borough Councils and Transport for London, towards the cost of their doing things upon which the City in its area could incur expenditure upon under (a)-(e) above.
3. In the various tables of this report, figures in brackets indicate expenditure, reductions in income or increased expenditure.

### 2016/17 Outturn

4. The overall financial position for the On-Street Parking Reserve in 2016/17 is summarised below:

	£m
Surplus Balance brought forward at 1st April 2016	17.229
Surplus arising during 2016/17	6.313
Expenditure financed during the year	(3.421)
<b>Funds remaining at 31<sup>st</sup> March 2017, wholly allocated towards funding future projects</b>	<b>20.121</b>

5. Total expenditure of £3.421m in 2016/17 was financed from the On-Street Parking Reserve, covering the following approved projects:

<b>Revenue/SRP Expenditure:</b>	<b>£000</b>
Highway Resurfacing, Maintenance and Enhancements	(1,971)
Concessionary Fares and Taxi Card Scheme	(530)
Bank Junction Experimental Safety Scheme	(163)
Ring of Steel Compliance and Stabilisation	(125)
Beech Street Tunnel	(116)
Special Needs Transport	(93)
Planting Maintenance	(16)
Street Lighting Project	(3)
Off Street Parking Contribution to Reserves	233
<b>Total Revenue/SRP Expenditure</b>	<b>(2,784)</b>
<b>Capital Expenditure:</b>	
Aldgate	(531)
Bank Junction Experimental Safety Scheme	(72)
Barbican Podium Waterproofing – Phase 1	(15)
Milton Court Highway Works S278	(10)
Street Lighting Project	(5)
Barbican Area Strategy - Silk Street	(4)
<b>Total Capital Expenditure</b>	<b>(637)</b>
<b>Total Expenditure Funded in 2016/17</b>	<b>(3,421)</b>

6. The surplus on the On-Street Parking Reserve brought forward from 2015/16 was £17.229m. After expenditure of £3.421m funded in 2016/17, a surplus balance of £2.892m was carried forward to future years to give a closing balance at 31st March 2017 of £20.121m.
7. Currently total expenditure of some £69.428m is planned over the medium term up to 31st March 2022, by which time it is anticipated that the existing surplus plus those estimated for future years will be fully utilised. This total includes expenditures of £8.344m, £14.903m, £26.999m, £13.249m and £5.933m planned from 2017/18 until 2021/22 respectively, which are anticipated to reduce significantly the surpluses arising in those years.
8. The total programme covers a number of major capital schemes including funding towards the Barbican Podium Waterproofing and Highwalk Remedial Works, repairs to Holborn Viaduct & Snow Hill Pipe Subways, Street Lighting Project, Temple Area Traffic Review, Dominant House Footbridge Repairs, HVM Security Bollards & Security Team, Minorities car park structural monitoring/work, 'Ring of Steel' Compliance and Stabilisation and Bank Junction Experimental Safety Scheme.

9. The programme also covers ongoing funding of revenue projects including highway resurfacing, enhancements and road maintenance projects, concessionary fares and taxi cards, special needs transport, and contributions to the costs of Off-Street car parks. The progression of each individual scheme is, of course, subject to the City's normal evaluation criteria and Standing Orders.
10. A forecast summary of income and expenditure arising on the On-Street Parking Account and the corresponding contribution from or to the On-Street Parking Surplus, over the medium term financial planning period, is shown below:

<b>On-Street Parking Account Reserve</b>	<b>2016/17</b>	<b>2017/18</b>	<b>2018/19</b>	<b>2019/20</b>	<b>2020/21</b>	<b>2021/22</b>	<b>Total</b>
<b>Projections 2016/17 to 2021/22</b>	<b>Actual £m</b>	<b>Forecast £m</b>	<b>Forecast £m</b>	<b>Forecast £m</b>	<b>Forecast £m</b>	<b>Forecast £m</b>	<b>£m</b>
Income	9.3	16.6	16.4	16.5	8.9	9.0	76.7
Expenditure ( <i>Note 1</i> )	(3.0)	(4.0)	(4.0)	(4.0)	(3.0)	(3.1)	(21.1)
<b>Net Surplus arising in year</b>	<b>6.3</b>	<b>12.6</b>	<b>12.4</b>	<b>12.5</b>	<b>5.9</b>	<b>5.9</b>	<b>55.6</b>
Capital, SRP and Revenue Commitments	(3.4)	(8.3)	(14.9)	(27.0)	(13.3)	(5.9)	(72.8)
<b>Net in year contribution (from)/ to surplus</b>	<b>2.9</b>	<b>4.3</b>	<b>(2.5)</b>	<b>(14.5)</b>	<b>(7.4)</b>	<b>0.0</b>	<b>(17.2)</b>
(Deficit) / Surplus cfwd at 1 <sup>st</sup> April	17.2	20.1	24.4	21.9	7.4	0.0	
<b>(Deficit) / Surplus cfwd at 31<sup>st</sup> March</b>	<b>20.1</b>	<b>24.4</b>	<b>21.9</b>	<b>7.4</b>	<b>0.0</b>	<b>0.0</b>	

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

11. A noticeable increase in income generated from 2017-18 to 2019-20 is a result of the Bank Junction Experimental Safety Scheme. Depending upon future motorist's compliance and possible extensions to the current trial scheme timeframe, these income streams may need refining.
12. There is now a combined service for 'Civil Parking & Traffic Enforcement, including the Cash Collection Contract' which has resulted in on-going savings to the operating costs of the On-Street Parking Account.

## **Conclusion**

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

## **Consultees**

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

## **Background Papers**

15. Road Traffic Regulations Act 1984; Road Traffic Act 1991; GLA Act 1999 sect 282.
16. Final Accounts 2016/17.

### **Simon Owen**

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<b>Committee:</b> Finance Committee	<b>Date:</b> 21 November 2017
<b>Subject:</b> Decisions taken under Delegated Authority or Urgency since the last meeting of the Committee	<b>Public</b>
<b>Report of:</b> Town Clerk	<b>For Information</b>
<b>Report author:</b> John Cater, Town Clerk's Department	

## Summary

This report advises Members of action taken by the Town Clerk since the last meeting of the Committee, in consultation with the Chairman and Deputy Chairman, in accordance with Standing Order No. 41(b).

## Recommendation

Members are asked to note the report.

## Main report

### Finance Committee City Cash Contingency Fund for National and International Disaster Relief - Donation to the British Red Cross – Myanmar Appeal

#### Background

1. The British Red Cross is the United Kingdom body of the worldwide neutral and impartial humanitarian network the International Red Cross and Red Crescent Movement. The society was formed in 1870, and is a registered charity with more than 32,500 volunteers and 3,500 staff. At the heart of their work is providing help to people in crisis, both in the UK and overseas. The Red Cross is committed to helping people without discrimination, regardless of their ethnic origin, nationality, political beliefs or religion.
  
2. A recent surge of violence in Myanmar has seen around 379,000 people cross into Bangladesh in just a few weeks. Young and old are arriving exhausted, hungry and dehydrated. They join around 74,000 people already in the Cox's Bazar region of Bangladesh, living in makeshift camps and temporary shelters. Adding to the misery, Bangladesh is in the middle of a monsoon and terrible floods. The Red Cross and Red Crescent Movement is providing food, clean water, shelter and medical care and has launched its Myanmar Appeal to raise funds to enable it to help those in need.

#### Action Taken

3. The sum of £25,000 was donated via the Finance Committee City Cash Contingency Fund to the British Red Cross Appeal.

**Contact:**

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