



## Audit and Risk Management Committee

**Date:** TUESDAY, 15 JANUARY 2019  
**Time:** 1.45 pm  
**Venue:** COMMITTEE ROOMS, 2ND FLOOR, WEST WING, GUILDHALL

**Members:** Alderman Ian Luder (Chairman)  
Alexander Barr (Deputy Chairman)  
Hilary Daniels (Deputy Chairman – External Member)  
Randall Anderson  
Alderman Nick Anstee  
Chris Boden  
Anne Fairweather  
Marianne Fredericks  
Alderman John Garbutt  
Deputy Jamie Ingham Clark (Ex-Officio Member)  
Kenneth Ludlam (External Member)  
Paul Martinelli  
Caroline Mawhood (External Member)  
Jeremy Mayhew (Ex-Officio Member)  
Andrien Meyers  
John Petrie

**Enquiries:** Julie Mayer  
tel. no.: 020 7332 1410  
[julie.mayer@cityoflondon.gov.uk](mailto:julie.mayer@cityoflondon.gov.uk)

**N.B. Part of this meeting may be subject to audio-visual recording.**

**Lunch will be served in the Guildhall Club at 1.00pm.**

**John Barradell  
Town Clerk**

# AGENDA

## Items which will be approved/noted without discussion

All items marked \* will be deemed to have been read and will be noted/agreed, without comment, unless the Town Clerk is advised by 10 am on Monday 14<sup>th</sup> January 2019

### Part 1 - Public Agenda

1. **APOLOGIES**
2. **MEMBERS' DECLARATIONS UNDER THE CODE OF CONDUCT IN RESPECT OF ITEMS ON THE AGENDA**
3. **MINUTES OF THE PREVIOUS MEETING**  
To agree the public minutes and non-public summary of the meeting held on 6 November 2018.

**For Decision**  
(Pages 1 - 8)

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

**For Information**  
(Pages 9 - 12)

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

**For Information**  
(Pages 13 - 14)

### Financial Statements and External Audit

6. **BRIDGE HOUSE ESTATES ANNUAL REPORT AND FINANCIAL STATEMENTS 2017/18**  
Report of the Chamberlain.

**For Decision**  
(Pages 15 - 116)

### Internal Audit/Corporate Anti-Fraud

7. **INTERNAL AUDIT RECOMMENDATIONS FOLLOW-UP**  
Report of the Head of Internal Audit and Risk Management.

**For Information**  
(Pages 117 - 138)

8. **LONDON COUNTER FRAUD HUB UPDATE \***

Report of the Chamberlain. TO FOLLOW

**For Decision**

**Risk Management**

9. **RISK MANAGEMENT UPDATE**

Report of the Chamberlain.

**For Information**  
(Pages 139 - 186)

**Police Authority Matters**

10. **DEEP DIVE RISK REVIEW: CR 23 POLICE FUNDING**

Report of Police Authority Treasurer.

**For Information**  
(Pages 187 - 194)

11. **CITY OF LONDON POLICE - INTERNAL AUDIT ACTION PLAN UPDATE**

Report of the Commissioner, City of London Police.

**For Decision**  
(Pages 195 - 204)

**Governance**

12. **ANNUAL REVIEW OF TERMS OF REFERENCE\***

Report of the Town Clerk.

**For Decision**  
(Pages 205 - 208)

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

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

15. **EXCLUSION OF THE PUBLIC**

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

**For Decision**

## **Part 2 - Non-Public Agenda**

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

To agree the non-public minutes of the meeting held on 6 November 2018.

**For Decision**  
(Pages 209 - 210)

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

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

## AUDIT AND RISK MANAGEMENT COMMITTEE

Tuesday, 6 November 2018

Minutes of the meeting of the Audit and Risk Management Committee held at Guildhall, EC2 on Tuesday, 6 November 2018 at 2.00 pm

### Present

#### Members:

Alderman Ian Luder (Chairman)  
Alexander Barr (Deputy Chairman)  
Hilary Daniels (Deputy Chairman)  
Randall Anderson  
Alderman Nick Anstee  
Anne Fairweather  
Marianne Fredericks  
Deputy Jamie Ingham Clark  
Kenneth Ludlam  
Paul Martinelli  
Jeremy Mayhew  
John Petrie

#### In attendance:

Jeremy Simons

#### Officers:

John Barradell	- Town Clerk and Chief Executive
Peter Goss	- Town Clerk's Department
Simon Latham	- Town Clerk's Department
Gregory Moore	- Town Clerk's Department
Chloe Rew	- Town Clerk's Department
Peter Kane	- Chamberlain
Caroline Al-Beyerty	- Chamberlain's Department
Steven Reynolds	- Chamberlain's Department
Pat Stothard	- Head of Internal Audit and Risk Management
Paul Dudley	- Internal Audit, Chamberlain's Department
Chris Keesing	- Internal Audit, Chamberlain's Department
David Smith	- Director of Markets & Consumer Protection
Ruth Calderwood	- Department of Markets and Consumer Protection
Paul Murtagh	- Community & Children's Services Department
Chrissie Morgan	- Director of Human Resources
Tracey Jansen	- Human Resources
Justin Tyas	- Human Resources

#### 1. APOLOGIES

Apologies were received from Chris Boden, Alderman John Garbutt, Caroline Mawhood, and Andrien Meyers.

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

There were none.

3. **MINUTES OF THE PREVIOUS MEETING**

RESOLVED: That the public minutes and non-public summary of the meeting held on 25 September 2018 be approved.

4. **COMMITTEE WORK PROGRAMME**

Members received and noted the Committee's work programme. The Chairman advised that there had been a minor formatting issue with the programme on this occasion, which would be rectified for the next meeting.

5. **NEW CORPORATE RISK - BREXIT**

The Chairman agreed to bring this item (previously item 9) forward on the agenda.

Members considered a report of the Chamberlain which sought the Committee's endorsement of a new corporate risk focused on minimising the impact of disruption to key City Corporation services following the departure of the UK from the European Union on 29 March 2019.

The Town Clerk emphasised that the report was written to present the internal risks to the City Corporation, rather than address the wider risks to London and the country as a whole. Members were informed that, although some areas of risk were shared with other local authorities, the uniqueness of the City Corporation made it difficult to put a single figure cost risk on Brexit and, in any case, it was still not known exactly what the exit deal would look like. The Town Clerk stated that it was important for each Department and City Corporation institution to carry out their own risk assessment of the impact of Brexit. There were a large number of capital projects that could be affected and the responsible Committees needed to address the issues arising upon any Brexit deal being agreed. Members recognised the two strands of risk, one being the mitigation of the current period of uncertainty and the other, longer term, being the implementation of the final Brexit deal, with the suggestion that this should be recognised in relation to target dates.

In answer to questions from Members, the Town Clerk said that the City Corporation was as prepared as any public authority could be given the final terms of the Brexit deal were not known.

Members noted that there was no specific mention of the impact on the Barbican Centre in the report. The Town Clerk explained that this was captured within the 'attractiveness of London for workers, businesses and visitors' impact note, adding that the Barbican Centre Board would receive more detailed information in relation to the specific risks for the Centre and mitigation measures being implemented.

The Town Clerk also undertook to provide an update report to the Committee's next meeting.

RESOLVED: That:-

1. The decision of the Summit Group to approve the inclusion of a new corporate risk (CR26) in relation to Brexit be endorsed.
2. The eight subsidiary Brexit related risks to be maintained by Chief Officers on departmental risk registers be noted.

6. **CITY'S CASH FINANCIAL STATEMENTS 2017/18**

Members received a report of the Chamberlain which presented the Annual Report and Financial Statements for City's Cash for the year ended 31 March 2018. The External Auditors were in attendance and confirmed that they would be giving an unqualified opinion on the accounts.

Members were reminded that at the briefing session arranged for all Members of the Court concern had been raised regarding related parties for 2017/18 and the 36 annual declarations that had not been received from Members and Chief Officers. Attention had also been given to the potential £50million liability for City's Cash, contingent on completion of Crossrail. Another item discussed in the briefing session was the accounting treatment of a painting that had found to have been looted during WWII by the Nazis, subsequently returned to its original owner's heirs, and the risk of similar finds in the City's art collection.

Members felt a tougher approach towards the return of annual related parties declarations was needed and agreed that a stricter regime should be adopted in relation to returns. It was suggested that, following the initial issuing of the declaration form, a reminder letter should be circulated to any Members who had not responded. This letter should clearly set out the importance of the matter and that continued non-compliance would result in a referral to the Standards Committee, with it hoped that the threat of sanction would ensure a 100% completion rate, whilst also ensuring Members were aware of the seriousness of the issue. It was noted that officers in a similar position would be referred to the Head of Paid Service.

Members noted that the Crossrail payment was before the Committee only in terms of agreeing the accounting method adopted for the payment.

Members were informed that, following a review, there was no indication that the City's art collection contained other similarly misappropriated items.

The External Auditors confirmed that they had checked the value of all the City's Cash assets and had found nothing that warranted an adjustment.

RESOLVED: That:-

1. The contents of the Audit Management Report issued by Moore Stephens LLP be noted.

2. The City's Cash Financial Statements for the year ended 31 March 2018 be recommended for approval to the Finance Committee.

7. **CITY'S CASH FUNDS AND SUNDRY TRUST FUNDS ANNUAL REPORTS AND FINANCIAL STATEMENTS 2017/18**

Members considered a report of the Chamberlain in respect of the City's Cash Trust Fund Annual Reports and Financial Statements for the year ended 31 March 2018. The External Auditors were in attendance.

Members noted the one adjustment that had been made in 2017/18 concerning the treatment of a grant paid to the City of London Almshouses Trust.

The Chairman noted that this was the last year of the Moore Stephens audit of City's Cash and, on behalf of the Committee, extended his gratitude to them for their work over the past few years.

RESOLVED: That:-

1. The contents of Moore Stephens LLP Management Letter be noted.
2. The Annual Reports and Financial Statements for City's Cash Trust Funds and the Sundry Trust Funds for the year ended 31 March 2018 be recommended for approval to the Finance Committee.

8. **INTERNAL AUDIT UPDATE REPORT**

Members received a report of the Head of Audit and Risk Management providing an update on internal audit activity since the last report to the Committee in July 2018.

Members noted that the audit review of catering at the Guildhall School was still at red only as a consequence of a delay in the new catering contract being signed off by the Comptroller & City Solicitor.

The Committee was concerned at the number of outstanding reviews from 2017/18 that would slip into 2018/19 and therefore have an impact on the 2018/19 work programme. The Head of Internal Audit reassured Members that resources were in place to deliver the planned work programme.

Members discussed the key performance indicator in relation to management responses to draft reports, noting that it was important that the 28-day timescale was routinely met to avoid delays to completing audits. It was suggested that the Committee should be advised where any departments were regularly missing these deadlines.

In relation to planned audit work concerning the Multi Academy Trust Members were informed that there was now progress towards agreeing the Audit Plan. Members observed the importance of this work taking place and the Committee's responsibilities in this area, asking the Head of Internal Audit to ensure that the audit work should start by January 2019.

RESOLVED: That the report be noted.

## 9. DEEP DIVE RISK REVIEWS

### a) Air Quality

Members received a report of the Director of Markets and Consumer Protection in respect of air quality. During discussion and questions on this item, the following points were noted:

- A proposal for a new Clean Air Bill was being submitted to the Port Health and Environmental Services Committee on 8 November 2018.
- Members stressed the importance of the City Corporation being recognised for the work it was doing on air quality, both in terms of meeting and going beyond its statutory obligations under the Environment Act 1995. Members also noted the resource requirements needed to ensure the City Corporation remained at the forefront on this issue, including the current work around upgrading the City's fleet of vehicles to meet improved emission requirements.
- The main source of air pollutants within the City were Nitrogen Dioxide and Fine Particles PM<sub>10</sub> and PM<sub>2.5</sub>. Some 75% of particle pollution emanated from outside the Square Mile, meaning that the significant ongoing collaborative and leadership work with other London Boroughs was crucial in achieving improvements.
- Whilst the current risk rating had a target date of 31 December 2020, it was observed that the implementation of the necessary measures to achieve the intended reductions would inevitably extend the target beyond this date.
- The proportion of Nitrogen Dioxide emissions emanating from cars and vans within the City was a lower proportion of overall emissions than many Members had expected; however, due to such emissions being released and pooling at street-level, focus on reducing such emissions was still particularly important.
- There would be a focus within the proposed Clean Air Bill on reducing emissions from combustion plants, particularly by placing limits on emissions permitted from combined heat and power plants, which were the source of around 65% of air pollution in the City. Officers were also contributing to the development of the draft Local Plan to assist in this area.
- The significant activity which had led to a reduced level of air pollution at Sir John Cass's Foundation Primary School was commended, with the reduction of nitrogen dioxide levels in the air from 71 µg/m<sup>3</sup> down to 31 µg/m<sup>3</sup> representing an enormous success.
- It was suggested that increased engagement with Transport for London to reduce emissions from buses and taxis would be beneficial, given that 60% of emissions from vehicles came from these two sources.
- Officers would be seeking to continue improving the provision of electric charging points for vehicles across the City through the new Transport Strategy.

- Members noted the health implications associated with poor air quality, expressing concern that the City Corporation's responsibility for the health and wellbeing of its residents and workers was insufficiently recognised within the current Corporate Risk (CR21) around air pollution. It was agreed that this matter should be brought to the attention of the Port Health & Environmental Services Committee, which was meeting later that week, in order that they might consider and request amendments as appropriate.

The Chairman thanked the Markets and Consumer Protection team for their comprehensive report.

RESOLVED: That:-

1. The report be noted.
2. The Port Health and Environmental Services Committee be asked to suggest that a greater emphasis be placed on the element of risk posed by air pollution to the health and wellbeing of local inhabitants.

**b) Health and Safety**

Members received a report of the Director of Human Resources concerning Corporate Risk 09, the City of London Corporation's health and safety management system. During discussion and questions on this item, the following points were made:

- The consideration being given to revisiting or splitting the current CR09 risk in order to focus on one or two more specific health and safety risks, such as fire safety compliance, was endorsed.
- The number of reported accidents had increased over the last three years. This was felt to be a result of the new telephone reporting system, which made reporting incidents significantly more straightforward. It was asked that further information be provided which compared the figures year-on-year and also in the context of figures held by London Councils for the various London Boroughs.
- Although consideration had been given to altering the risk score, it was being held at the current level in light of the Grenfell Tower tragedy and available resources.
- New corporate guidance for defibrillators had been issued to augment the First Aid Policy and a survey of defibrillator locations had been carried out. Members emphasised the importance of clear instructions being available on their use.

RESOLVED: That the report be noted.

**10. GENERAL DATA PROTECTION REGULATION (GDPR) AUDIT**

Members received a report of the Comptroller and City Solicitor regarding the outcome of the internal audit of phase 1 of the Corporation's arrangements for compliance with the General Data Protection Regulations and updating Members on phase 2 activities.

The Comptroller advised that he would be adding the Chairman of Audit & Risk Management to the list of those Chairmen notified whenever the Information Commissioner's Office was informed of a breach.

In response to a question, it was confirmed that retention policies differed across departments, depending on the data in question and the requirements around its use.

RESOLVED: That the report be noted.

**11. ANTI-FRAUD AND CORRUPTION - HALF YEARLY UPDATE**

The Committee received a report of the Chamberlain which provided an update on the activity of the Anti-Fraud Investigation team during 2018/19 to date.

Members were informed of two further social housing tenancy fraud cases that had been successfully progressed since the report had been written, one prosecution case and one civil recovery case. The Committee felt that consideration should be given as to how best the outcome of such cases could be publicised, in order to get the message across that action would be taken against anybody found to be committing housing fraud.

RESOLVED: That the report be noted.

**12. LONDON COUNTER-FRAUD HUB - ONBOARDING**

The Committee considered a report of the Chamberlain for on-boarding to the London Counter-Fraud Hub.

RESOLVED: That authority be delegated to the Chamberlain to sign the Deed of Adherence with the London Borough of Ealing for the City of London to onboard to the London Counter Fraud Hub.

**13. FIRE SAFETY REVIEW - UPDATE ON THE RISK ASSESSMENTS AND ACTION PLAN**

The Committee received a report of the Director of Community and Children's Services which provided an update on the progress that had been made in relation to fire safety matters since the last update report submitted to Committee in March 2018. The Committee was informed that:

- the Community and Children's Services Committee had agreed to proceed with a procurement exercise for the installation of Automatic Water Fire Suppression Systems (Sprinklers) in its five social housing high rise tower blocks;
- the Door Replacement Programme was progressing; and
- a fire alarm system had been installed at Great Arthur House whilst the issue of compartmentalisation was dealt with.

It was noted that the Fire Safety Action Plan was limited in duration but would be updated as necessary.

It was noted that the findings of the study carried out by Butler & Young Associates into the fitting of sprinkler systems in the City Corporation's eight tower blocks (including three on the Barbican Estate) was not attached to the report. The Assistant Director was asked to circulate this to Members of the Committee.

RESOLVED: That the report be noted.

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

There were none.

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

There were no items.

**16. EXCLUSION OF THE PUBLIC**

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

**Item no.**

17&19

**Para no.**

3

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

RESOLVED: That the non-public minutes of the meeting held on 25 September 2018 be approved.

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

There were no questions.

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

Members received a report of the Head of Audit and Risk Management regarding the Internal Audit review of the City of London Police key financial controls.

**The meeting ended at 4.10 pm**

-----  
Chairman

**Contact Officer: Gregory Moore**  
**gregory.moore@cityoflondon.gov.uk**

AUDIT AND RISK MANAGEMENT COMMITTEE - Outstanding Actions- DECEMBER 2018 update

Date Added	ITEM	Action	Officer and target date
06.12.2018	<b>5. NEW CORPORATE RISK – BREXIT</b>	1. Each Department to carry out risk assessment of the impact of Brexit. 2. Chamberlain to provide Brexit update report	<i>All departments/Chamberlain</i>  <i>Next A&amp;RM Meeting - 15 January 2019</i>
06.12.2018	<b>9. DEEP DIVE RISK REVIEWS (A) AIR QUALITY</b>	Present a proposal for a new Clean Air Bill to the Port Health and Environmental Services Committee, emphasising the high element of risk posed by air pollution to the health and wellbeing of local inhabitants.	<i>Presented to PH&amp;ES Meeting - 8 November 2018 - *minute attached below COMPLETED</i>
06.12.2018	<b>9. DEEP DIVE RISK REVIEWS - HEALTH AND SAFETY</b>	Further information to be provided regarding the number of incidents reported, comparing figures year-on-year, and compare figures from London Councils for the various Boroughs.	<i>Director of Human Resources</i>
06.12.2018	<b>10. GENERAL DATA PROTECTION REGULATION (GDPR) AUDIT</b>	The Chairman of Audit & Risk Management to be added to the list of Chairmen notified when Information Commissioner's Office is informed of a breach.	<i>Comptroller</i>
06.12.2018	<b>13. FIRE SAFETY REVIEW – UPDATE ON THE RISK ASSESSMENTS AND ACTION PLAN</b>	Circulate to Members of the Committee the findings of the study carried out by Butler & Young Associates into the fitting of sprinkler systems in the City Corporation's eight tower blocks.	<i>Assistant Director, Barbican and Property Services</i>  <i>Circulated December 2018 COMPLETED</i>

AUDIT AND RISK MANAGEMENT COMMITTEE - Outstanding Actions- DECEMBER 2018 update

<p>06.12.2018</p>	<p><b>19. ANY OTHER BUSINESS</b>  <b>INTERNAL AUDIT OF CITY OF LONDON POLICE KEY FINANCIAL CONTROLS – DRAFT REPORT UPDATE</b></p>	<p>1. Circulate to Members of the Committee the report which had been submitted to the Police Committee with proposals to enhance the Police Authority function within the Corporation.</p> <p>2. Circulate to Members of the Committee the Action Plan to the Internal Audit Report and the Commissioner’s response.</p> <p>3. Early update on the Action Plan to the Internal Audit Report to be submitted at next Committee meeting.</p>	<p><i>Town Clerk</i>  <b>COMPLETED</b></p> <p><i>Town Clerk</i>  <b>COMPLETED</b></p> <p><i>The Commissioner</i>  <i>Next A&amp;RM Meeting - 15 January 2019</i></p>
-------------------	---	---	--

## AUDIT AND RISK MANAGEMENT COMMITTEE - Outstanding Actions- DECEMBER 2018 update

### **\*MINUTE FROM PORT HEALTH AND ENVIRONMENTAL SERVICES COMMITTEE – 8 NOVEMBER 2018**

**The Committee received a joint report of the Director of Markets and the Remembrancer which sought approval of London specific, focused proposals which would provide new adoptive powers for London local authorities to control emissions from combustion plant.**

The Director of Port Health and Public Protection introduced the report adding that a resolution of the Audit and Risk Management Committee had been tabled at this meeting which asked that greater emphasis should be placed on the element of risk posed by air pollution to the health and wellbeing of local inhabitants. The Director advised that this would be incorporated as part of the revisions of the Air Quality Strategy in 2019.

The Remembrancer provided an overview of the timeline, explaining that following consultation, the proposals would be introduced as a private members bill in early 2019 with the intention of them either becoming law or informing policy.

A Member raised the point there were new boilers being installed at Golden Lane Estate and it was asked whether to reduce pollution, these could be made to comply with the tighter emission controls as set out in the report before Members. The Member also noted the emissions being produced from the bio mass system at St Giles Cripplegate Church.

In response, the Director of Port Health and Public Protection advised that officers were aware of past emissions issues with the biomass plant, and it was thought those issues had been resolved, but officers would investigate. With regards to the new boilers, officers agreed to look into this further, but advised that timing would be a factor and whether the installation would take place before the new legislation was passed.

The Director also responded to Members' comments on addressing emissions from existing generators, advising that from a practical standpoint this would be difficult and therefore the primary focus of the proposals would be on new equipment being brought into the City and setting a standard to control emissions, particularly in areas with poor air quality.

In response to the proposal to increase fines for stationary idling vehicles from £20 to £100, Members queried whether there was scope to increase this further. The Director of Port Health and Public Protection noted this comment to include at discussion during the consultation stage.

Responding to some of the points raised, the Remembrancer explained that setting emissions limits would be a matter for the Secretary of State based on scientific evidence, and with regards to setting a level of fines for stationary idling vehicles, comparable fines issued by other Local Authorities for a similar level of offence would also need to be considered.

## AUDIT AND RISK MANAGEMENT COMMITTEE - Outstanding Actions- DECEMBER 2018 update

A Member commented that the bill could expand into other areas to address the air and noise pollution caused by lorries and motorbikes at London Wall, and stationary vehicle idling at the Barbican Estate. In response, the Director of Port Health and Public Protection advised that points such as these could be incorporated into the Air Quality Strategy in 2019 which would be brought to the Committee for discussion at a later date. He also advised that sufficient resources would be required for enforcement, and an uplift in the base level budget for the Air Pollution Team would be sought.

**RESOLVED** – That the Committee approve the principles of the proposals and grant authority to consult with the Department of the Environment Food and Rural Affairs, the Greater London Authority, London Boroughs and other interested parties, and to seek the assent of London Councils.

**Audit & Risk Management Committee - Work Programme: January – November 2019**

12 <sup>th</sup> March 2019	7 <sup>th</sup> May 2019	16 <sup>th</sup> July 2019	24 <sup>th</sup> September 2019	19 <sup>th</sup> November 2019
<b>Financial Statements and External Auditors</b>				
Treasury Management Statement	Draft City Fund and Pension Fund accounts	City Fund and Pension Fund accounts  Bridge House Estate Accounts	City's Cash Accounts	
<b>Risk Management (Regular update reports, Deep Dive Risk Reviews and Independent Risk Challenge)</b>				
1. CR 26 - Brexit ( <i>Due to be confirmed as New Corporate Risk</i> )  2. CR02 - Loss of Business Support to the City  <u>Risk Challenge:</u> Town Clerks	1. CR16 - Information Security/ CR 17 - Safeguarding (TBC)  2. CR10 - Adverse Political Developments  <u>Risk Challenge:</u> City Surveyors	1. CR01 - Resilience  2. CR24 - Operational Security  <u>Risk Challenge:</u> Mansion House/ Central Criminal Court	1. CR20 - Road Safety  2. CR21 - Air Quality  <u>Risk Challenge:</u> Community and Children's Services	1. CR09 - Health and Safety  2. CR27 - Organisational Change (TBC)  <u>Risk Challenge:</u> Open Spaces
	Risk Update report		Risk Update report	

12 <sup>th</sup> March 2019	7 <sup>th</sup> May 2019	16 <sup>th</sup> July 2019	24 <sup>th</sup> September 2019	19 <sup>th</sup> November 2019
<b>Internal Audit/Corporate Anti-fraud</b>				
Internal Audit Update Internal Audit Plan Internal Audit Charter review	Head of Audit Annual Audit Opinion  Internal Audit Recommendations Follow Up  Anti-Fraud Update	Internal Audit Update	Internal Audit Recommendations Follow up	Internal Audit Update Anti-Fraud Update
<b>Governance</b>				
Annual Governance Statement – Methodology (Town Clerk)  GDPR Audit (Comptroller and City Solicitor)	Annual Governance Statement (Town Clerk)			
<b>External Inspections/OFSTED Reports etc</b>				
OFSTED Focus Visit on Care Leavers (Community and Children’s Services)			HMIC (City of London Police)	

<b>Committees:</b> Audit and Risk Management – for decision Finance – for decision	<b>Date:</b> 15 January 2019 Under Urgency
<b>Subject:</b> Bridge House Estates Annual Report and Financial Statements 2017/18	<b>Public</b>
<b>Report of:</b> The Chamberlain	<b>For Decision</b>
<b>Report author:</b> Karen Atkinson, Head of Charity & Social Investment Finance	

## Summary

The Annual Report and Financial Statements for Bridge House Estates (BHE) for the year ended 31 March 2018 are attached at Annex 1 for approval. This Report is being presented to Audit & Risk Management and Finance Committees for approval behind the original planned schedule, due to the requirement to reconstitute the endowment fund within these accounts. The external auditor, Moore Stephens LLP, is intending to issue an unqualified audit opinion and their report is attached at Annex 2.

The key points to highlight are:

- The funds of the charity have been split between the permanent endowment fund (£831.6m) and unrestricted income funds (£564.2m), with total funds (net assets) held being £1,395.8m – an increase of £54.6m or 4.1% on the previous year;
- The net surplus for the year of £54.6m included gains on financial investments of £10.8m and on property investments of £53.6m;
- Subsequent to the year-end, the charity has sold one of the properties held within its investment portfolio (part of the endowment fund) for £97.1m.

Moore Stephens commenced its audit on 16 July. The financial statements provided for audit did not reflect the endowed nature of the charity, as the valuation of the endowed fund was not available at this time. Detailed research has been undertaken subsequently to confirm the valuation, hence the delay in concluding the audit and seeking approval of the financial statements. The audit has now been completed. No significant issues have been raised and no material misstatements have been identified within the audit work undertaken. Representatives of the auditors will attend the Audit and Risk Management Committee to present their report. The Audit Panel has reported to the Chamberlain that they do not have any concerns related to either the underlying accounting processes within the charity nor in relation to the revisions made regarding the permanent endowment fund.

### **Recommendations**

The Audit and Risk Management Committee will be requested to:

- a) consider the contents of the Audit Management Report issued by Moore Stephens LLP; and
- b) recommend approval of the BHE Annual Report and Financial Statements for the year ended 31 March 2018 to the Finance Committee.

The Finance Committee will be requested to:

- c) consider the contents of the Audit Management Report issued by Moore Stephens LLP; and
- d) approve the BHE Annual Report and Financial Statements for the year ended 31 March 2018 taking account of any observations from the Audit and Risk Management Committee; and
- e) agree that the BHE Annual Report and Financial Statements are signed by the Chairman and Deputy Chairman of the Finance Committee on behalf of the Court of Common Council, being the Trustee of BHE.

## Main Report

### Introduction

1. The 2017/18 Annual Report and Financial Statements for BHE for the year ended 31 March 2018 are presented for approval.
2. The Charity Commission require charities to submit their accounts within 10 months of their financial year-end, however good practice expects charities to submit their reports earlier than this deadline. The confirmation and valuation of the permanent endowment fund held by BHE delayed the completion of the 2017/18 financial statements. Whilst the majority of the audit work took place in line with the original timetable agreed with our auditors, enabling the Audit Panel to sign-off their review of processes in September, additional audit work related to the methodology and valuation of the endowment could not take place until November 2018.
3. Approval of each year's financial statements has been delegated by the Court of Common Council to the Finance Committee.

### Permanent Endowment Fund

4. In reviewing the charity's governance and finances, it became apparent that the charity holds a substantial permanent endowment which was not currently accounted for as such and, consequently, there was a need to reconstitute the value of the charity's permanent endowment in BHE's accounts. This involved an evaluation and analysis of a substantial number of historic governance documents and other records as the original permanent endowment trusts were established as far back as the 1100's.
5. Specific points in time in the history of BHE, relating to the implementation of various Acts, and the grant of Schemes and Charters governing the charity, were identified as being key in identifying the permanent endowment. Extensive research was undertaken of various records held by the City Corporation relating to these periods. Due to limited investment powers held by the charity prior to the grant of the 1957 Supplemental Charter it was considered reasonable to conclude that the permanent endowment consisted of all the land/properties held at that date. As limited records of valuations for these assets were held prior to the 1990's, this approach did not provide the answers required.
6. An alternative methodology was deemed necessary to value the endowment. Records were available evidencing the original properties held, which were cross-checked against the current portfolio. From this it was deduced that virtually all the current land/properties held were either directly related to, or have been funded by proceeds from, original gifts/bequests/grants for the benefit of BHE which formed part of the endowment capital. It was therefore concluded that all land/properties

currently held would be within the endowment fund.

7. Research also identified diversification from property investments to equities/gilts in the period 1985-1999. The current day value of the specific amounts identified now forms part of the permanent endowment fund. This involved judgement in the selection of an appropriate rate of return to apply, with further explanation provided in Note 2(a) to the Financial Statements.
8. As at 31 March 2018, the funds of the charity are split as follows:

<b>Nature of Fund</b>	<b>Amount (£m)</b>
Permanent endowment fund	831.6
Unrestricted income fund	576.0
Pension reserve (income)	(11.8)
<b>Total funds held</b>	<b>1,395.8</b>

#### Statement of Financial Activities

9. Income for the year totalled £42.6m, an increase of £6.1m (16.7%) on 2016/17. This includes income generated by Tower Bridge tourism activities, up by 4.8% to £6.5m and income from our investment properties, up 16.9% to £31.8m. The increase in property related income is principally driven by the inclusion of backdated rent collected from outstanding rent reviews on several properties, together with additional income from ground lease rent certificates.
10. Expenditure of £53.3m, an increase of £3.3m (6.6%) against 2016/17, is split between those costs relating to raising funds (£20.9m) and those relating to charitable activities (£31.7m).
11. When comparing the cost of raising funds to the income generated, it is important to note that BHE income does not include all of that generated by financial investments held, due to the charity holding pooled investments. The growth in pooled investments is reflected within the balance sheet as capital growth, rather than in the receipt of dividends/interest income in-year, with an unrealised capital gain of £10.8m reported in 2017/18 (2016/17: gain of £98.2m).
12. Charitable activities include funding and grant-making (the ancillary object of the charity) and related costs of £26.1m (2016/17: £18.7m), a record high for the charity. This increase is due to several exceptional grant commitments, including Centre for Mental Health (£1.24m), The Prince's Trust (£3m) and those made within the Bridge to Work programme (£2.62m). Also included within charitable activities is £5.6m spent on the primary object of the charity, the repair and maintenance of the five Thames Bridges, a reduction of £6m compared to the previous year. Whereas

2016/17 included costs of redecking works on Tower Bridge, this year the focus was on the development of future maintenance schemes hence leading to lower levels of spend.

13. Net gains on investment properties and financial investments totalled £64.5m (2016/17: £173m), split between properties £53.6m, financial investments £53.6m and social investments £0.1m.

### Balance Sheet

14. The Balance Sheet presents the increase in total funds of the charity held of £54.6m, resulting in total funds held of £1,395.8m. This has been driven by the gains noted above. Total funds held comprise the permanent endowment fund at £831.6m, alongside the unrestricted income fund at £564.2m, being net of the pension deficit of £11.8m. An element of the unrestricted income fund has been designated for agreed purposes.
15. Designated funds consist of unrestricted income funds which the Trustee has decided to set aside for specific purposes over the short to medium term. Following confirmation of the endowment fund, changes have been made to the designated funds held as follows:
- a. Previously held balances within the property revaluation and property sales pool designated funds now form part of the endowment fund, as they relate to the value of investment properties held;
  - b. A designated fund for Tower Bridge Tourism is no longer held, with any shortfall in income to be dealt with via the normal budgeting process;
  - c. The Bridges Repair Fund now represents the funds required to maintain the bridges for the next 5 years, as opposed to setting aside funds required over the next 50-year period;
  - d. A new designated fund has been created, to set aside funds for the future rebuild costs of the bridges, separate from those within the repair fund. This is based upon the present value of estimated future costs, adjusted for forecast increases in construction costs;
  - e. A new designated fund for charitable funding and grant-making has been established, representing the annual income surplus to that required for the primary object of the charity (to maintain and support the five bridges) and which may be applied for future funding activities undertaken by City Bridge Trust in accordance with the Bridging Divides strategy.
16. Designated funds total £189.8m, leaving free reserves as being £374.4m. Consideration is being given to an appropriate level of free reserves to maintain going forward, following confirmation of the permanent endowment fund alongside the ongoing evaluation of the designation requirements to ensure the charity's primary objects are met.

## Audit Opinion and Letter

17. Moore Stephens commenced its audit on 16 July. Their audit work is completed, with the exception of final reviews prior to sign-off. Following the reconstitution of the permanent endowment fund, no significant issues have been raised and no material misstatements have been identified. It is anticipated that Moore Stephens will issue an unqualified opinion. The subsequent review by the Audit Panel has also concluded satisfactorily, with no concerns raised related to either the underlying accounting processes within the charity nor in relation to the revisions made regarding the permanent endowment fund. Representatives from Moore Stephens will attend the Audit and Risk Management Committee to present their report and to clarify any points or issues.

## Conclusion

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.

19. Moore Stephens is expecting to sign its audit opinion in mid-January. Should any material adjustments to the financial statements be required before that position is reached; it is recommended that authority to approve such amendments should be delegated to the Town Clerk in consultation with the Chairmen and Deputy Chairmen of the Audit and Risk Management and Finance Committees.

20. The Charity Commission require charities to submit their accounts within 10 months of their financial year-end, however good practice expects charities to submit their reports earlier than this deadline. Whilst confirmation of the permanent endowment fund has added significantly to the work required to be undertaken for this year-end, the BHE accounts will be submitted to the Charity Commission ahead of the required deadline for 2017/18. Copies of the published annual report and financial statements will be placed in the Members' Reading Room. The final management report from Moore Stephens on its audit will be presented to the Court of Common Council for information.

### **Contact:**

Karen Atkinson, Head of Charity and Social Investment Finance

T: 020 7332 1395

E: [karen.atkinson@cityoflondon.gov.uk](mailto:karen.atkinson@cityoflondon.gov.uk)

Annex 1: Annual Report and Financial Statements for Bridge House Estates

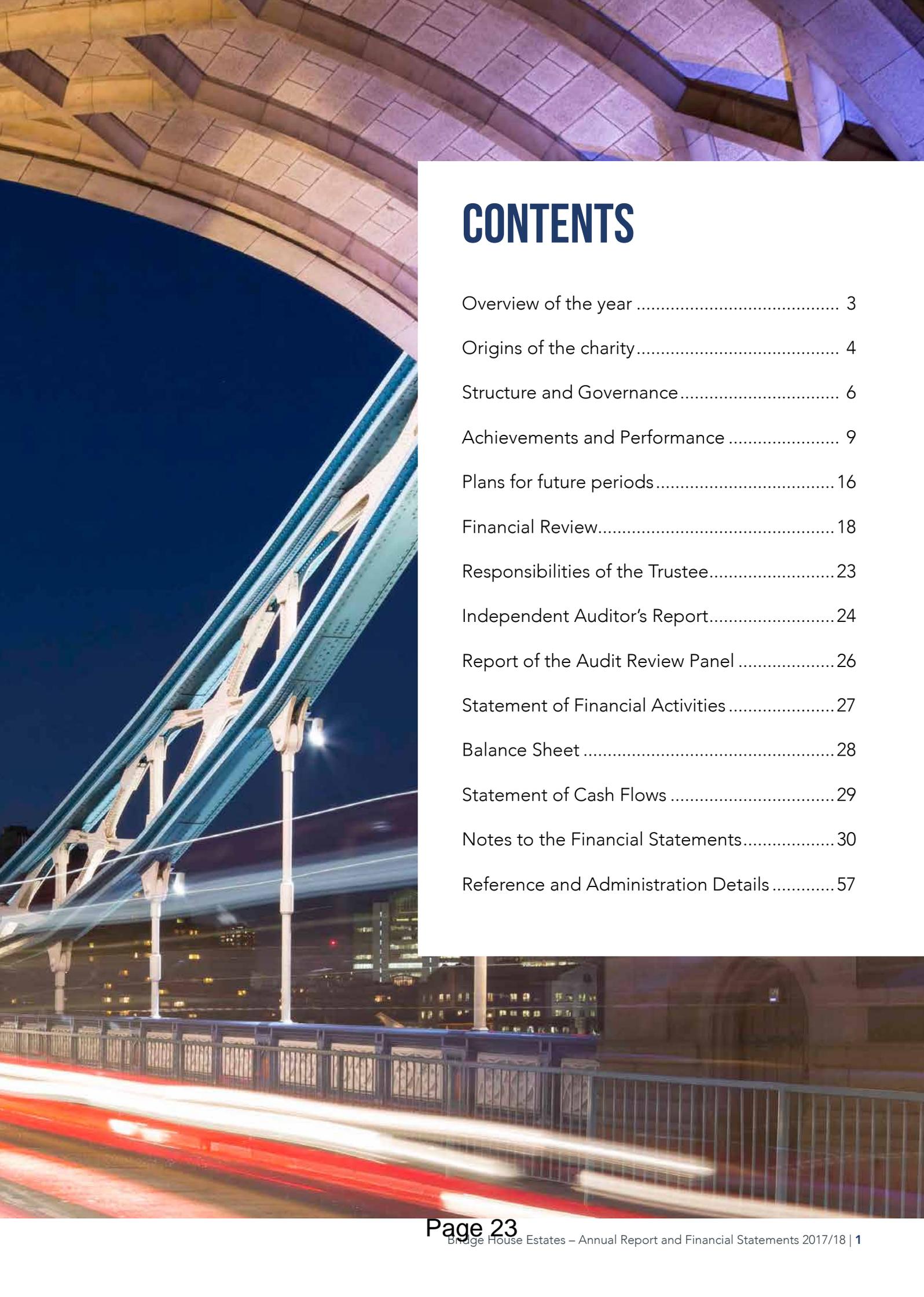
Annex 2: Moore Stephens Audit Management Report

# ANNUAL REPORT & FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2018







# CONTENTS

Overview of the year .....	3
Origins of the charity .....	4
Structure and Governance .....	6
Achievements and Performance .....	9
Plans for future periods .....	16
Financial Review .....	18
Responsibilities of the Trustee .....	23
Independent Auditor's Report .....	24
Report of the Audit Review Panel .....	26
Statement of Financial Activities .....	27
Balance Sheet .....	28
Statement of Cash Flows .....	29
Notes to the Financial Statements .....	30
Reference and Administration Details .....	57



# OVERVIEW OF THE YEAR

Over the many centuries that the Bridge House Estates (BHE) charity has been in existence, London has experienced numerous events of huge significance: wars, plagues, fires, attacks and riots. However, all of these tragedies have seen London's communities come together in response, supporting those affected, helping to rebuild lives and produce a sense of renewal and hope amongst the despair. The last 12 months have been no different with the terrorist attacks on London Bridge, in Westminster and Finsbury Park and the Grenfell fire, all showing the great resilience of London and its communities. As London's largest independent grant-maker, and in conjunction with its corporate trustee the City of London Corporation, Bridge House Estates' charitable funding arm City Bridge Trust (CBT) was able to respond to the challenges of the attacks, providing financial support and expertise to the relief efforts and the organisations working to rebuild communities.

Following the terrorist attacks security of the charity's bridges was given the utmost priority with protective barriers installed on those which provide river crossings for vehicles. Tower Bridge, as a globally recognised symbol of London and a key part of the capital's infrastructure, was given particular attention. The National Counter Terrorism Security Office commended the bridge for demonstrating best practice and exemplary standards in its operational security planning, protocols and facilities. Throughout this, Tower Bridge, London Bridge, Southwark, Blackfriars and Millennium bridges continued to allow thousands of people to cross the River Thames every day, providing a vital sense of continuity as Londoners went about their daily lives. Tower Bridge also remains one of London's primary visitor attractions which, despite a knock-on effect on visitor numbers following the attacks, has seen an improved retail offer and uplift in related revenue during the year.

CBT continued to provide significant funding to tackle disadvantage throughout Greater

London: utilising the charity's resources surplus to the requirements of the bridges, CBT awarded £24.4m in funding through 227 different projects. Significant areas of work have included support for the LGBTQI sector; work to tackle the barriers to employment faced by disabled people; and projects to improve London's civil society infrastructure support. During the year two social investments totalling £0.9m were agreed, taking the total amount invested to £8.5m, whilst a Philanthropy Director was appointed to work in partnership to achieve higher value and higher impact philanthropy. CBT also completed the consultation and review of its charitable funding, agreed a new strategy, Bridging Divides, and prepared for the launch of new funding programmes in 2018/19.

Alongside the strategic review of CBT's charitable funding, a comprehensive review of BHE's governance and administration was initiated. The work is ongoing. An early outcome is to confirm that a substantial portion of the charity's assets are held as permanent endowment. The financial statements have been reconstituted to reflect this position, with further detail of this review stated on page 7.

Underpinning the core business of the charity is the successful management of its investments. During the year, the charity's investment portfolios have performed well, enabling its underlying assets to increase by £55m to £1,396m.

BHE is one of London's oldest institutions. Although on the surface it is about physical infrastructure in the shape of the five bridges, in reality it is about people: those who cross the bridges during their daily commute; visitors and tourists who enjoy the bridges and the history; and the thousands of Londoners who have been supported through CBT. The events of the past year have been a vivid reminder of this, and the importance of the charity to London and its communities both in good times and bad.

# ORIGINS OF THE CHARITY

The origins of Bridge House Estates can be traced back to 1097 when William II, second son of William the Conqueror, raised a special tax to help repair London Bridge. By the end of the twelfth century, the shops and houses adorning Peter de Colechurch's new stone London Bridge were beginning to generate not only increased cross-river trade, but also increased taxes, rents and bequests. A significant fund began to accumulate, administered from a building on the south side of the bridge called Bridge House. Over succeeding centuries this fund has been administered by the City of London Corporation ('the City Corporation') as Trustee.

The Bridge House Estates mark has been the identifying emblem of the charity for many centuries. It is likely that the 'bridge mark' as we know it today was designed by William Leybourn, a famous seventeenth century surveyor. Leybourn is thought to have adapted a similar mark drawn against plots owned by Bridge House Estates on an earlier plan of St George's Fields, London.

The work of Bridge House Estates now reaches out across London in many important and diverse ways.



*The Bridge Mark, the identifying emblem of the Bridge House Estates*

## THE RIVER BRIDGES

The maintenance and support of five of the bridges that cross the Thames into or by the City of London – Tower Bridge, London Bridge, Southwark Bridge, Blackfriars Bridge and Millennium Bridge is the primary objective of the charity. They are gateways to the City of London and require sustained investment and expert care.

**Blackfriars Bridge** – Blackfriars Bridge was originally built between 1760-1769 and was known as 'Pitt Bridge' after William Pitt the Elder. This structure was replaced between 1860-1869 with a design by Joseph Cubitt of five wrought iron arches faced with cast-iron, on granite piers. The decorations include ornithological sculptures surmounting the granite columns on each cutwater, arched cast iron parapets and enormous attached columns in red granite with Portland stone capitals. The sculptures depict land birds on the landward side of the bridge and sea birds on the side facing the sea. Queen Victoria opened the bridge in 1869.

**Millennium Bridge** – As the first new pedestrian bridge to be built across the Thames for over a century, Millennium Bridge links the City of London at St Paul's Cathedral with the Tate Modern Gallery at Bankside. Funded by the charity and the Millennium Commission, the 'Blade of Light' is a 325 metre steel pedestrian bridge, conceived by Sir Anthony Caro and built by Ove Arup and Foster Associates under the project management of the London Borough of Southwark and subsequently transferred to the charity to own and maintain.

**Southwark Bridge** – Originally built between 1814-1819, Southwark Bridge was purchased by the charity in 1868. The City of London had been trying to obtain control since 1827 to catch criminals escaping to Southwark, outside its jurisdiction! It was replaced between 1912-1921 with a design by Sir Ernest George and Basil Mott and comprises five steel arches with granite cutwaters and piers.

**London Bridge** – The first stone bridge across the Thames was built between 1176-1209 and replaced between 1823-1831. The current bridge was built between 1967-1972 and designed by the City Engineer, Harold Knox King with architects Mott, Hay & Anderson and William Holford & Partners. Made of concrete with polished granite, the Bridge has three spans founded on concrete piers fixed deep into the river clay. It was opened by Her Majesty The Queen in 1973.

**Tower Bridge** – Designed by the Victorian architect Sir Horace Jones, the City Architect, in collaboration with Sir John Wolfe Barry, Tower Bridge was opened in June 1894 after eight years of construction. It is a working bascule suspension and girder bridge, constructed as a steel frame clad in stone and granite in Gothic style to complement the neighbouring Tower of London. Under the Corporation of London (Tower Bridge) Act 1885, the City of London Corporation is required to raise the Bridge to provide access to and egress from the Upper Pool of London for registered vessels with a mast or superstructure of 30 feet or more. The service is provided free of charge subject to 24 hours' notice and is available any time, day or night, 365 days per year. The City Corporation ensures that the Bridge, a designated Grade 1 listed building, is properly maintained and protected as part of the nation's heritage.

As a world-famous icon of London, Tower Bridge enables tourists to have access to the internal areas of the Bridge, with a public exhibition having been in place since 1982. The exhibition showcases the Victorian architecture, engineering and also the original Victorian Engines used to power the lifting of the Bridge. The operational and tourism activities at Tower Bridge are managed by the Trustee on behalf of the charity.

## THE GRANT-MAKING AND OTHER CHARITABLE ACTIVITY OF CITY BRIDGE TRUST

After the responsibilities relating to the bridges have been met, the charity can use any surplus income for the provision of transport for elderly and disabled people in Greater London and for other charitable purposes for the general benefit of the inhabitants of Greater London, further to a scheme agreed with the Charity Commissioners in 1995. This scheme enables the charity to work through its charitable funding arm, City Bridge Trust, for a fairer London through tackling disadvantage. CBT works collaboratively to meet the charity's ancillary objectives through three key areas of activity, namely:

- Grant-making;
- Social investment; and
- Encouraging philanthropy.

Further information on the activities of CBT is available at [www.citybridgetrust.org.uk](http://www.citybridgetrust.org.uk)

# TRUSTEE'S ANNUAL REPORT

## STRUCTURE AND GOVERNANCE

### GOVERNING INSTRUMENTS

Bridge House Estates is a charity governed by various instruments which are listed below. In March 1994 it was registered with the Charity Commission.

#### Founders

By various bequests over the centuries

#### Governing Instruments

A Royal Charter of 24 May 1282

The Blackfriars Bridge Act 1863

The Blackfriars and Southwark Bridges Act 1867

The Corporation of London (Tower Bridge) Act 1885

The Corporation of London (Bridges) Act 1911

The City of London (Various Powers) Act 1926, section 11

The City of London (Various Powers) Act 1949, section 13

A supplemental Royal Charter of 26 November 1957

The City of London (Various Powers) Act 1963, section 32

The London Bridge Act 1967

The City of London (Various Powers) Act 1979, section 19

The Charities (Bridge House Estates) Order 1995 (S.I.1995/1047)

An Order of the Charity Commission sealed 10 July 1997 (350.97)

An Order of the Charity Commission sealed 20 July 1998 (251.98)

The Charities (Bridge House Estates) Order 2001 (S.I.2001/4017)

The Charity Commission Scheme dated 26 August 2005

The Charities (Bridge House Estates) Order 2007 (S.I. 2007/550)

### GOVERNANCE ARRANGEMENTS

The Mayor and Commonalty and Citizens of the City of London (also referred to as 'the City Corporation' or 'the City of London Corporation'), a body corporate and politic, is the trustee of Bridge House Estates. The City of London Corporation is trustee acting by the Court of Common Council of the City of London in its general corporate capacity and that executive body has delegated responsibility in respect of the administration and management of this charity to

various committees and sub-committees of the Common Council, membership of which is drawn from the 125 elected Members of the Common Council and external appointees to those committees. In making appointments to committees, the Court of Common Council will take into consideration any particular expertise and knowledge of the elected Members, and where relevant, external appointees. Members of the Court of Common Council are unpaid and are elected by the electorate of the City of London. The key committees which had responsibility for directly managing matters related to the charity during 2017/18 were as follows:

**Investment Committee** - responsible for the strategic oversight and monitoring of the performance of the charity's investments which are managed by three separate sub-committees, namely the Financial Investment Board, the Property Investment Board and the Social Investment Board.

**Policy and Resources Committee** - responsible for allocating resources, administering the charity, and for determining the investment strategy between property and non-property investments.

**Finance Committee** - responsible for controlling budgets, support costs and other central charges that affect the charity as a whole.

**Planning and Transportation Committee** - responsible for the maintenance and upkeep of the bridges with the exception of the tourism operation at Tower Bridge.

**Culture, Heritage and Libraries Committee** - responsible for the tourism operation at Tower Bridge.

**The City Bridge Trust Committee** - responsible for reviewing and approving individual grants to voluntary organisations up to the value of £500,000 and otherwise for other charitable expenditure under the Bridging Divides Strategy. Funding commitments above £500,000 are agreed by the Court of Common Council, on recommendation of this committee.

All of the above committees are ultimately responsible to the Court of Common Council of the City of London. Committee meetings are held in public, enabling the decision making process to be clear, transparent and publicly accountable.

Details of the membership of Committees of the City of London Corporation are available at [www.cityoflondon.gov.uk](http://www.cityoflondon.gov.uk)

The Charity Governance Code was published in July 2017. The charity is supportive of the Code and its aim to assist in the development of high standards of governance throughout the sector. At this early point after the release of the Code, the Trustee is currently considering application of the recommended practice to the work of Bridge House Estates.

## REVIEW OF FUNDS HELD BY THE CHARITY

Consistent with the City of London Corporation's obligations as trustee of Bridge House Estates to keep the governance of the charity under review, to ensure the charity remains well run and is effectively fulfilling its objects, the City is currently undertaking a comprehensive review of BHE's governance and administration. This has been undertaken also in recognition of changes to charity law and practice over the last 10 years or so, in the context of increasing inequality and social need and, through ongoing prudent financial management, the growth in the value of the charity's funds.

The review is at an early stage and has so far involved identifying and collating relevant background information from the voluminous historical records (the charity being ancient in origin); and the evaluation and analysis of that information, both internally and by external professional advisors.

In undertaking the analysis of historic documentation, it has been concluded that a substantial portion of the charity's assets are held as permanent endowment. In reaching that view it has been considered amongst other things that many of the ancient gifts of BHE properties reflect that the underlying intention of the donor was that such properties would be held in perpetuity for the maintenance of London Bridge. Such properties would therefore have been given on the basis that they would be retained and let to produce an income to be used towards the upkeep of London Bridge (and subsequently all the bridges). The analysis takes account of the fact that the modern concept of permanent endowment, noting the ancient origin of the charity, is relatively new but concludes that similar concepts could be applied historically. It is further considered that other documents relating to the charity's governance also support the conclusion that the charity is permanently endowed.

Having confirmed that BHE holds endowment funds, this fund has now been reconstituted within the financial statements. As it is not possible to reach an exact identification of the permanent endowment capital of the charity, a reasonable and proportionate approach to this exercise was taken, working alongside

our legal advisors and the charity's auditors. The charity assessed historic accounting records and other related documents to come to a view and decide on the most appropriate methodology to determine the value of this fund. It was concluded, based on evidence, that the whole of the current investment property portfolio forms part of the permanent endowment fund, together with a proportion of financial investments held, representing those now held as a result of diversification decisions to dispose of properties and reinvest the proceeds in non-property investments. The fund totals £831.6m as at 31 March 2018.

The trustee is confident that the funds held by the charity have been held on a prudent basis with a focus on preserving capital to generate future income to meet the objectives of the charity. As such, the capital of the endowment fund has been retained.

## ORGANISATIONAL STRUCTURE AND DECISION MAKING PROCESS

The charity is administered in accordance with its governing instruments and the City of London Corporation's own corporate governance and administration framework, including Committee Terms of Reference, Standing Orders, Financial Regulations and Officer Scheme of Delegations. These governance documents can be obtained via a request to the email address stated on page 57.

Each Member by virtue of their membership of the Court of Common Council, its relevant committees and sub-committees, has a duty to support the City of London Corporation in the proper exercise of its functions and in meeting its duties as trustee of the charity by faithfully acting in accordance with charity law, the Terms of Reference of the relevant committee or sub-committee, and the City of London Corporation's agreed corporate governance framework as noted above backed up by its standards regime.

## INDUCTION AND TRAINING OF MEMBERS

The City of London Corporation makes available to its Members, seminars and briefings on various aspects of its activities, including those concerning the charity, to enable Members to carry out their duties efficiently and effectively. The City of London Corporation has the Investor in People accreditation which is an external validation of the approach to valuing and developing the skills of both Members and staff who may be involved in administering and managing the charity.

## OBJECTIVES AND ACTIVITIES

The objectives of the charity are the support and maintenance of Tower Bridge, London Bridge, Southwark Bridge, Blackfriars Bridge and Millennium Bridge, with income surplus to that which can be usefully applied in accordance with the subsisting trusts in any given year being applied for the provision of transport for elderly and disabled people in Greater London and for other charitable purposes for the general benefit of the inhabitants of Greater London, in accordance with a policy settled by the Trustee following consultation.

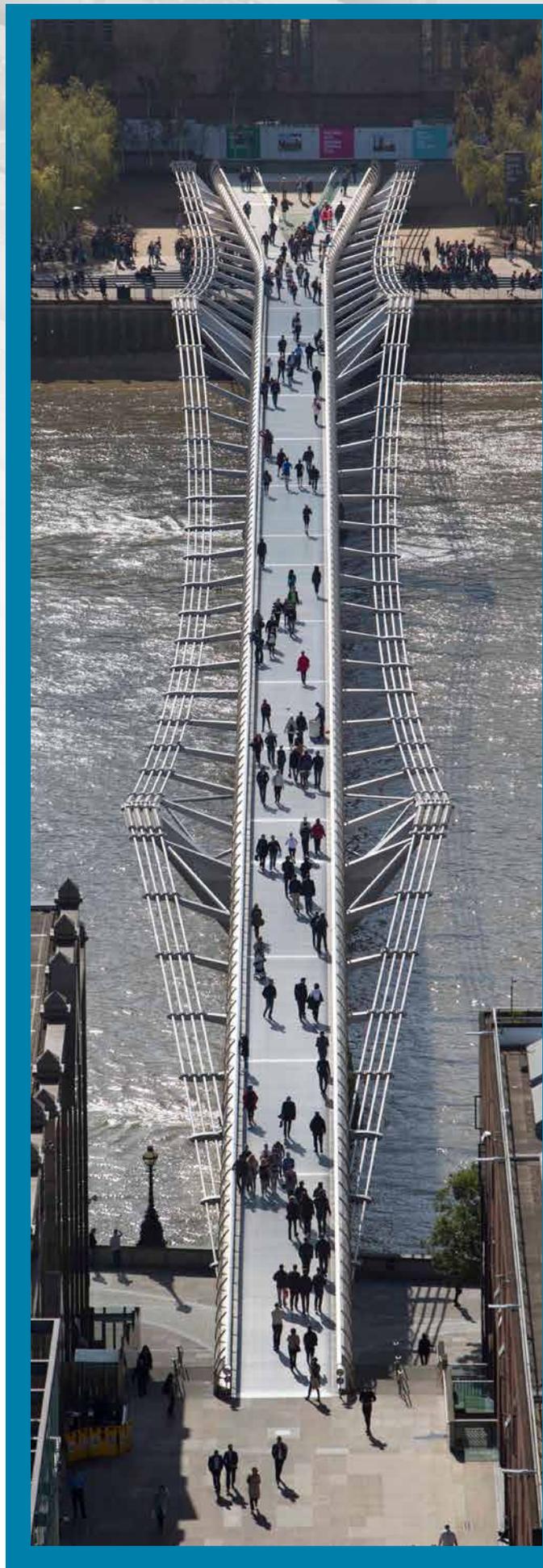
## PUBLIC BENEFIT STATEMENT

The Trustee confirms that it has referred to the guidance contained in the Charity Commission's general guidance on public benefit when reviewing Bridge House Estates' aims and objectives and in planning future activities. The five river bridges maintained and supported by the charity are available to the general public on an open access basis. Regarding grant-making activities of the charity and other support for the charitable sector undertaken under the name 'City Bridge Trust', the Trustee awards grants at its discretion to address disadvantage across London's diverse communities and provides more general support to the charitable sector through various strategic initiatives. This process is based upon published criteria, and an analysis of need in consultation. The charity utilises a transparent and fair assessment process and ensures that a robust monitoring system is in place to establish the public benefit derived from each grant approved alongside the other activities of the charity.

Consequently, the Trustee considers that Bridge House Estates operates to benefit the general public and satisfies the public benefit test.

## REFERENCE AND ADMINISTRATIVE DETAILS

The administrative details of the charity are stated on page 57.



# ACHIEVEMENTS AND PERFORMANCE

## THE BRIDGES

With the successful completion of the re-decking of Tower Bridge in 2016/17, this year has focussed more on further developing future bridge maintenance schemes. With other major projects such as the redevelopment of London Bridge Station and the Thames Tideway Tunnel in progress, the team has had to focus on developing collaborative relationships with those delivering these major schemes to ensure that the bridges are protected and ensuring that any maintenance required can still be carried out.

The work on the Thames Tideway Tunnel at Blackfriars Bridge has started this year in earnest and now significant structures have been constructed in the foreshore, adjacent to the bridge. This work is in preparation for a large tunnel shaft being constructed next to the river wall and the main tunnel driven directly underneath all five of the Bridge House Estates' Thames river crossings in the coming years. The team has been working very closely with the project to ensure that the construction activities do not have any detrimental impact on the bridges from structural, functional and heritage perspectives. Following the relocation of the Blackfriars Pier to enable the Thames Tideway Tunnel works, a new stairway and lift are now operational at the northeast corner of the bridge, connecting the bridge to the river walkway below. This required significant investigation and reconstruction work to be completed on the adjacent listed parapet. The lessons learnt, and technical knowledge gained from this has now fed into a larger, future project to refurbish the parapets and repaint the whole bridge. In addition to this, the bridge team carried out a specialist load test at different points on the parapet of Blackfriars Bridge to establish the historic structure's capacity and inform options going forward for the wider refurbishment project. A bridge refurbishment project is now underway with work expected to start on site next year. However, this will depend heavily on the ability to work collaboratively with the Thames Tideway Tunnel, the Port of London Authority, Transport for London and Historic England to allow safe access to all areas of what is now a very dynamic location.

Work continues to develop a scheme to re-waterproof London Bridge and replacement of the end bearings, two of which have cracked. These works cannot commence until Network Rail have completed their works at London Bridge Station, but need to be ready to start as soon as there is access to the highway. This year, detailed bearing inspections have been carried out to establish how the work will be accessed and completed. Some of these inspections have been challenging as the bearings can only be accessed from within the tightest sections of the structural box sections.

The Illuminated River Project has further developed this year and the bridge team has been working closely with the project to provide technical and practical advice and enable lighting trials to take place. A number of lighting trials were held this year on three of the bridges as Millennium Bridge, Southwark Bridge and London Bridge are expected to be in the first phase of bridges to be enhanced as part of the project.

The other significant impact following the terrorist attacks in 2017 has been the Metropolitan Police's installation of barriers on the four vehicular river crossings in part. The team worked proactively to ensure the installation was not detrimental to the bridge structures, they continue to assist the Metropolitan Police with maintenance and are working with all the various agencies and stakeholders in the deliberations for permanent solutions.



Southwark Bridge

## ACHIEVEMENTS AND PERFORMANCE CONTINUED

### TOURISM AT TOWER BRIDGE



*Educational activities for families on the Tower Bridge Walkways*

The main income generating activity for the tourism business at Tower Bridge is the public Exhibition which showcases the architecture and engineering of the Bridge and the Victorian Engine Rooms. It offers visitors panoramic views from the high-level walkways of Wapping, Canary Wharf and Greenwich to the east, and of the City and central London skyline to the west. In addition, glass flooring panels installed in 2014 continue to attract visitors, providing them a unique aspect of the roadway, the river and the Bridge raising to allow the movement of river traffic directly beneath their feet. Complementing the admissions income generated both onsite and online, retail sales, venue hire charges, catering commissions and filming also generate a growing income source for the charity.

Tower Bridge Exhibition generated record levels of income in 2017/18. This positive financial performance was achieved in the face of a significant downturn in the London visitor economy following the Westminster, Manchester and London Bridge attacks in March, May and June 2017 respectively. The resulting decrease in visitors to Tower Bridge (8% compared with 2016/17) has not been as substantial as that experienced at other major London attractions.

It should be noted that the overall record income achieved for 2017/18 was bolstered by excellent retail performance, this being a result of the new retail structure and strategy implemented in mid-2017. This income stream alone exceeded £1.3m, and efforts were focused on reviewing arrangements and implementing a new Commercial Plan, including a new direction for visual merchandising and new product ranges.

Tower Bridge Exhibition achieved a rating of Excellent (91%) in the annual assessment by Visit England as part of their Visitor Attraction Quality Assurance Scheme.

Following this achievement, the Bridge was awarded a Visit England Gold Accolade which 'recognises attractions where the visitor experience is of the highest quality'. Of 1,000 UK attractions participating in the assessment scheme, 15 received Gold Accolades in 2017.

January 2018 saw the launch of a special exhibition produced and hosted by Tower Bridge, telling the story of Bridge House Estates across eight panels in the Engine Rooms. Information and images were carefully selected to communicate the history of the charity and its modern context of the positive work of the City Bridge Trust as effectively as possible to visitors without impacting significantly on dwell time. Visitors to the exhibition can discover where the distinctive BHE 'bridge mark' can be found across the globe through an interactive digital display. This unique feature was bolstered by printed maps encouraging visitors to search for BHE bridge marks in the City's architecture and share their discoveries and experiences using social media channels.

After receiving the Sandford Award for Heritage Education in 2016, the Tower Bridge formal learning programme has continued to attract new and repeat school visits. Feedback continues to be positive and a substantial level of publicity within the education industry has been achieved. Rescheduled to directly follow the installation of a major heating upgrade for the entire Bridge, work has commenced at the Bridge for a new fully accessible Education Centre in the form of a mezzanine floor in the South Tower, due for launch after schools return from the Easter Break in 2019.



*A school visit to the Tower Bridge Education Centre*

The Bridge's profile as a cultural venue was developed further throughout 2017/18, with the launch of Tower Bridge's inaugural 'Artist in Residence', with meaningful and measured outcomes achieved in

terms of engaging with the learning offer. The pilot scheme saw the appointed artist creating contour drawings, digital printmaking and etchings onto Portland stone (one of the original materials used in the construction of the Bridge) which focused on re-imagining the architecture of the Bridge in abstract form. This became an exhibition on display to all visitors. A central component of the residency was the artist's engagement with families, schools and the local community. The artist worked closely with the in-house Education team to lead a series of workshops with children aged 7 to 10 years old from the Boutcher Primary School, Southwark. The children's artwork produced as part of these workshops was on display in the Bridge's Walkways for visitors to view and enjoy. Moving forward, this will become a competitive annual artist placement with the aim of garnering further positive publicity and meeting the Trustee's aims for education and cultural engagement.



School pupils take part in a workshop in the Tower Bridge Engine Rooms

Also relevant to the bridge's cultural profile, public-ticketed performances of a set of original musical compositions took place over the penultimate weekend in September in the Bridge's unique Bascule Chamber space, for the Totally Thames Festival. Positive feedback was received from ticket holders and an excellent level of publicity was achieved in mainstream, national and specialist media. In March 2018, the Chamber hosted a joint project between Tower Bridge, Guildhall School of Music and Drama and the Police Museum to showcase photography of the aftermath of the WWII Blitz on London, projected on an enormous scale and weaved into a continuous narrative as part of a series of public performances.

The entire visitor experience in the Engine Rooms was overhauled following an extensive research exercise which uncovered the 'unsung heroes' of Tower Bridge across its lifespan. From previous Bridge Masters, to

Coal-Stokers, Cooks, Clerks and Engineers, the human stories of the people who once worked behind the scenes at Tower Bridge are now on display for visitors to learn and enjoy in the form of large scale printed and digital photographic, interactive and information displays. This project saw the Exhibition Development team engaging with the descendants of those who used to keep the Bridge running, and in doing so uncovered and attained a wealth of previously unseen photos, films and ephemera from the late 19th and early 20th Centuries. Complementing these personal histories on display for the first time in the Engine Rooms is the 'Walk of Fame' on the Bridge's east pavement. Linking Tower Bridge's South Tower to the Victorian Engine Rooms, a pathway of 50 plaques set into the Bridge's pavement celebrate workers from its history, each carefully selected to illustrate the diversity of roles behind Tower Bridge.

In its context as a globally recognised symbol of London and a key part of the capital's transport infrastructure, security was given the utmost priority at Tower Bridge in 2017/18. The City Corporation, City of London Police and the National Counter Terrorism Security Office have commended Tower Bridge for demonstrating best practice and exemplary standards in its operational security planning, protocols and facilities.

#### Performance indicators for 2017/18

	Target 2017/18	Actual 2017/18	Actual 2016/17
Visitor numbers to Tower Bridge Exhibition	800,000	785,315	834,130
Visitors to second part of the Exhibition: Engine rooms	80%	80%	82%
No. of pupils participating in Education Programme	2,800	3,023	2,932
Admissions income	100%	101%	112%
Retail income	100%	100%	127%
Venue hire	100%	109%	112%

## ACHIEVEMENTS AND PERFORMANCE CONTINUED

### ACTIVITIES OF CITY BRIDGE TRUST



*Islington Boat Club, funded by City Bridge Trust, provides fully accessible and inclusive watersport activities for young people*

Operating under the name of City Bridge Trust (CBT), the charity is London's largest independent grant-maker and funds a broad range of work to reduce inequality and grow more cohesive communities. The activities of CBT are committed to making the capital a city where all individuals and communities can thrive, and to develop London as a global hub for philanthropy and social investment.

Since the objects of the charity were widened in 1995 to permit this activity, around 7,800 grants totalling over £387 million have been awarded. CBT currently aims to award grants totalling around £20 million a year. CBT occupies a distinctive position, being at the heart of the private, governmental and voluntary sectors through its role as a lead funder in London and being able to draw on the broad expertise and reach of its trustee, the City of London Corporation. With that position is conferred much responsibility to try to better understand the needs of London's communities and how those needs can best be met.

During the year, CBT awarded £24.4m in funding across Greater London through 227 different projects. This is significantly greater than the spend during 2016/17 (£18.1m) largely due to several exceptional grants to Centre for Mental Health (£1.24m), The Prince's Trust (£3m), and those made as part of the Bridge to Work programme (totalling £2.62m).

### Strategic Initiatives

These allow the charity to add value to its work, respond to emerging needs or contribute to the wider policy arena.

Following a collaborative event hosted at Mansion House, CBT responded to the enormous challenges faced by the LGBTQI sector as a result of reduced funding combined with an increased demand for their services through the award of three grants, each of which will run over the next three years:

- £281,000 to Positive East to enable the GMI Partnership to expand and diversify its work supporting the LGBTQI community in London providing rapid HIV testing, Sexual Health Screening and condom distribution for gay, bisexual and other men;
- £217,000 to the LGBT Consortium to create and manage an online directory/mapping tool of services in London and to provide general capacity building support to the LGBTQI voluntary sector in London; and
- £165,000 to Opening Doors London for a programme to develop the quality of services provided to older LGBTQI Londoners by voluntary and statutory agencies.

A grant of £337,000 was awarded to Age UK to design and deliver an evaluated model for the prevention of fraud and support for older people affected by fraud. This project is delivered in partnership with ActionFraud, an initiative of the City of London Police and the UK's national fraud and cyber-crime reporting centre.

A grant of £450,000 over two years was made to the Participatory City Foundation to develop and support widespread, effective and sustainable community participation and cohesion in Barking and Dagenham through the Every One Every Day neighbourhood project. Over the next 5 years, with local residents, organisations and the local authority, Participatory City will aim to work with over 25,000 people to grow a new network of around 250 projects and 100 businesses.

CBT continued the partnership with Trust for London with a grant of £300,000 towards Phase

2 of the Moving On Up initiative to improve employment outcomes for young black men in London, for whom the unemployment rate in England and Wales is more than double that of young white men. This followed a previous award of £400,000 in 2014 for Phase 1 of the project.

In 2014, CBT agreed a 10-year partnership with The Prince's Trust, with total funding of £10m over this period subject to break clauses at various points, towards their work with disadvantaged young people in London. A successful review in 2017/18 showed that over the first three years The Prince's Trust have worked with over 5,000 young people, of which 75% moved into education, training or employment. As a result of this effective service delivery, their next grant instalment of £3m to cover the next three years' activity was agreed.

## ANNIVERSARY PROGRAMMES

### Employability – Bridge to Work

CBT's Bridge to Work programme aims to tackle the disproportionately high level of unemployment amongst young disabled Londoners. The agreed grants total £2.2m between 2018 and 2023 to support a range of activities to break down the barriers to employment. Charity partners helping to deliver this programme are Mencap, Inclusion London, Action for Kids, National Autistic Society, Muscular Dystrophy UK and Whizz-Kidz.

In addition, Leonard Cheshire Disability is operating ChangeLondon, a £350,000 bursary scheme to provide paid work experience to young disabled Londoners. This will award bursaries of up to £4,000 per person on behalf of CBT to London's small and medium sized companies and charities.

Finally, to complement the Bridge to Work programme, and in recognition of the unique barriers to employment that people experiencing mental health issues face, a grant of £1.24m was awarded to the Centre for Mental Health. Working initially in the boroughs of Newham and Bromley, this award will implement Individual Placement Support plans for people with mental health needs to help them find long-term sustainable employment.

### Infrastructure Support & The Way Ahead

CBT continued its involvement with The Way Ahead implementation which is seeking to improve and develop infrastructure support for London's civil society organisations in a context of scarce resources.

CBT established two additional funds to underpin this work. The £1m Bridge Fund supported 15 organisations, previously funded by London Councils, to engage with The Way Ahead's implementation during 2016-17. A second round of these grants was approved in January 2018 to enable this engagement to continue.

A sum of £3m was allocated to The Cornerstone Fund to enable CBT to work with other funders and key stakeholders, to support the infrastructure underpinning London's civil society. A cross-sectoral reference group worked during 2017/18 to determine the parameters and governance of this fund, the first round of which was launched in April 2018, alongside the Bridging Divides programmes.

During the year, London Voluntary Services Council (LVSC: the umbrella body for the councils of voluntary service network) and Greater London Volunteering (GLV: which co-ordinates local volunteer centres) worked together to establish the Hub for London to replace the functions of these two organisations, as well as taking forward the wider ambitions of The Way Ahead report, with GLV widening its objectives in order to be the vehicle for the new body. In September 2017, CBT approved a grant of £350,000 to secure the first year of its operations.



City Bridge Trust is funding Mencap to support young disabled Londoners into employment as part of its Bridge to Work programme

# ACHIEVEMENTS AND PERFORMANCE CONTINUED

## Responsive grant making

Whilst up to 20% of the grant-making budget is used for Strategic Initiatives as outlined above, most of the funds allocated are used for responsive grant making to charitable organisations tackling disadvantage. The majority has been through the 'Investing in Londoners' grants programme with the following priority areas:

- English for Speakers of Other Languages (ESOL)
- Improving Londoners' Mental Health
- Improving London's Environment
- Making London More Inclusive
- Making London Safer
- Older Londoners
- Reducing Poverty
- Resettlement and Rehabilitation of Offenders
- Strengthening London's Voluntary Sector

Grants awarded during the year included:

- High Trees Community Development Trust were awarded a grant of £133,300 towards an ESOL project supporting people of all ages living in Lambeth, Southwark and Croydon.
- BANG Edutainment were awarded £120,000 towards the costs of their NoLimitz project, a community based early intervention programme that works with young people and their families to tackle offending or anti-social behaviour.
- Hubbub Foundation UK received £77,250 towards the Plastic Fishing project in the Docklands Basin, which helps clean London's waterways whilst also educating participants on the issue of plastic in rivers and oceans.
- Royal Court Theatre was awarded a grant of £73,700 towards refurbishment work which will make their building fully accessible for people with disabilities.
- Ashford Place received a grant of £99,900 towards their Dementia Café project which provides people who live with dementia, their carers and families an opportunity to gather in an informal, relaxed and friendly atmosphere and meet other people in similar circumstances.
- Working Chance received a grant of £117,000 towards a recruitment consultancy supporting women leaving the criminal justice and care systems into mainstream employment.
- Media Trust were awarded £148,700 towards the Stronger Voices Training Programme which will provide Advocacy Masterclasses, digital guides and volunteer brokerage for 30 equalities organisations, helping them to target their audiences more effectively.

## Social Investment

The Social Investment Fund represents the designation of £20m from the charity's funds, which are to be invested for a financial return as part of the charity's balanced investment portfolio but is focussed on investments in the social investment market to also achieve social impact.

2017/18 marked the five-year anniversary of the Fund. Over this period, it has invested a total of £13m across a portfolio achieving a return of 4.7% (gross). During the year, the Fund bought retail charity bonds from Greensleeves (£0.5m), a charitable care home operator and invested in Commonweal Quaker Social Action Project (£0.4m) to provide supported accommodation for young adult carers. These brought the total funds invested at the end of 2017/18 to £8.5m with a further £3.3m committed but not yet placed.

During 2017/18, three investments were redeemed or matured. These were:

- A loan to South West London YMCA for the Y:Cube Housing Project, providing high-quality modular accommodation as move-on for people who had been living previously in homelessness shelters.
- A five-year fixed-rate bond to Golden Lane Housing to purchase, adapt and let properties across the UK, enabling people with learning disabilities to live independently.
- A five-year fixed-rate bond with Midlands Together to provide employment, training and mentoring to ex-offenders through a property refurbishment programme.

In addition, an investment offer to Framework Housing was cancelled with mutual consent from borrower and lender.

In 2017/18 CBT held a further round of its "Stepping Stones Fund". This programme is a unique social investment readiness facility for charitable organisations and is being delivered in partnership with UBS. Sixteen grants totalling £617,000 were awarded to organisations tackling a range of issues. This latest grant round brought the total awards on this programme to date to over £2.8 million over four rounds. A fifth round, run in partnership with UBS, was launched in March 2018.

## Philanthropy

The City and London in general has a proud tradition of philanthropy dating back to the Middle Ages, led by Livery Companies and the Mayoralty. However, at a time of retrenchment of public sector funding and growing inequality, there is a need to do more to inspire, support and amplify great philanthropy i.e. the giving of money, time, skills or assets.

City Philanthropy: A Wealth of Opportunity, a project which aims to embed a culture of effective philanthropy in the City and promote London as a global centre for effective philanthropy, transferred in April 2017 from its previous host, the Association of Charitable Foundations, to be delivered in-house. This enabled its work to become more deeply embedded within CBT and wider City of London Corporation.

In September 2017, the City of London Corporation and CBT therefore appointed a Director of Philanthropy to scope and develop a philanthropy strategy to deepen the impact in this space and explore ways to support and amplify great giving more broadly in London, nationally and internationally. This aligns with CBT's focus on connecting the capital and on ensuring it is drawing on the City of London's networks, expertise and assets to enrich the support it offers to individuals and communities in London.

The philanthropy strategy is being developed and will be published later in 2018.

## Strategic Review

Work on the five-year Strategic Review of CBT activities in respect of the application of surplus income under the charity's ancillary object, commenced during 2016/17 and continued during 2017/18. Following extensive consultation, both within the City of London Corporation and with London's voluntary sector, other funders, policy makers and key commentators, the strategy for 2018-23, Bridging Divides, was approved by the Court of Common Council on behalf of the City of London Corporation as Trustee of Bridge House Estates and then published in July 2017. It commits BHE to use all of its financial and non-financial assets (total assets approach) and those of its Trustee (that is, the funding, knowledge, networks and the expertise that can be accessed) to support Londoners and London's communities who are experiencing inequalities and marginalisation, to thrive.

Work to agree the funding priorities to support the delivery of the strategy continued prior to their launch in April 2018. The strategy places a greater emphasis on learning and CBT will be working alongside a learning partner throughout the five years of Bridging Divides.



*The Garden Classroom provides school pupils with hands-on environmental activities funded by City Bridge Trust*

# ACHIEVEMENTS AND PERFORMANCE CONTINUED

## PROPERTY INVESTMENT

Bridge House Estates has an income driven investment property portfolio which is held within its permanent endowment fund, comprising assets located primarily in the City of London and the London Borough of Southwark (LBS) with one building in the West End. The portfolio is predominately comprised of offices, with the majority of the remainder of the properties being a mix of office and retail uses within each building. There are 72 assets within the portfolio of which some 50% are ground leases. Due to their nature, 12 of these assets are not benchmarked alongside the rest of the portfolio, however these are externally valued annually.

The objectives, as stated within the Investment Policy on page 19, are to maximise rental income and to outperform the MSCI Benchmark (Greater London Properties including owner occupied) total return on an annualised 5-year basis. The rental income has been maximised in accordance with the business plans for each asset and the property portfolio outperformed the relevant benchmarks on an annual basis (11.1% versus MSCI benchmark of 9.9% and MSCI universe of 9.3%) and on an annualised 5-year basis as detailed below. Alongside this performance, the underlying value of the property portfolio increased by £64.1m (9.1%) to £766.3m. Performance is depicted in the table below:

	31 March 2018	31 March 2017
Capital Value	£766.3m	£702.2m
Gross Rental Income	£31.8m	£27.2m
5 year annualised Total Return	15.4%	15.8%
Benchmark 5 year annualised Total Return	13.9%	13.7%
MSCI Universe (All UK Property) 5 year annualised Total Return	11.1%	10.0%

Within the portfolio, the key achievements during the year were as follows:

- The completion of the redevelopment of the office building at 181 Queen Victoria Street EC3 (17,160 sq ft) which is fully let at a rent of £1.014m pa.
- The completion of the new office and retail development at 21 Lime Street EC4 (35,257 sq ft) which is fully let at a total rent of £2.39m pa.
- An approximate uplift of £880,000 from completed lease renewals and rent reviews.
- Disposal of Duke of York SE1 (public house) for £1.66m
- Disposal of 2 Kennington Road SE1 (restaurant) for £2.825m
- Progressing the refurbishment of Candlewick House EC4 by aligning the expiry of all the office leases and selected retail leases to April 2019 to provide the opportunity to add an office floor and improve accessibility and sustainability.

Colechurch House was due to be marketed in 2017/18. This has been delayed due to an ongoing legal dispute, but progress on a way forward has been made and marketing is now anticipated later in 2018. In addition, the long leasehold of 1-5 London Wall Buildings is being marketed for sale at £90m (see Note 23 Subsequent events).

The vacancy rate for the portfolio has increased slightly from 4.32% to 5.04% (by floor area) over the past 12 months with economic uncertainty and the growth of serviced offices making letting vacant space challenging. An additional asset manager has been recruited to assist with letting vacant space, progressing key projects and completing historic lease events (1954 Act renewals, rent reviews and rent certificates).

## PLANS FOR FUTURE PERIODS

The vision of the next year across the activities of the charity includes:

### The Bridges

Having carried out further investigations to Park Street Bridge, south of the Southwark Bridge southern approach, work will start on re-waterproofing the bridge next year. Following this, a wider project to re-waterproof the whole southern approach of Southwark Bridge is being developed.

Access permitting, both the re-waterproofing of London Bridge and refurbishment of Blackfriars Bridge will commence on site next year. The team will be working closely with all stakeholders to ensure that any disruption is minimised throughout. Neither project is expected to require significant periods of road closures.

Work on the Thames Tideway Tunnel will be ongoing for several years and the bridges team will continue to work closely with the project to provide technical approval and advice. As the project progresses, the team will ensure that the bridges are protected from any potential impact of movement or damage caused by the construction of the tunnel and its associated structures.

The Illuminated River Project extending along the Thames from Albert Bridge to Tower Bridge will continue to be a focus, with representatives of the charity sitting on the Bridge Owners Group, which will assess technical requirements for each bridge alongside how the lighting system is controlled at both a local and London-wide level. The team will be focussing on how the project will deliver the first phase of the project and continue to advise on the remaining bridges.

A strategic review of the management of the bridges will be undertaken in 2018/19. This will include the consideration of potential long-term replacement plans, alongside the best use of the charity's funds in maintaining the bridges over the coming years.

### **Tower Bridge Tourism**

Plans for the coming year for the tourism activities at Tower Bridge include those to:

- Launch and evaluate the Bridge's new Education Centre and conduct a full accommodation and storage review;
- Enhance the visitor experience by implementing and evaluating a full upgrade of all content and interpretation within the towers;
- Design and deliver a programme of aesthetic and operational improvements for the main ticket office;
- Revisit the potential for a secure entrance/exit facility at the South Tower;
- Continue to develop the Bridge's growing cultural programme, including Artist in Residence, Bascule Chamber events and engagement activities with community organisations in the neighbouring boroughs; and

- Evaluate and improve the retail structure and strategy embedded in 2017/18, to maximise opportunities for the gift shop and continuously develop online and onsite retail.

### **Activities of City Bridge Trust**

Following the Strategic Review of CBT's activities and approval of the Bridging Divides strategy and programmes, the charity will launch three new grant priorities during 2018/19 - Connecting the Capital, Positive Transitions, and Advice & Support. Alongside these, CBT will look to develop its 'Funder Plus' offer making best use of all of its assets as a funder, including networks, knowledge and links to public and private sectors.

CBT will look to develop a small loan service to organisations who have previously received funding on the Stepping Stones social investment readiness programme. This is in recognition that a gap currently exists between this programme and the size of investments available from the charity's Social Investment Fund and will form part of the more diverse funding offer available through the charity's Bridging Divides programmes.

Following the appointment of the Director of Philanthropy, a new Philanthropy Strategy will be launched during the year. This will build on BHE's and its Trustee, the City of London Corporation's, significant and longstanding track record of philanthropy. It will ensure that BHE and its Trustee are playing leadership roles in ensuring both their own philanthropy and that which they support and inspire achieve a greater impact in enabling individuals and communities, especially those experiencing disadvantage and marginalisation, to thrive.

### **Property investments**

Key activities planned within the investment property fund for 2018/19 include:

- Maximise the price achieved from the sale of 1-5 London Wall Buildings, which will provide essential funding for future development and refurbishment projects (see Note 23 Subsequent events);
- Re-gear the head lease of 160 Blackfriars Road SE1 to allow for an office and hotel development that will increase income; and
- Progressing the refurbishment of Candlewick House EC4 by appointing contractors to start on site in 2019.

# FINANCIAL REVIEW

## OVERVIEW OF FINANCIAL PERFORMANCE

### Income

Total income for the year was £42.6m, an increase of £6.1m in comparison to the previous year (£36.5m). All income is unrestricted.

The Tower Bridge Exhibition generated record levels of income in the year, despite a reduction in visitor numbers. Combining income from visitor admissions, retail and events, the charity's total income from charitable activities increased by 4.8% to £6.5m (2016/17: £6.2m).

Investment income principally comprises the rental income earned from the property portfolio. For 2017/18, such income totalled £31.8m being a 16.9% increase against the previous year (£27.2m). This increase is principally driven by the inclusion of backdated rent collected from outstanding rent reviews on several properties, together with additional income from ground lease rent certificates. The level of backdated rent is likely to reduce next year, as there are fewer outstanding lease events. With the majority of the financial investments holdings of the charity being held on a pooled basis, the income equivalent forms part of the movement in the value of assets within the balance sheet. Income arising from financial investments held on a non-pooled basis is reported within the statement of financial activities.

Other income includes funds received by City Bridge Trust to support the Stepping Stones programme for social investment readiness, income received under the contract held to administer the Wembley National Stadium Trust, alongside fees charged to administer grant-making activities on behalf of a number of charities of which the City Corporation is trustee.

### Expenditure

For 2017/18, the charity's total expenditure was £53.3m (2016/17: £50.0m), an increase of 6.6%. All expenditure is unrestricted with the exception of £0.3m (2016/17: £0.3m) costs specifically attributable to the maintenance of the capital value of the endowment.

Within this, expenditure on raising funds increased by 8.9% to £20.9m (2016/17: £19.2m). This covers the costs of managing the charity's investment property portfolio plus the fees attributable to the financial investments held, alongside expenditure relating to the Tower Bridge tourism operations.

Spend on charitable activities in the year totalled £31.7m (2016/17: £30.3m). Expenditure on maintaining the five Thames Bridges totalled £5.6m in the year, a reduction of £6m compared to the previous year.

Whereas 2016/17 included the major project of redecking works on Tower Bridge, this year the focus was on the development of future maintenance schemes leading to lower levels of spend taking place. Against this, grant-making and related spend reached a record high for the charity totalling £26.1m (2016/17: £18.7m). This includes £24.4m of new grant commitments, alongside an increase in the costs of administering these grants with the use of specialist services to support activities undertaken.

Other expenditure covers the net costs of the pension scheme.



London Bridge

### Overall Performance

The above activity levels in the year resulted in an overall deficit of £10.7m (2016/17: £13.5m), prior to gains made on investments. The gains on both property and investment portfolios were lower than in the previous year, however these have still contributed to an increase in the assets of the charity.

Property investments held achieved a gain of £53.6m (2016/17: £74.7m), with financial investments resulting in an uplift to the value held of £10.8m (2016/17: £98.2m). Gains on social investments held remained consistent across both years at £0.1m.

Under its delegated responsibility from the City Corporation as Trustee, the Financial Investment Board, as a sub-committee of the Investment Committee, set an absolute return target of RPI (Retail Prices Index) plus 4% for the non-property investments, being 7.3% for 2017/18 (2016/17: 7.1%). The fund has under-performed this return by 5.5% (2016/17: out-performed the target by 8.9%). This performance consists of capital gains made on investments held, alongside in-year earnings retained within the various holdings, resulting in the overall gain in fair value of £10.8m stated above.

Following an investment strategy review in 2017/18 the Financial Investment Board agreed to adjust the absolute return target to CPI (Consumer Prices Index) plus 4% from 1 April 2018 owing to the Bank of England's move to replace RPI with CPI as their primary inflation measure and therefore it was considered more appropriate to set targets relative to CPI going forward.

### Funds held

As at 31 March 2018, the total funds available stood at £1,395.8m (2016/17: £1,341.2m), an increase over the year of £54.6m. Of these, £831.6m represent permanent endowment funds which are held in perpetuity as a capital fund to generate income for the activities of the charity. Any income arising from this capital is accounted for as unrestricted funds. The permanent endowment is held to enable the charity to generate income to meet its primary objective of maintaining and supporting the five river bridges across the Thames, with the remaining surplus income available to undertake the activities of City Bridge Trust.

Unrestricted income funds held include the general fund and a number of designated funds. The total unrestricted income fund was £564.2m as at 31 March 2018 (2016/17: £561.8m), net of £11.8m held to cover the pension deficit (2016/17: £11.9m).

The charity's designated funds consist of unrestricted income funds which the Trustee has chosen to earmark for specific purposes. Such designations are not legally binding and the Trustee can decide to "undesignate" these funds at any time. Designations as at 31 March 2018 totalled £189.8m (2016/17: £157.7m). The Trustee created a new designated fund during the year for grant-making, ring-fencing funds available to commit in each following year. £23.7m was transferred from the unrestricted income fund into the grant-making designated fund in 2017/18. The Trustee further agreed to designate income earned and net gains/losses attributable to social investments to this named fund, alongside the original allocation of £20m. Detail of all designated funds, including their purpose, is set out within Note 19 to the financial statements.

### Reserves Policy

The permanent endowment funds are held in perpetuity. It is the Trustee's policy to invest the assets of the charity held within this fund to retain the real value of the endowment while also generating sufficient returns to fund the charity's primary objectives of maintaining and supporting the five river bridges, whilst preserving both the 'real' value of the asset base and the purchasing power of the sums available for annual expenditure over the long term.

Any income surplus to that required to be applied to the charity's principal object is predominantly used to provide assistance in the form of grants to charitable organisations across Greater London. The level of funds available for grant awards is monitored and adjusted to ensure compliance with the policy to preserve the 'real' value of the asset base.

The charity is considering adopting a total return basis for its permanent endowment fund. With this approach, the Trustee decides each year how much of the total return within the endowment fund can be released to income for spending against the objectives and how much is retained for investment. Prior to adopting this approach, the charity will be maintaining a designated fund for bridge replacement out of its unrestricted income funds.

Reserve levels held as at 31 March 2018 are set out in Note 19. Following the reconstitution of the endowment fund, the charity holds free reserves of £374.4m (2016/17: £404.1m). The Trustee is currently considering an appropriate level of free reserves to maintain as a result of this change.

### Investment Policy

The charity's financial investments are invested in accordance with the powers set out in an Order of the Charity Commission dated 20 July 1998, the Trustee Act 1925, the Trustee Act 2000 and within its investment policy. The Order enables the charity to invest the property of the charity either:

- in the acquisition of any securities or property (real or personal) of any sort: or
- on deposit or loan whether in the UK or elsewhere.

The policy is to seek an absolute return over the long term in order to provide for real increases in annual expenditure, whilst preserving the charity's capital base in real terms. Investments are made by the charity's appointed fund managers in accordance with the above policy. The charity considers proactive engagement with the companies in which it invests to be the most effective means of understanding and influencing the social, environmental and governance policies of those companies. It expects investment managers to take steps to ensure that these factors are adequately addressed in the selection, retention and realisation of investments as far as such factors may affect investment performance. In 2017/18 the City Corporation developed a Responsible Investment Policy and a Statement of Commitment to the Stewardship Code which was finalised in 2018/19. Consideration will be given as to how the Trustee's general investment policies might have application to the charity.

Full details of the charity's Investment Policy are set out in the City of London Corporation's Investment Strategy Statement, which is available from the Chamberlain of London, at the email address on page 57.

The performance of the charity's financial investments during the year is discussed on page 18 and set out in Note 12.

The property investments of the charity are managed within an approved Estates' strategy, which is reviewed in depth on a three-yearly basis. The strategic objectives of the property fund are to:

- Maintain and maximise rental income;
- To outperform the MSCI Benchmark (Greater London properties including owner occupied) total return on an annualised 5-year basis.

The performance of the fund during 2017/18 is set out on page 16 and within Note 12.

### **Grant-making Policy**

The charity has established its grant-making policy to achieve its ancillary objects, as laid out on page 5, for the public benefit. In the name of City Bridge Trust, its grant-making arm, BHE considers and funds a large number of grantees and makes awards through a wide programme of funding schemes. The majority of grants are for revenue expenditure, awarded over 2-3 years.

All applications are assessed via a robust process to ensure that proposed activities for funding will be supported by adequate and appropriate resources and will be used only for activities that match the charity's criteria. Approved grantees are required to report annually on the impact of their work.

Information is collected in a uniform and systematic way, enabling analysis and feedback to take place. The results of monitoring reports are used to assess the overall effectiveness of grant-making, along with a commissioned grantee perception survey providing benchmarking and performance data.

Details of how to apply for grants are available on the City Bridge Trust website at [www.citybridgetrust.org.uk](http://www.citybridgetrust.org.uk)

### **Remuneration Policy**

The charity's senior staff are employees of the City of London Corporation and alongside all staff, pay is reviewed annually. The City of London Corporation is committed to attracting, recruiting and retaining skilled people and rewarding employees fairly for their contribution. As part of this commitment, staff are regularly appraised and, subject to performance, eligible for the payment of bonuses and recognition awards.

The above policy applies to staff within the charity's key management personnel, as defined within Note 10 to the financial statements.

### **Principal Risks and Uncertainties**

The charity is committed to a programme of risk management as an element of its strategy to preserve the charity's assets. In order to embed sound practice a Strategic Risk Management Group is in place to ensure that risk management policies are applied, that there is an ongoing review of activity and that appropriate advice and support is provided. A key risk register has been prepared for the charity, which has been reviewed by the Trustee. It identifies the potential impact of key risks and the measures which are in place to mitigate such risks.

The principal risks faced by the charity during the year, and actions taken to manage them are as follows:

<b>RISK</b>	<b>MITIGATING ACTION</b>
<p>Appropriate returns from investment activities are not achieved to enable the charity to maintain its asset value and support its charitable activities.</p>	<p><b>Property Investments</b> The property portfolio is managed within an approved Estates' strategy, which is reviewed on a three-yearly basis. KPIs are in place to monitor and drive rental income, with a working group in place to review cyclical maintenance costs to ensure effectiveness.</p> <p><b>Financial Investments</b> The investment strategy was reviewed during the year, within a 3-year review cycle, with the target for returns being amended. The performance of fund managers is reviewed against target on a regular basis. Risk is reduced through the use of a range of fund managers implementing different investment mandates.</p>
<p>The outcome of Brexit negotiations has an adverse impact on the charity's income streams, on procurement and supply chains and on the recruitment and retention of staff.</p>	<p>A close watching brief continues to be kept on the implications of events as they unfold, with risks being identified, assessed, mitigated and recorded.</p>
<p>Structural damage to one of the bridges may cause it to become non-operational.</p>	<p>The City Surveyor's Department and Department of the Built Environment within the City Corporation work together to manage ongoing actions associated with this risk which include potential structural damage as a result of issues such as a substantial vessel strike or through acts of terrorism. Possible impacts from the Thames Tideway tunnelling are being monitored. A 50-year maintenance plan is in place to manage ongoing works.</p>
<p>Grant funding not used for its intended purpose.</p>	<p>Rigorous grants management and monitoring systems are in place which would pick up if a grant was being used for a different purpose. Grantees may also receive an unannounced visit during the life of their grant.</p>
<p>A major systems outage could cause disruption and, potentially, operations could be compromised.</p>	<p>Information systems are subject to ongoing monitoring and renewal to ensure resilience, with a disaster recovery plan in place. A transformation programme was implemented over the year, leading towards a more robust approach to configuration and change management.</p>



# RESPONSIBILITIES OF THE TRUSTEE

The Trustee is responsible for preparing the Trustee's Annual Report and the financial statements in accordance with applicable law and regulations.

The law applicable to charities in England and Wales requires the Trustee to prepare financial statements for each financial year, which give a true and fair view of the state of affairs of the charity and of the incoming resources and application of resources of the charity for that period. In preparing these financial statements, the Trustee is required to:

- select suitable accounting policies and then apply them consistently;
- observe the methods and principles in the Charities SORP (FRS 102);
- 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 charity will continue in operation.

The Trustee is responsible for keeping adequate accounting records that discloses with reasonable accuracy at any time the financial position of the charity and enable it to ensure that the financial statements comply with the Charities Act 2011, the applicable Charities (Accounts and Reports) Regulations, and the provisions of the charity's governing documents. The Trustee is also responsible for safeguarding the assets of the charity and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Adopted and signed for on behalf of the Trustee.

**Jeremy Paul Mayhew MA MBA**  
*Chairman of Finance Committee*

**Jamie Ingham Clark FCA, Deputy**  
*Deputy Chairman of Finance Committee*

Guildhall, London  
January 2019

# INDEPENDENT AUDITOR'S REPORT TO THE TRUSTEE OF BRIDGE HOUSE ESTATES

## OPINION

We have audited the financial statements of Bridge House Estates (the 'charity') for the year ended 31 March 2018 which comprise the Statement of Financial Activities, the Balance Sheet, the Statement of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the charity's affairs as at 31 March 2018 and of its incoming resources and application of resources, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Charities Act 2011.

## BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the charity in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## CONCLUSIONS RELATING TO GOING CONCERN

We have nothing to report in respect of the following matters in which the ISAs (UK) require us to report to you where:

- the trustee's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate, or
- the trustee has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the charity's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

## OTHER INFORMATION

The trustee is responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

## MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

We have nothing to report in respect of the following matters where the Charities Act 2011 requires us to report to you if, in our opinion:

- the information given in the Trustee's Annual Report is inconsistent in any material respect with the financial statements; or
- sufficient accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records and returns; or
- we have not received all the information and explanations we require for our audit.

## RESPONSIBILITIES OF THE TRUSTEE

As explained more fully in the Trustee's Responsibilities Statement set out on page 23, the trustee is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the trustee determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the trustee is responsible for assessing the charity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the trustee either intends to liquidate the charity or to cease operations, or has no realistic alternative but to do so.

## AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is

a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Councils website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

## USE OF OUR REPORT

This report is made solely to the charity's trustee, as a body, in accordance with Chapter 3 of Part 8 of the Charities Act 2011 and regulations made under section 154 of that Act. Our audit work has been undertaken so that we might state to the charity's trustee 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 the charity and its trustee as a body, for our audit work, for this report, or for the opinions we have formed.

### Moore Stephens LLP

*Statutory Auditor*

150 Aldersgate Street  
London  
EC1A 4AB

January 2019

Moore Stephens LLP is eligible to act as an auditor in terms of section 1212 of the Companies Act 2006

# 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, 26 June 2017 and 25 June 2018 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 the Bridge House Estates for the period from 1 April 2017 to 31 March 2018.

In our view the audit of the Financial Statements has been conducted in accordance with auditing procedures as stated on pages 24 to 25.

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.

**P. Dossett**

**A. Francis**

**L. Lloyd-Thomas**

**P. Watts**

January 2019

The Moore Stephens Engagement Lead, Nick 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 Nick Bennett to sign the report.

# STATEMENT OF FINANCIAL ACTIVITIES

FOR THE YEAR ENDED 31 MARCH 2018

	Notes	Unrestricted Funds	Endowment Funds	2017/18 Total	2016/17 Total Restated
		£m	£m	£m	£m
<b>Income and Endowments from:</b>					
<b>Charitable activities</b>					
Tourism fees and charges	3	6.5	-	6.5	6.2
<b>Investments</b>					
Investment property income		31.8	-	31.8	27.2
Financial investment income		3.9	-	3.9	2.4
Interest receivable		0.2	-	0.2	0.3
<b>Total investments</b>	3	35.9	-	35.9	29.9
<b>Other</b>	3	0.2	-	0.2	0.4
<b>Total Income</b>		<b>42.6</b>	-	<b>42.6</b>	36.5
<b>Expenditure on:</b>					
<b>Raising funds</b>					
Tourism expenses		5.5	-	5.5	5.3
Investment property expenses		9.7	0.1	9.8	9.1
Financial investment expenses		5.4	0.2	5.6	4.8
<b>Total raising funds</b>	4	<b>20.6</b>	<b>0.3</b>	<b>20.9</b>	19.2
<b>Charitable activities</b>					
Repair and maintenance of bridges		5.6	-	5.6	11.6
Grants to voluntary organisations		26.1	-	26.1	18.7
<b>Total charitable activities</b>	5	<b>31.7</b>	-	<b>31.7</b>	30.3
<b>Other</b>					
Net pension scheme costs	7	0.7	-	0.7	0.5
<b>Total Expenditure</b>		<b>53.0</b>	<b>0.3</b>	<b>53.3</b>	50.0
<b>Net gains/(losses) on financial investments</b>	12	11.9	(1.1)	<b>10.8</b>	98.2
<b>Net gains on social investments</b>	12	0.1	-	<b>0.1</b>	0.1
<b>Net gains on property investments</b>	12	-	53.6	<b>53.6</b>	74.7
<b>Net income</b>		<b>1.6</b>	<b>52.2</b>	<b>53.8</b>	159.5
<b>Other recognised gains/(losses):</b>					
Actuarial gains/(losses) on defined benefit pension scheme	7	0.8	-	0.8	(1.8)
<b>Net movement in funds</b>		<b>2.4</b>	<b>52.2</b>	<b>54.6</b>	157.7
<b>Reconciliation of funds:</b>					
Fund balances brought forward at 1 April 2017 as restated	2	561.8	779.4	1,341.2	1,183.5
<b>Total funds carried forward</b>	19	<b>564.2</b>	<b>831.6</b>	<b>1,395.8</b>	<b>1,341.2</b>

All of the above results are derived from continuing activities.

There were no other recognised gains and losses other than those shown above.

The notes on pages 30 to 56 form part of these financial statements.

# BALANCE SHEET

AS AT 31 MARCH 2018

	Notes	2018 Total £m	2017 Total Restated £m
<b>Fixed assets:</b>			
Tangible assets	11	3.7	3.7
Investment properties	12	766.3	702.2
Financial investments	12	645.4	667.3
Social Investment Fund	12	8.5	8.7
<b>Total fixed assets</b>		<b>1,423.9</b>	<b>1,381.9</b>
<b>Current assets:</b>			
Stock		0.2	0.2
Debtors	14	15.1	11.3
Short term investments and deposits	12	25.4	12.2
Cash at bank and in hand		0.7	0.8
<b>Total current assets</b>		<b>41.4</b>	<b>24.5</b>
<b>Creditors: Amounts falling due within one year</b>	15	<b>(33.7)</b>	<b>(39.0)</b>
<b>Net current assets/(liabilities)</b>		<b>7.7</b>	<b>(14.5)</b>
<b>Total assets less current liabilities</b>		<b>1,431.6</b>	<b>1,367.4</b>
Creditors: Amounts falling due after more than one year	16	(24.0)	(14.3)
<b>Net assets excluding pension scheme liability</b>		<b>1,407.6</b>	<b>1,353.1</b>
<b>Defined benefit pension scheme liability</b>	17	<b>(11.8)</b>	<b>(11.9)</b>
<b>Total net assets</b>		<b>1,395.8</b>	<b>1,341.2</b>
<b>The Funds of the charity:</b>			
Permanent Endowment Funds		831.6	779.4
Unrestricted income funds		564.2	561.8
<b>Total funds</b>	19	<b>1,395.8</b>	<b>1,341.2</b>

Approved and signed on behalf of the Trustee.

**Dr Peter Kane**  
Chamberlain of London  
January 2019

The notes on pages 30 to 56 form part of these financial statements

# STATEMENT OF CASH FLOWS

## FOR THE YEAR ENDED 31 MARCH 2018

	Notes	2017/18 Total £m	2016/17 Total Restated £m
<b>Cash flows from operating activities:</b>			
<b>Net cash used in operating activities</b>	20	<b>(13.0)</b>	<b>(10.1)</b>
<b>Cash flows from investing activities:</b>			
Interest and income from financial investments		4.1	2.7
Cash (added to)/taken from short term deposits		(13.2)	3.0
Purchase of tangible fixed assets		(0.2)	(0.4)
Sale of net investment property		4.4	-
Purchase of property		(14.9)	(16.6)
Proceeds from sale of financial investments		32.7	20.6
<b>Net cash provided by investing activities</b>		<b>12.9</b>	<b>9.3</b>
<b>Cash flows from financing activities:</b>			
<b>Decrease in cash in the year</b>		<b>(0.1)</b>	<b>(0.8)</b>
<b>Change in cash and cash equivalents in the reporting period</b>		<b>(0.1)</b>	<b>(0.8)</b>
<b>Cash and cash equivalents at the beginning of the reporting period</b>		<b>0.8</b>	<b>1.6</b>
<b>Change in cash and cash equivalents due to exchange rate movements</b>		<b>-</b>	<b>-</b>
<b>Cash and cash equivalents at the end of the year</b>		<b>0.7</b>	<b>0.8</b>

# NOTES TO THE FINANCIAL STATEMENTS

## 1. ACCOUNTING POLICIES

The following accounting policies have been applied consistently in dealing with items that are considered material in relation to the financial statements of the charity.

### (a) Basis of preparation

The financial statements of the charity, which is a public benefit entity under FRS 102, have been prepared under the historical cost convention, as modified for the revaluation of investment property and financial investments measured at fair value, and in accordance with the Statement of Recommended Practice (SORP) Accounting and Reporting by Charities, published in 2015, Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (FRS 102) and the Charities Act 2011.

The financial statements have been prepared to give a 'true and fair' view and have departed from the Charities (Accounts and Reports) Regulations 2008 only to the extent required to provide a 'true and fair' view. This departure has involved following Accounting and Reporting by Charities preparing their financial statements in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) issued on 16 July 2014 rather than the Accounting and Reporting by Charities: Statement of Recommended Practice effective from 1 April 2005, which has since been withdrawn.

### (b) Going concern

The financial statements have been prepared on a going concern basis as the Trustee considers that there are no material uncertainties about the charity's ability to continue as a going concern. A rolling annual review of the charity's forecast financial position over a five-year period is carried out to confirm that sufficient income funds will be generated to finance required expenditure on the bridges with surplus funds allocated to charitable funding.

### (c) Critical accounting judgements and assumptions

Key accounting judgements and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The resulting accounting estimates will, by definition, seldom equal the related actual results. The following are the significant judgements that have been made in the process of applying the charity's accounting policies and that have the most significant effect on the amounts recognised in the Financial Statements:

#### (i) Valuation processes

Some of the charity's investment assets are measured at market value for financial reporting purposes. The charity applies judgement in approving the appropriate values for inclusion, using qualified professionals in such decisions. Unquoted social investments are in some cases internally valued, and management is required to make certain judgemental assumptions.

#### (ii) Defined benefit pension scheme

The charity has an obligation to pay pension benefits to those working for it. The cost of these benefits and the present value of the obligation depend on a number of factors, including; life expectancy, salary increases, asset valuations and the discount rate on corporate bonds. Management estimates these factors in determining the net pension obligation in the balance sheet. The assumptions reflect historical experience and current trends. See Note 17 for the disclosures relating to the defined benefit pension scheme.

#### (iii) Prior year adjustment

As explained in Note 2 (a) the reconstitution of the permanent endowment fund involved judgement in the selection of an appropriate rate of return to uplift financial investments to current day values.

#### (d) Income and expenditure

All income is included in the Statement of Financial Activities (SOFA) when the charity is legally entitled to the income; it is more likely than not that the economic benefit associated with the transaction will come to the charity and the amount can be quantified with reasonable certainty. Income consists of fees and charges from the tourism operation at Tower Bridge, income from property and financial investments and income on cash balances held.

Expenditure is accounted for on an accruals basis and has been classified under the principal categories of 'expenditure on raising funds', 'expenditure on charitable activities' and 'other expenditure'. Expenditure on raising funds comprises those related to the operation of the Tower Bridge tourist attraction, alongside those related to management of the investment property portfolio and financial investments, including apportioned support costs. The element of costs relating to property and financial investments that are attributable to maintaining the capital value of the endowment are charged to that fund, with the balance of these costs coming from the unrestricted income fund. Expenditure on charitable activities comprises repair and maintenance of the bridges alongside grant-making, including apportioned support costs. Grants are recognised as expenditure at the point at which an

unconditional commitment is made, and the liability can be quantified with reasonable certainty. Where the payment is planned to be more than 12 months after the reporting date of the charity's Accounts, the charity reviews the present value of future payments and considers whether the effective financing cost is material to the charity's reporting. If so, the financing charge is disclosed in the SOFA. Otherwise the unadjusted value of the grant awarded is shown within creditors. In 2017/18 the charity does not consider the effective financing cost of future payments as material, and no adjustment has been made.

Governance costs include the costs of governance arrangements which relate to the general running of the charity as opposed to the direct management functions inherent in the activities undertaken. These include external audit, internal audit and costs associated with constitutional and statutory requirements such as the cost of Trustee meetings.

Support costs (including governance costs) include activities undertaken by the City Corporation on behalf of the charity, such as human resources, technology, legal support, accounting services, committee administration, public relations and premises costs. The basis of the cost allocation is set out in Note 9.

The Trustee, the City Corporation, accounts centrally for all payroll related deductions. As a result, the charity accounts for all such sums due as having been paid.

#### **(e) Foreign currencies**

Transactions in foreign currencies are recorded at the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are valued at the year-end rate of exchange. All gains or losses on translation are taken to the Statement of Financial Activities in the year in which they occur.

#### **(f) Pension costs**

##### **Defined benefit scheme**

The Trustee operates a funded defined benefit pension scheme for its staff employed on its activities, which includes staff acting for the Trustee on behalf of Bridge House Estates. The original 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 are based on career average revalued salary, with various protections in place for those members in the Scheme before the changes took effect.

The Pension Fund is the responsibility of the City Corporation as a corporate body exercising its functions including as Trustee of Bridge House Estates, and the charity does not have an exclusive relationship with the City of London Pension Fund. Although the

proportion of the Pension Fund that relates to City Corporation employee members engaged on Bridge House Estates activities is not separately identifiable, a share of the total Pension Fund has been allocated to Bridge House Estates based on employer's pension contributions paid into the Fund by Bridge House Estates as a proportion of total employer's contributions paid.

For the defined benefit scheme the amounts charged within expenditure 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 Statement of Financial Activities 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 the charity, and are invested by independent fund managers appointed by the Trustee. Pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis by a qualified actuary using the projected unit method and discounted at a rate equivalent to the current rate of return on a high quality corporate bond of equivalent currency and term to the scheme liabilities. The resulting defined benefit asset or liability is presented separately after net assets on the face of the balance sheet.

Barnett Waddingham, an independent actuary, carried out the latest triennial actuarial assessment of the scheme as at 31 March 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.

#### **(g) Operating leases – Bridge House Estates as the lessor**

Assets subject to operating leases are included in the Balance Sheet according to the nature of the assets. Rental income from operating leases, excluding charges for services such as insurance and maintenance, are recognised on a straight-line basis until the next rent review, even if the payments are not received on this basis, unless another basis is more representative of the time pattern in which the benefits derived from the leased asset are diminished. Lease incentives are allocated over the term of the lease.

#### **(h) Taxation**

The charity meets the definition of a charitable trust for UK income tax purposes, as set out in Paragraph 1 Schedule 6 of the Finance Act 2010. Accordingly, the

charity is exempt from UK taxation in respect of income or capital gains under part 10 of the Income Tax Act 2007 or section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied exclusively to charitable purposes.

### (i) Fixed assets

#### Tangible fixed assets

Assets that are capable of being used for more than one year and have a cost greater than £50,000 are capitalised. Such assets are stated at cost less accumulated depreciation and accumulated impairment losses. Depreciation is charged from the year following that of acquisition, on a straight line basis, in order to write off each asset over its estimated useful life as follows:

Computer Software	3 years
Computer and other equipment	5 years
Fixtures and fittings	8-20 years
Operational assets	10-30 years

Land is not depreciated.

Where a fixed asset (other than freehold land) is not depreciated or has a life of more than 50 years, an annual impairment review is carried out.

#### Heritage assets

In recognition of the historical and cultural nature of the five bridges maintained by the charity, these are considered to be heritage assets in line with the definition within SORP 2015. The bridges are also considered to be inalienable (i.e. they may not be replaced or disposed of without specific statutory powers). A valuation of the bridges, and certain strategic properties integral to the operation of Tower Bridge, is not included in these accounts as the Trustee does not consider that relevant cost or valuation information can be obtained at a cost commensurate with the benefit to readers of the financial statements. This is because of the unique nature of the assets held, the lack of reliable cost information held and the lack of comparable market values. The insured value of the five bridges at 31 March 2018 was £857m (31 March 2017: £836m).

#### Investment properties

Investment properties for which fair value can be measured reliably without undue cost or effort on an ongoing basis are measured at fair value annually with any change recognised in the Statement of Financial Activities. The valuations are estimated by appropriately qualified professional valuers.

No depreciation or amortisation is provided in respect of freehold or leasehold investment properties with over 20 years to run.

#### Financial Investments

##### (i) Quoted investments

Quoted investments comprise publicly quoted, listed securities including shares, bonds and units. Quoted investments are stated at fair value at the balance sheet date. The basis of fair value for quoted investments is equivalent to the market value, using the mid-price. Asset sales and purchases are recognised at the date of trade.

##### (ii) Unquoted investments

Unquoted investments are valued at a valuation advised by the fund managers.

#### Social investments

Social investments that are loans are accounted for at the outstanding amount of the loan less any provision for unrecoverable amounts. Unquoted equity, social investment funds and partnerships, and similar social investments are held at cost, less any provision for diminution in value, unless the charity is able to obtain a reliable estimate of fair value.

##### (j) Stocks

Stocks are valued at the lower of cost or net realisable value. All stocks are finished goods and are held for resale as part of the Tourism operation at Tower Bridge.

##### (k) Financial assets and liabilities

The charity has chosen to adopt Section 11 of FRS 102 in respect of financial instruments. Financial assets and liabilities, including debtors and creditors, are recognised when the charity becomes party to the contractual provisions of the instrument. Additionally all financial assets and liabilities are classified

according to the substance of the contractual arrangements entered into. Financial assets and liabilities are initially measured at transaction price (including transaction costs) and are subsequently re-measured where applicable at amortised cost.

Financial assets are derecognised when the contractual rights to the cash flows from the asset expire, or when the group has transferred substantially all the risks and rewards of ownership. Financial liabilities are derecognised only when the obligation specified in the contract is discharged, cancelled or expires.

### **(l) Funds structure**

Income, expenditure and gains/losses are allocated to particular funds according to their purpose:

**Permanent Endowment Fund** - this fund consists of investments which are held in perpetuity for the benefit of the charity as a result of conditions imposed by the original donors and trusts. Income generated from these investments can be spent on the charitable purposes of the charity, hence is allocated to the unrestricted income funds. Gains/losses on the underlying capital remain as part of the endowment.

**Restricted funds** - these include income that is subject to specific restrictions imposed by donors, with related expenditure deducted when incurred.

**Unrestricted income funds** - these funds which can be used in accordance within the charitable objects at the discretion of the Trustee, and include both income generated by assets held within the permanent endowment fund and from those representing unrestricted funds. Specifically, this represents the surplus of income over expenditure for the charity which is carried forward to meet the requirements of future years, known as free reserves.

**Designated Funds** - these are funds set aside by the Trustee out of unrestricted funds for a specific purpose.

## 2. PRIOR YEAR ADJUSTMENTS

Following a comprehensive review of the governance of the charity, it has been concluded that a substantial portion of the charity's assets are held as permanent endowment. The Trustee has taken the decision to reconstitute the funds of the charity to reflect this, establishing the value of the endowment fund as at 1 April 2016.

Further to this, the charity has established that income from some of its financial investments had been incorrectly reported within net gains, alongside the movements on the majority of financial investments which are held on a pooled basis. This income should have been reported within investment income in the SOFA.

The following note details the adjustments that have been made as a result.

### Statement of Financial Activities 2016/17

	Notes	As previously stated Unrestricted Funds £m	Prior Year Adjustments Unrestricted Funds £m	Endowment Funds £m	Restated Unrestricted Funds £m	Restated Endowment Funds £m	Restated Total £m
<b>Income from:</b>							
Charitable activities		6.2	-	-	6.2	-	<b>6.2</b>
Investments	(b)	27.5	2.4	-	29.9	-	<b>29.9</b>
Other		0.4	-	-	0.4	-	<b>0.4</b>
<b>Total Income</b>		<b>34.1</b>	<b>2.4</b>	<b>0.0</b>	<b>36.5</b>	<b>0.0</b>	<b>36.5</b>
<b>Expenditure on:</b>							
Raising funds		19.2	(0.3)	0.3	18.9	0.3	<b>19.2</b>
Charitable activities		30.3	-	-	30.3	-	<b>30.3</b>
Other		0.5	-	-	0.5	-	<b>0.5</b>
<b>Total Expenditure</b>		<b>50.0</b>	<b>(0.3)</b>	<b>0.3</b>	<b>49.7</b>	<b>0.3</b>	<b>50.0</b>
<b>Net gains/(losses) on financial investments</b>		<b>100.6</b>	<b>(14.3)</b>	<b>11.9</b>	<b>86.3</b>	<b>11.9</b>	<b>98.2</b>
<b>Net gains on social investments</b>		<b>0.1</b>	<b>-</b>	<b>-</b>	<b>0.1</b>	<b>-</b>	<b>0.1</b>
<b>Net gains on property investments</b>		<b>74.7</b>	<b>(74.7)</b>	<b>74.7</b>	<b>-</b>	<b>74.7</b>	<b>74.7</b>
<b>Net income</b>		<b>159.5</b>	<b>(86.3)</b>	<b>86.3</b>	<b>73.2</b>	<b>86.3</b>	<b>159.5</b>
<b>Other recognised gains/(losses):</b>							
Actuarial gains/(losses) on defined benefit pension scheme		(1.8)	-	-	(1.8)	-	<b>(1.8)</b>
<b>Net movement in funds</b>		<b>157.7</b>	<b>(86.3)</b>	<b>86.3</b>	<b>71.4</b>	<b>86.3</b>	<b>157.7</b>
<b>Reconciliation of funds:</b>							
Fund balances brought forward at 1 April 2016	(a)	1,183.5	(693.1)	693.1	490.4	693.1	<b>1,183.5</b>
<b>Total funds carried forward at 31 March 2017</b>		<b>1,341.2</b>	<b>(779.4)</b>	<b>779.4</b>	<b>561.8</b>	<b>779.4</b>	<b>1,341.2</b>

Details of the analysis of unrestricted funds between designated and unrestricted income funds are shown in Note 19 to the accounts

The analysis of net assets between funds is at Note 18

### (a) Permanent Endowment fund

The value of the permanent endowment has been calculated at 1 April 2016 as £693.1m. The underlying assets of the endowment are represented by:

(1) The value of all investment properties held. These represent either original gifts or grants to the charity, or have more recently been funded from disposals of original gifts and grants - £610.9m at 1 April 2016;

(2) Financial Investments held by the charity which were purchased from the disposal proceeds of investment properties following specific decisions made by the Trustee to diversify those assets held within the endowment between 1985 and 1999 - £72.2m at 1 April 2016.

Amounts released for diversification have been uplifted to current day capital values using appropriate indices, as follows:

- Where the actual capital return for the charity's financial investments was known, this rate was utilised within the uplift, available for 2001 – 2016.
- For years where the actual capital return was not available, being 1985 – 2000, a combined rate of return based on the split of the portfolio held was applied to each year utilising annual returns produced by the FTSE All Share Index for equities, alongside a nil capital return for fixed interest products held. This produced an average capital appreciation of 3.85% across this period. Sensitivity analysis of the calculation for variations of 1% to this average figure (i.e. between 2.85% and 4.85%) would lead to the endowment being valued at between £68.7m and £79.9m, a range from £3.5m (5%) below the value determined at 31 March 2016 to £7.7m (10%) above the value determined at that date.

(3) Financial assets held from capital receipts from recent disposals of investment properties, held awaiting reinvestment in additions to the property portfolio - £10.0m at 1 April 2016.

The total funds of the charity remain unchanged, with the prior year adjustment representing the reallocation of previously reported unrestricted funds to the permanent endowment as set out in the table above.

### (b) Investment Income

Following a review of financial investment reporting, the charity noted that income received from some of its investment managers had been incorrectly reported within net gains on financial investments. Most financial investments held were transferred to pooled investment vehicles in 2013/14, with some holdings remaining within a segregated mandate with income received directly by the charity. This income should have been reported as investment income within the SOFA. Prior year comparatives have been restated to reflect this change within the SOFA and the relevant notes - £2.4m in 2016/17.

## 3. INCOME

### Charitable activities

Fees and charges from the tourism operation at Tower Bridge amounted to £6.5m in 2017/18 (2016/17: £6.2m), all of which were unrestricted.

### Income from fixed asset investments

All investments are held to provide an investment return to the charity. All income arising from these investments is unrestricted.

	Unrestricted Income Funds £m	Total 2017/18 £m	Total 2016/17 £m
Investment property	31.8	<b>31.8</b>	27.2
Financial investments	3.9	<b>3.9</b>	2.4
Interest receivable	0.2	<b>0.2</b>	0.3
<b>Total Investment income</b>	35.9	<b>35.9</b>	29.9

### Other Income

Other income amounted to £0.2m in 2017/18 (2016/17: £0.4m), all of which is unrestricted.

## 4. EXPENDITURE ON RAISING FUNDS

	Direct costs £m	Support costs £m	Total 2017/18 £m	Total 2016/17 £m
Tourism expenses	4.6	0.9	<b>5.5</b>	5.3
Investment property expenses	6.8	3.0	<b>9.8</b>	9.1
Financial investment expenses	5.6	-	<b>5.6</b>	4.8
	17.0	3.9	<b>20.9</b>	19.2

All expenditure on charitable activities is unrestricted.

Of the total expenditure £20.6m (2016/17: £18.9m) relates to the unrestricted income fund and £0.3m (2016/17:£0.3m) to the endowment fund.

### Tourism expenses

Staff costs and other expenses related to the management and operation of the Tower Bridge tourist attraction.

### Investment property expenses

Staff costs, repairs and maintenance costs, and professional fees relating to the management of the investment property portfolio.

### Financial investment expenses

Fees paid to fund managers.

## 5. EXPENDITURE ON CHARITABLE ACTIVITIES

	Direct costs	Support costs	Total 2017/18	Total 2016/17
	£m	£m	£m	£m
Repair and maintenance of bridges	4.8	0.8	5.6	11.6
Grants to voluntary organisations	25.6	0.5	26.1	18.7
	30.4	1.3	31.7	30.3

### Repair and maintenance of bridges

Staff costs, repairs and maintenance, insurance, equipment and materials costs relating to the Thames river bridges maintained by the charity.

### Grants to voluntary organisations

Grants awarded in the name of the City Bridge Trust, the grant-making arm of the charity, for purposes benefiting the inhabitants of Greater London. Direct costs include net grants awarded of £23.8m (2016/17: £16.9m) and costs of administering the grants process of £1.8m (2016/17: £1.3m).

## 6. GRANT-MAKING

During the year ended 31 March 2018, grants were awarded to institutions under the following programmes:

### Grants awarded

	2017/18	2016/17
	£m	£m
Investing in Londoners	12.4	12.7
Strategic Initiatives	6.4	3.4
Stepping Stones Fund	0.6	0.7
CBT 20th Anniversary Grants	4.7	0.8
Partnership programmes	0.3	0.5
<b>Grant commitments</b>	<b>24.4</b>	18.1
Grant adjustments and cancellations	(0.6)	(1.2)
Other grant related activities	1.8	1.3
	<b>25.6</b>	18.2

Grants were made to 210 organisations in the year (2016/17: 209). The average amount of a grant equalled £107,807 (2016/17: £79,817). All grantees receiving funding must work for the benefit of inhabitants of Greater London and have to meet stated eligibility criteria. Grants are not given directly to individuals.

Details of all the grants approved are shown on the City Bridge Trust website [www.citybridgetrust.org.uk](http://www.citybridgetrust.org.uk), including organisation name, amount given and purpose of the award.

## Reconciliation of grants payable:

	2017/18 £m	2016/17 £m
Commitments at 1 April	27.6	28.8
Commitments made in the year	24.4	18.1
Grant adjustments and cancellations	(0.6)	(1.2)
Grants paid during the year	(19.5)	(18.1)
<b>Commitments at 31 March</b>	<b>31.9</b>	27.6

Outstanding grant commitments at 31 March 2018 are payable as follows:

	2017/18 £m	2016/17 £m
Within one year (Note 15)	18.3	23.8
After more than one year (Note 16)	13.6	3.8
<b>Commitments at 31 March</b>	<b>31.9</b>	27.6

The split of future payment dates is based upon contractual terms.

## 7. OTHER COSTS: NET TOTAL PENSION SCHEME COSTS

	2017/18 £m	2016/17 £m
Deficit at 1 April	(11.9)	(9.6)
Current service cost	(0.9)	(0.6)
Net interest	(0.3)	(0.3)
Employer contributions	0.5	0.4
Net total charge for the year	(0.7)	(0.5)
Actuarial (losses)/gains	0.8	(1.8)
<b>Deficit at 31 March</b>	<b>(11.8)</b>	(11.9)

The net total pension costs charged in the Statement of Financial Activities represents 2% of the total charge in the City of London Corporation Pension Fund financial statements.

## 8. NET INCOME/EXPENDITURE FOR THE YEAR

Net income is stated after charging:

	2017/18 £	2016/17 £
Auditors' remuneration for the audit of the financial statements	38,240	39,285
Depreciation	302,956	255,245

## 9. SUPPORT COSTS

Support costs include activities undertaken by the City Corporation on behalf of the charity, such as human resources, digital services, legal support, accounting services, committee administration, public relations and premises costs. Such costs are determined on a departmental basis, and are allocated on a cost recovery basis to the charity on the basis of resources consumed by the respective activities as follows:

	Tourism £m	Investment Property £m	Bridges £m	Grants £m	Governance £m	2017/18 £m	2016/17 £m
<b>Department:</b>							
Chamberlain	-	0.3	0.1	-	-	0.4	0.3
Comptroller & City Solicitor	-	0.2	0.1	-	-	0.3	0.2
Town Clerk	-	-	-	0.1	0.3	0.4	0.4
City Surveyor	-	2.1	0.2	-	-	2.3	2.0
Built Environment	-	-	0.1	-	-	0.1	0.1
Open Spaces	0.3	-	-	-	-	0.3	0.3
Public Relations	-	-	-	-	-	0.0	0.0
Digital Services	0.2	0.2	0.2	0.1	-	0.7	0.5
Premises costs	0.1	-	-	0.1	-	0.2	0.3
Other	0.1	0.1	-	0.2	0.1	0.5	0.4
Sub-total	0.7	2.9	0.7	0.5	0.4	5.2	4.5
Reallocation of governance costs	0.2	0.1	0.1	-	(0.4)	-	-
<b>Total Support costs</b>	0.9	3.0	0.8	0.5	-	5.2	4.5

All support costs are undertaken from unrestricted funds. Governance costs are allocated on the basis of FTE staff within each activity.

## 10. DETAILS OF STAFF COSTS

All staff that work on behalf of the charity are employed by the City Corporation. The average full-time equivalent number of people directly undertaking activities on behalf of the charity during the year was:

	2017/18	2016/17
Investment properties	18	18
Tower Bridge tourism	53	47
Repair & maintenance of bridges	28	27
Grants team	20	16
	<b>119</b>	108

Amounts paid in respect of employees directly undertaking activities on behalf of the charity were as follows:

	2017/18	2016/17
	£m	£m
Salaries and wages	4.0	3.5
National Insurance costs	0.4	0.4
Employer's pension contributions	0.8	0.6
Total emoluments of employees	5.2	4.5
Agency staff	0.4	0.5
<b>Total emoluments</b>	<b>5.6</b>	5.0

The number of directly charged employees whose emoluments for the year were over £60,000 was:

	2017/18	2016/17
		Restated
£60,000 - £69,999	4.0	1.0
£70,000 - £79,999	1.0	-
£100,000 - £109,999	1.0	1.0
	<b>6.0</b>	2.0

The staff numbers disclosed for 2016/17 have been restated to include gross pay amounts only.

All employees paid over £60,000 have retirement benefits accruing under the defined benefit scheme.

In addition, support staff are charged to the charity on the basis described within Note 9. The full-time equivalent number of support service staff charged is 67.0 (2016/17: 63.7).

The charity is committed to equal opportunities for all employees. An 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. This also includes addressing the City Corporation's gender pay gap.

## Remuneration of Key Management Personnel

The charity considers its key management personnel to comprise the Members of the City of London Corporation, acting collectively for the City Corporation in its capacity as the Trustee, and senior officers employed by the City of London Corporation to manage the activities of the charity. These senior officers include the Town Clerk and Chief Executive, Chamberlain, Deputy Town Clerk (to 30/09/16), Comptroller and City Solicitor, City Surveyor, Director of Culture, Heritage and Libraries (up to 31/01/17) and the Chief Grants Officer. These officers work on a number of the City Corporation's activities and their salaries and associated costs are allocated to the activities under its control, including Bridge House Estates, on the basis of employee time spent on the respective services, as stated within Note 9.

The proportion of senior officer employment benefits, including employer pension contributions, allocated to the charity amounted to £200,000 in 2017/18 (2016/17: £239,000). No Members received any remuneration, with directly incurred expenses reimbursed, if claimed. No expenses were claimed in 2017/18 from the charity (2016/17: nil).

## 11. TANGIBLE FIXED ASSETS

	Computers & other equipment £m	Fixtures & fittings £m	Operational assets £m	Total £m
<b>Cost</b>				
At 1 April 2017	0.5	2.1	4.2	6.8
Additions	0.2	0.1	-	0.3
Disposals	-	-	-	-
<b>At 31 March 2018</b>	<b>0.7</b>	<b>2.2</b>	<b>4.2</b>	<b>7.1</b>
<b>Depreciation</b>				
At 1 April 2017	0.3	0.9	1.9	3.1
Charge for the year	-	0.1	0.2	0.3
Disposals	-	-	-	-
<b>At 31 March 2018</b>	<b>0.3</b>	<b>1.0</b>	<b>2.1</b>	<b>3.4</b>
<b>Net book value</b>				
<b>At 31 March 2018</b>	<b>0.4</b>	<b>1.2</b>	<b>2.1</b>	<b>3.7</b>
At 31 March 2017	0.2	1.2	2.3	3.7

## 12. FIXED ASSET INVESTMENTS

### 1) Investment properties

	2017/18 £m	2016/17 £m
Market value at 1 April	702.2	610.9
Purchases *	14.9	16.6
Book value of disposed assets	(2.0)	-
Total unrealised gains	51.2	74.7
<b>Market value at 31 March</b>	<b>766.3</b>	<b>702.2</b>

\* Includes rent free adjustment of £2.1m (2016/17: £0.2m).

The net gain on property investments is arrived at as follows:

	2017/18 £m	2016/17 £m
Total unrealised gains	51.2	74.7
Realised gain on disposal	2.4	-
<b>Market value at 31 March</b>	<b>53.6</b>	<b>74.7</b>

External valuers value investment properties annually as at 31 March at market values determined in accordance with the RICS Valuation – Professional Standards (“the Red Book”). Previously the City Surveyor of the City of London Corporation, who is a member of the Royal Institution of Chartered Surveyors, valued properties representing 44.2% of the Estates’ value as at 31 March 2017, with the remainder provided by external valuers.

As many of the investment properties were gifted to the charity and others were acquired centuries ago, it is impracticable to provide historical cost information. It has therefore been assumed that the historical cost is nil.

The properties are all situated in Greater London.

### 2) Investments under Fund Management and Long / Short Term Deposits

#### Financial Investments

Total investments as at 31 March are split as follows:

	2017/18 £m	2016/17 £m
Long term investments	645.4	667.3
Short term investments:		
- short term deposits and money market funds	5.0	1.5
- short term investments in hands of fund managers	20.4	10.7
	25.4	12.2
<b>Total market value at 31 March</b>	<b>670.8</b>	<b>679.5</b>

<b>Analysis of movement</b>	2017/18 £m	2016/17 £m
Market value at 1 April	679.5	604.9
Realised investments	(32.7)	(20.6)
Unrealised gain from change in fair value	10.8	98.2
Movement on cash held as short-term deposits and as part of long-term portfolio	13.2	(3.0)
<b>Market value at 31 March</b>	<b>670.8</b>	<b>679.5</b>

The geographical spread of investments at 31 March was as follows:

	Held in the UK	Held outside the UK	Total at 31 March 2018	Total at 31 March 2017
	£m	£m	£m	£m
Fixed Interest	4.9	28.7	<b>33.6</b>	30.0
Index Linked	28.4	15.3	<b>43.7</b>	55.7
Pooled units	92.7	368.1	<b>460.8</b>	480.1
Listed equities	15.5	30.2	<b>45.7</b>	50.4
Managed funds	20.4	-	<b>20.4</b>	10.7
Private equity	4.0	18.0	<b>22.0</b>	15.4
Infrastructure	-	44.6	<b>44.6</b>	37.2
	165.9	504.9	<b>670.8</b>	679.5

### Investment powers

The Charity Commission Order dated 20 July 1998, the Trustee Act 1925 and the Trustee Act 2000 enable the Trustee to invest the property of the charity either:

- in the acquisition of any securities or property (real or personal) of any sort; or
- on deposit or loan whether in the UK or elsewhere.

### Social Investment Fund

	Value as at 01 April 2017	Drawn down	Repaid	Investment gain/(loss)	Value as at 31 March 2018
	£m	£m	£m	£m	£m
Investment Fund	2.8	-	-	-	<b>2.8</b>
Loan	1.9	0.4	(0.5)	-	<b>1.8</b>
Bond	2.0	0.5	(0.7)	0.1	<b>1.9</b>
Property Fund	2.0	-	-	-	<b>2.0</b>
	8.7	0.9	(1.2)	0.1	<b>8.5</b>

The geographical spread of social investments at 31 March was as follows:

	Held in the UK	Held outside the UK	Total at 31 March 2018	Total at 31 March 2017
	£m	£m	£m	£m
Investment Fund	2.5	0.3	<b>2.8</b>	2.8
Loan	1.8	-	<b>1.8</b>	1.9
Bond	1.9	-	<b>1.9</b>	2.0
Property Fund	2.0	-	<b>2.0</b>	2.0
	8.2	0.3	<b>8.5</b>	8.7

At the year-end £3.3m (2016/17: £3.4m) had been committed but remained undrawn, and no further amounts were approved subject to agreement of terms in either year, making a total promised of £11.8m (2016/17: £12.1m). Details of all investments placed are shown on the City Bridge Trust website [www.citybridgetrust.org.uk](http://www.citybridgetrust.org.uk).

## 13. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

In accordance with FRS 102 11.48A (f), the charity has disclosed the nature and extent of those risks relating to its financial investments. The charity'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 activities.

**Credit Risk** - this is the potential risk that a counterparty will fail to meet its obligations in accordance with agreed terms. This principally arises from cash and cash equivalents, deposits with banks and with financial institutions. Deposits are not made with banks and financial institutions unless they are rated independently with a minimum score of Long term A, Short term F1. The Trust 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, treasury advisors and in-house judgements based partially on credit default swap rates. The charity's maximum exposure to credit risk in relation to its investments in banks and money market funds cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution.

**Liquidity risk** - this is the risk that the charity may not have sufficient funds available to meet its payment obligations as they fall due. The charity has no borrowing exposure and has no plans to borrow to finance future expenditure. Operations are financed by realising investments as necessary to meet both current and future forecast cash requirements.

**Market risk** – this covers the possibility that financial loss might arise as a result of changes in such measures as interest rates and stock market movements. Price risk is the risk of a decline in the value of a security or a portfolio. The charity minimises price risk through a strategy of diversification by holding a geographical spread of investments in the UK and overseas markets.

### Potential market movements

Asset type	% Change
Global Equities - Developed Markets (incl UK)	16.7%
Global Equities - Emerging Markets	28.5%
Global Bonds	4.4%
Multi-Asset	7.5%
Private Equity	24.2%
Infrastructure	14.8%

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

Asset type	Value £m	Change %	Value on increase £m	Value on decrease £m
Global Equities - Developed Markets (incl UK)	261.2	16.7%	304.8	217.6
Global Equities - Emerging Markets	17.7	28.5%	22.7	12.7
Global Bonds	30.6	4.4%	31.9	29.3
Multi-Asset	289.7	7.5%	311.4	268.0
Private Equity	22.0	24.2%	27.3	16.7
Infrastructure	44.6	14.8%	51.2	38.0
UK Cash	5.0	0.0%	-	-
<b>Total financial investments</b>	<b>670.8</b>		<b>749.3</b>	<b>582.3</b>

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

**Foreign Currency Risk** – this risk exists when a financial transaction or asset/liability is denominated in a currency other than that of the base currency of the charity. The risk is that a movement in the exchange rate may cause a foreign currency investment value to either decrease or increase when the investment is sold and converted back into the base currency.

The following table shows the illustrative effect on the charity's asset values that would result from movements in exchange rates.

Currency Baskets	Value £m	Change %	Value on increase £m	Value on decrease £m
GBP	434.5	0.00%	434.5	434.5
EUR	21.7	2.66%	22.3	21.1
USD	140.7	2.69%	144.5	136.9
Other	73.9	3.40%	76.4	71.4
<b>Total financial investments</b>	<b>670.8</b>		<b>677.7</b>	<b>663.9</b>

## 14. DEBTORS

	2017/18 £m	2016/17 Restated £m
Trade debtors	3.5	0.9
Rental debtors	3.5	2.1
Prepayments & accrued income	8.1	8.2
Other debtors	-	0.1
	<b>15.1</b>	<b>11.3</b>

Accrued income as at 31/03/2017 has been restated to include a lease premium of £4m which had been incorrectly stated within long-term deferred income, an amount which remains outstanding as at 31/03/2018. As at 2017/18 this amount is all due within one year (2016/17: £4m due after one year).

## 15. CREDITORS – AMOUNTS FALLING DUE WITHIN ONE YEAR

	2017/18 £m	2016/17 £m
Grants payable (Note 6)	18.3	23.8
Trade creditors	1.7	1.8
Accruals	1.3	3.2
Deferred income	5.7	5.1
Rent deposits	6.4	4.7
Other creditors	0.3	0.4
	<b>33.7</b>	<b>39.0</b>

Deferred income relates to property rental income and lease premiums received in advance for periods after the year end.

	2017/18 £m	2016/17 £m
<b>Deferred income analysis within creditors:</b>		
Balance at 1 April	5.1	5.0
Amounts released to income	(5.1)	(5.0)
Amounts deferred in the year	5.7	5.1
<b>Balance at 31 March</b>	<b>5.7</b>	<b>5.1</b>

## 16. CREDITORS – AMOUNTS DUE AFTER MORE THAN ONE YEAR

	2017/18 £m	2016/17 Restated £m
Grants payable (Note 6)	13.6	3.8
Deferred income	10.4	10.5
	<b>24.0</b>	<b>14.3</b>

	2017/18 £m	2016/17 Restated £m
<b>Deferred income - due after more than one year:</b>		
Balance at 1 April	10.5	-
Amounts released to income	(0.1)	-
Amounts deferred in the year	-	10.5
<b>Balance at 31 March</b>	<b>10.4</b>	<b>10.5</b>

Long-term deferred income as at 31/03/2017 has been restated by £4m, as explained in Note 14.

Deferred income includes lease premiums that will be released over periods of up to 167 years.

## 17. PENSIONS

### City of London Corporation defined benefit pension scheme

The City Corporation operates a funded defined benefit pension scheme, The City of London Pension Fund, for its staff employed on activities relating predominantly to the three principal funds for which it is responsible (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 Bridge House Estates is not separately identifiable, the share of pension contributions paid to the scheme by the charity is calculated pro-rata to employer's contributions paid by each of the City Corporation contributors to the scheme.

### Accounting for the defined benefit scheme under IAS19

The full actuarial valuation of the defined benefit scheme was updated to 31 March 2018 by an independent qualified actuary in accordance with IAS19. As required by IAS19, 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 under FRS 102, with the differences considered not to be materially incorrect.

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.

The estimated amount of total employer contributions expected to be paid to the scheme by the charity during 2018/19 is £535,000 (2017/18 actual: £550,000). This figure is calculated pro-rata to total contributions that will be payable by the City 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 FRS 102 calculations are as follows:

Assumptions as at:	2018 % p.a.	2017 % p.a.	2016 % p.a.
RPI increases	3.3	3.6	3.2
CPI increases	2.3	2.6	2.3
Salary increases	3.8	4.1	3.8
Pension increases	2.3	2.6	2.3
Discount rate	2.6	3.7	3.6

#### Life expectancy

The assumed life expectations from age 65 are:

Life expectancy from age 65 (years)		2018	2017
Age 65 retiring today	Males	23.9	23.8
	Females	25.2	25.2
Retiring in 20 years	Males	25.3	25.2
	Females	26.7	26.7

The table reflects the change in the mortality tables used for the 31 March 2018 valuation and allowance is made for future improvements in life expectancy.

### (b) Amounts included in the balance sheet

The amounts included in the charity's balance sheet arising from the City Corporation pension scheme's liabilities in respect of the defined benefit scheme for the current and previous two periods are as follows:

	2018 £m	2017 £m	2016 £m
Fair value of assets (bid value)	18.0	17.6	14.6
Fair value of liabilities	29.8	29.5	24.2
<b>Net liability</b>	<b>11.8</b>	11.9	9.6
Present value of unfunded liabilities	-	-	-
Unrecognised past service cost	-	-	-
<b>Net liability in balance sheet</b>	<b>11.8</b>	11.9	9.6

The net pension fund liability of £11.8m in the Balance Sheet (2017: £11.9m) represents 2% of the total net balance sheet liability in the City Corporation Pension Fund financial statements.

### (c) Amounts included in the Statement of Financial Activities

The amounts included within total resources expended in relation to the defined benefit scheme are as follows:

	2017/18 £m	2016/17 £m
Current service cost	0.9	0.6
Past service cost	-	-
Interest cost	0.3	0.3
Expected return on scheme assets	-	-
Contributions	(0.5)	(0.4)
Gains/(losses) on curtailments and settlements	-	-
<b>Total expense</b>	<b>0.7</b>	0.5

The total pension costs charged in the Statement of Financial Activities (as adjusted for current service cost and employer's contributions) represents 2% of the total charge in the City Corporation Pension Fund financial statements.

#### (d) Asset allocation

The current allocation of the scheme's assets is as follows:

Employer asset share - bid value	2018		2017	
	£m	% p.a.	£m	% p.a.
Equity Investments	11.8	66	11.5	66
Infrastructure	1.1	6	0.8	5
Absolute Return Portfolio	5.1	28	5.3	29
<b>Total assets</b>	<b>18.0</b>	<b>100</b>	17.6	100

The charity's share of pension scheme assets at 31 March 2018 of £18.0m (2017: £17.6m) represents 2% of the total pension scheme assets of the City Corporation Pension Fund

#### (e) Movement in the present value of scheme liabilities

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

	2018 £m	2017 £m
<b>Surplus/(deficit) at beginning of the year</b>	<b>(29.5)</b>	(24.2)
Current service cost	<b>(0.9)</b>	(0.6)
Interest Cost	<b>(0.8)</b>	(0.9)
Remeasurement gains/losses:		
Actuarial gains/losses arising from changes in demographic assumptions	-	0.7
Actuarial gains/losses arising from changes in financial assumptions	<b>0.9</b>	(5.5)
Other actuarial gains/losses	-	0.5
Past service cost, including curtailments	-	-
Liabilities extinguished on settlements	-	-
Benefits paid	<b>0.7</b>	0.7
Contributions from scheme participants	<b>(0.2)</b>	(0.2)
Unfunded pension payments	-	-
<b>Surplus/(deficit) at the end of the year</b>	<b>(29.8)</b>	(29.5)

The charity's share of the closing value of the pension scheme liabilities of £29.8m (2017: £29.5m) represents 2% of the total closing value of the pension scheme liabilities of the City Corporation Pension Fund.

#### (f) Movement in the scheme net liability

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

	2018 £m	2017 £m
<b>Surplus/(deficit) at beginning of the year</b>	<b>(11.9)</b>	(9.6)
Current service cost	(0.9)	(0.6)
Net interest	(0.3)	(0.3)
Employer contributions	0.5	0.4
Unfunded pension payments	-	-
Past service cost	-	-
Other finance expense	-	-
Settlements and curtailments	-	-
Actuarial gains/(losses)	0.8	(1.8)
<b>Surplus/(deficit) at the end of the year</b>	<b>(11.8)</b>	(11.9)

#### (g) Movement in the present value of scheme assets

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

	2018 £m	2017 £m
1st April	17.6	14.6
Interest on assets	0.5	0.6
Remeasurement gains/losses:		
Return on assets less interest	(0.1)	2.4
Other actuarial gains/losses	-	0.1
Administration expenses	-	-
Contributions by employer including unfunded	0.5	0.4
Contributions by scheme participants	0.2	0.2
Estimated benefits paid net of transfers in and including unfunded	(0.7)	(0.7)
Settlement prices received/(paid)	-	-
<b>Closing value of scheme assets</b>	<b>18.0</b>	<b>17.6</b>

#### (h) 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.

	Year to 31/03/2019 £m	Year to 31/03/2018 £m
Service cost	0.8	0.9
Interest cost	0.3	0.3
Return on Fund assets	-	-
Total expense	1.1	1.2
Employer contribution	0.5	0.5

## 18. ANALYSIS OF NET ASSETS BETWEEN FUNDS

At 31 March 2018	Unrestricted Income Funds		Endowment Funds	Total at 31 March 2018	Total at 31 March 2017 Restated
	General Funds	Designated Funds	Endowment Funds		
	£m	£m	£m	£m	£m
Fixed Assets- Investment properties	-	-	766.3	<b>766.3</b>	702.2
Fixed Assets- Financial investments	381.1	181.3	83.0	<b>645.4</b>	667.3
Other fixed assets	3.7	8.5	-	<b>12.2</b>	12.4
Current assets & liabilities	8.4	-	(0.7)	<b>7.7</b>	(14.5)
Long-term liabilities	(24.0)	-	-	<b>(24.0)</b>	(14.3)
Pension liability	(11.8)	-	-	<b>(11.8)</b>	(11.9)
Interfund account	17.0	-	(17.0)	-	-
	<b>374.4</b>	<b>189.8</b>	<b>831.6</b>	<b>1,395.8</b>	<b>1,341.2</b>

At 31 March 2017	Unrestricted Income Funds		Endowment Funds	Total at 31 March 2017 Restated	Total at 31 March 2016 Restated
	General Funds	Designated Funds	Endowment Funds		
	£m	£m	£m	£m	£m
Fixed Assets- Investment properties	-	-	702.2	<b>702.2</b>	610.9
Fixed Assets- Financial investments	434.2	149.0	84.1	<b>667.3</b>	589.7
Other fixed assets	3.7	8.7	-	<b>12.4</b>	11.9
Current assets & liabilities	(16.1)	-	1.6	<b>(14.5)</b>	(15.8)
Long-term liabilities	(14.3)	-	-	<b>(14.3)</b>	(3.6)
Pension liability	(11.9)	-	-	<b>(11.9)</b>	(9.6)
Interfund account	8.5	-	(8.5)	-	-
	<b>404.1</b>	<b>157.7</b>	<b>779.4</b>	<b>1,341.2</b>	<b>1,183.5</b>

The interfund account represents expenditure on the refurbishment of investment properties from unrestricted income funds. The unrestricted income fund will be reimbursed from the endowment fund on the receipt of sales proceeds from the disposal of the investment property referred to in Note 23.

## 19. MOVEMENT IN FUNDS

At 31 March 2018	Total as at 1 April 2017 Restated £m	Income £m	Expenditure £m	Gains & losses £m	Transfers £m	Total as at 31 March 2018 £m
Endowment Funds	779.4	-	(0.3)	52.5	-	831.6
<b>Total Endowment Funds</b>	<b>779.4</b>	<b>-</b>	<b>(0.3)</b>	<b>52.5</b>	<b>-</b>	<b>831.6</b>
General Funds	416.0	42.5	(47.3)	12.0	(37.0)	386.2
Pension Reserve	(11.9)	-	(0.7)	0.8	-	(11.8)
<b>Total General Funds</b>	<b>404.1</b>	<b>42.5</b>	<b>(48.0)</b>	<b>12.8</b>	<b>(37.0)</b>	<b>374.4</b>
Property Dilapidations	1.5	0.1	(0.2)	-	(0.3)	1.1
Service Charges	0.2	-	-	-	0.3	0.5
Bridges Repairs	19.0	-	(4.8)	-	5.7	19.9
Bridges Replacement	117.0	-	-	-	6.5	123.5
Grant-making	0.0	-	-	-	23.7	23.7
Social Investment Fund	20.0	-	-	-	1.1	21.1
<b>Total Designated Funds</b>	<b>157.7</b>	<b>0.1</b>	<b>(5.0)</b>	<b>-</b>	<b>37.0</b>	<b>189.8</b>
<b>Total Unrestricted Income Funds</b>	<b>561.8</b>	<b>42.6</b>	<b>(53.0)</b>	<b>12.8</b>	<b>-</b>	<b>564.2</b>
<b>Total Funds</b>	<b>1,341.2</b>	<b>42.6</b>	<b>(53.3)</b>	<b>65.3</b>	<b>-</b>	<b>1,395.8</b>

At 31 March 2017	Total as at 1 April 2016 original £m	£m	Total as at 1 April 2016 restated £m	Income £m	Expenditure £m	Gains & losses £m	New transfers £m	Total as at 31 March 2017 restated £m
Endowment Funds	-	693.1	693.1	-	(0.3)	86.6	-	779.4
<b>Total Endowment Funds</b>	<b>-</b>	<b>693.1</b>	<b>693.1</b>	<b>-</b>	<b>(0.3)</b>	<b>86.6</b>	<b>-</b>	<b>779.4</b>
General Funds	530.2	(173.2)	357.0	36.5	(38.3)	86.4	(25.6)	416.0
Pension Reserve	(9.6)	-	(9.6)	-	(0.5)	(1.8)	-	(11.9)
<b>Total General Funds</b>	<b>520.6</b>	<b>(173.2)</b>	<b>347.4</b>	<b>36.5</b>	<b>(38.8)</b>	<b>84.6</b>	<b>(25.6)</b>	<b>404.1</b>
Property Sales Pool	7.7	(7.7)	-	-	-	-	-	-
Property Revaluation	497.9	(497.9)	-	-	-	-	-	-
Property Dilapidations	1.5	-	1.5	-	-	-	-	1.5
Service Charges	0.2	-	0.2	-	-	-	-	0.2
Bridges Repairs	142.8	(124.3)	18.5	-	(10.9)	-	11.4	19.0
Bridges Replacement	0.0	111.0	111.0	-	-	-	6.0	117.0
Tower Bridge Tourism	1.0	(1.0)	0.0	-	-	-	-	-
Social Investment Fund	11.8	-	11.8	-	-	-	8.2	20.0
<b>Total Designated Funds</b>	<b>662.9</b>	<b>(519.9)</b>	<b>143.0</b>	<b>-</b>	<b>(10.9)</b>	<b>-</b>	<b>25.6</b>	<b>157.7</b>
<b>Total Unrestricted Income Funds</b>	<b>1,183.5</b>	<b>(693.1)</b>	<b>490.4</b>	<b>36.5</b>	<b>(49.7)</b>	<b>84.6</b>	<b>-</b>	<b>561.8</b>
<b>Total Funds</b>	<b>1,183.5</b>	<b>-</b>	<b>1,183.5</b>	<b>36.5</b>	<b>(50.0)</b>	<b>171.2</b>	<b>-</b>	<b>1,341.2</b>

## Purposes of designated funds

Designated funds have been set aside by the Trustee for the following purposes:

**Property Dilapidations** represents funds not yet utilised as received from tenants at the end of a lease to enable the property to be brought back to the required condition.

**Service charges** represents service charges received from tenants to enable major cyclical works to be financed.

**Bridges Repairs** represents funds required to maintain the bridges for the next 5 years.

**Bridges Replacement** represents funds set aside to fund the future rebuild of the bridges. This is based on the present value of estimated future costs, adjusted for increases in construction costs.

**Grant-making** represents surplus income which has been designated for future grant-making activities in the name of City Bridge Trust.

**Social Investment Fund** to finance investments that generate a financial return, alongside an associated social return, consistent with the agreed investment policy.

The charity also maintains a Pension Reserve Fund, representing the net liability owed.

Transfers are made to and from unrestricted income funds in order to maintain designated funds at the required levels.

The previously held Property Sales Pool and Property Revaluation designated funds now form part of the value of the permanent endowment fund. The Tower Bridge Tourism designated fund is no longer held, with future changes in net revenue now managed within the annual operating processes within the charity.

## 20. NOTE TO THE STATEMENT OF CASH FLOWS

Reconciliation of net income/(expenditure) to net cash inflow from operating activities.

	2017/18	2016/17
	£m	restated £m
<b>Net income for the reporting period (as per the statement of financial activities)</b>	<b>53.8</b>	159.5
Adjustments for:		
Interest and income from investments	(4.1)	(2.7)
Depreciation charges	0.3	0.4
(Gains)/losses on financial investments	(10.8)	(98.2)
Gains on property investments	(53.6)	(74.7)
Gains on social investments	(0.1)	(0.1)
Increase in debtors	(3.8)	(0.7)
Decrease/(increase) in social investments	0.2	(0.5)
Decrease in creditors falling due within one year	(5.3)	(0.3)
Increase in long term creditors	9.7	6.7
Net pension scheme costs	0.7	0.5
<b>Net cash used in operating activities</b>	<b>(13.0)</b>	(10.1)

## 21. COMMITMENTS

The following commitments exist as at 31 March in respect of future accounting periods:

	2018 £m	2017 £m
Capital works authorised	-	8.8

## 22. RELATED PARTIES

The City Corporation is the sole Trustee of the charity, as described on page 6. The City Corporation provides various services to the charity, the costs of which are recharged to the charity. This includes the provision of banking services, charging all transactions to the charity at cost and crediting or charging interest at a commercial rate. The cost of these services is included within expenditure, as set out in Note 9.

The charity is required to disclose information on related party transactions with bodies or individuals that have the potential to control or influence the charity. Members are required to disclose their interests, and these can be viewed online at [www.cityoflondon.gov.uk](http://www.cityoflondon.gov.uk)

Members and Senior Staff are requested to disclose related party transactions of £10,000 or more, including instances where their close family has made such transactions.

All related party transactions are arm's length agreements.

Figures in brackets represent the amounts due at the balance sheet date.

Related Party	Connected party	2017/18 £'000	2016/17 £'000	Detail of transaction
Community Links (CL)	An Officer of CoL was a Trustee of CL (resigned 31/12/17)	159 (209)	100 (50)	CL received grant funding from CBT
London Funders (LF)	An Officer of CoL is a Trustee of LF	27 (363)	357 (514)	LF received grant funding from CBT
London Emergencies Trust (LET)	An Officer of CoL was a Trustee of LET (resigned 31/12/17)	50 (-)	75 (75)	LET received grant funding from CBT
Age UK London (AUL)	A Member represents the City Corporation on AUL	25 (85)	163 (153)	AUL received grant funding from CBT
Trust for London (TL)	The City Corporation nominates 3 Members to TL	400 (350)	62 (-)	TL received grant funding from CBT
Wembley National Stadium Trust (WNST)	A Member of CoL (retired 20/11/16) was a Trustee of WNST	117 (-)	107 (-)	CBT provides management services to WNST
Blind in Business (BiB)	A Member of CoL is a Trustee of BiB	- (16) 16 (-)	- (49) 16 (-)	BiB received grant funding from CBT BiB paid rent & service charges to the Trust
Partnership for Young London (PYL)	Two Members of CoL are Trustees of PYL, with one of these being the Chairman	23 (23)	49 (108)	PYL received grant funding from CBT
St Ethelburga's Centre for Reconciliation & Peace (SECRP)	The husband of a Member of CoL is a Trustee of SECRP	- (-)	10 (-)	SECRP received grant funding from CBT
Cripplegate Foundation, incorporating Islington Giving (CF)	Two Members of CoL are Trustees of CF, alongside the husband of a Member	- (95)	141 (130)	CF received grant funding from CBT
Museum of London Archaeology (MLA)	A Member of CoL is a Trustee of MLA	- (-)	- (59)	MLA received grant funding from CBT

The Members and Officers noted above did not participate in the discussions or decision making relating to the award of the grants.

**Related Party Transaction with the City Fund** (the City Fund is held by the City of London Corporation in respect of its activities as a local authority, police authority and port health authority):

During 2017/18 and 2016/17 there were no significant transactions between Bridge House Estates and the other principal funds of the City Corporation.

There were no outstanding balances at year end.

## 23. SUBSEQUENT EVENTS

There are risks to Bridge House Estates from the vote to leave the EU which took place on 23 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 continues to be kept on this and other implications as events unfold with financial forecasts being refreshed if and when the picture becomes clearer.

On 10 December 2018, the charity completed the sale of one of the properties held within its investment portfolio, 1-5 London Wall Buildings, for £97.1m. The trustee is yet to approve how the funds from this disposal, which are represented within the endowment fund, are to be reinvested within the portfolio.

# REFERENCE AND ADMINISTRATION DETAILS

## BRIDGE HOUSE ESTATES

Registered charity number 1035628

The grant-making and other charitable activity of the charity operates under the name City Bridge Trust

## PRINCIPAL OFFICE

Guildhall, London, EC2P 2EJ

## TRUSTEE

The Mayor and Commonalty & Citizens of the City of London

## SENIOR MANAGEMENT

### Chief Executive

John Barradell OBE - The Town Clerk and Chief Executive of the City of London Corporation

### Treasurer

Dr Peter Kane - The Chamberlain of the City of London Corporation

### Solicitor

Michael Cogher - The Comptroller and City Solicitor of the City of London Corporation

### Surveyor

Paul Wilkinson - City Surveyor

### Grants

David Farnsworth - Chief Grants Officer and Director of City Bridge Trust

## AUDITORS

Moore Stephens LLP, 150 Aldersgate Street, London, EC1A 4AB

## BANKERS

Lloyds Bank Plc., P.O. Box 72, Bailey Drive, Gillingham Business Park, Kent, ME8 0LS

## INVESTMENT ADVISORS

Mercer, Quatermile One, 15 Lauriston Place, Edinburgh, EH3 9EP

Contact for The Chamberlain, to request copies of governance documents:

[PA-DeputyChamberlain@cityoflondon.gov.uk](mailto:PA-DeputyChamberlain@cityoflondon.gov.uk)



Bridge House Estates  
City of London  
PO Box 270  
Guildhall  
London EC2P 2EJ

[www.cityoflondon.gov.uk](http://www.cityoflondon.gov.uk)  
Telephone: 020 7606 3030

Registered Charity 1035628



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

**Draft Audit Management Report on the 2017-18 Financial Statements Audit**

**REPORT TO THOSE CHARGED WITH GOVERNANCE  
JANUARY 2018**

# Contents

## Audit Management Report for the year ended 31 March 2018

	Page
1. Purpose of the report	3
2. Audit conclusion	4
3. Respective responsibilities	7
4. Significant audit risks and risk factors	9
5. Significant audit and accounting matters	13
6. Accounting systems and internal controls	16
7. Follow up of prior year recommendations	17
Appendix 1 – Adjusted misstatements	20
Appendix 2 – Unadjusted misstatements	22
Appendix 3 – List of entities key financials	23
Appendix 4 – Draft letters of representation	26

# 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 management and 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.

## Bridge House Estates – Review of Endowments

The City of London Corporation, in line with its obligations as trustee, is currently undertaking a comprehensive review of Bridge House Estates' governance and administration. In undertaking the analysis of historic documentation, it was identified that a substantial portion of the charity's assets should be held as permanent endowment. As a result the unrestricted funds have been reconstituted in the accounts. The trustee confirmed that the funds held by the charity have been held on a prudent basis with a focus on preserving capital to generate future income to meet the objectives of the charity. As such, the trustee was confident capital of the endowment has been retained.

As it was not possible to reach an exact identification of the capital of the charity, the charity undertook a reasonable and proportionate approach to this exercise to determine the value of the capital fund. The review has involved identifying and collating relevant background information from the voluminous historical records (the charity being ancient in origin); and the evaluation and analysis of that information, both internally and by external professional advisors.

Following this, City of London provided a methodology paper which outlined the different approaches considered to reconstitute the funds between unrestricted funds and permanent endowment. As part of our audit work, we reviewed this methodology along with legal advice given to City of London by Bates Wells Braithwaite and key supporting investment strategy documents in the form of Committee minutes and Strategy Reports from 1958 to 2002.

Documentation confirmed that the Trustee cannot capitalise income unless they have express power to do so i.e. a power to "accumulate". As such per the governing documents for Bridge House Estates, a power to accumulate income or surplus income does not exist. However, the Trustee has a specific power conferred by the cy-près scheme to apply income which cannot usefully be applied in a given year for the maintenance of the bridges for the wider ancillary objects. This power relates to income only. As such, it was confirmed to us that the Trustee only has power to spend the income and not the capital of the charity.

From discussion with City of London regarding the Supplemental Charter in 1957, it was noted that before this charter, the City of London did not have investment powers. The only power was given through the Settled Land Act 1925 which permitted the re-investing of disposal proceeds for other land assets. As such, we agreed that all land and properties held at 1957 can be deemed to be part of the capital fund.

In respect of investment properties, City of London, took an approach to compare the list of properties held at 1958 with the list of properties currently held. From the review undertaken, it was noted that 66% of the value of the properties held in the current portfolios were held in 1938. From the remaining properties not verified, analysis by City of London indicated that 7 of these properties were either known purchases or appropriations (from City Fund or City's Cash). These were funded through the designated sales pool. From our understanding of Bridge House Estates, the designated sales pool is held to finance capital expenditure on additions to the investment property portfolio, built up from capital receipts from disposals. The value of these 7 properties is £259m which represents 33% of the current portfolio.

As such, the total value of properties verified is £760m which represents 99.7% of the fund. As such it is reasonable to assume that the entire portfolio of properties held at 31.03.2018 should form part of the permanent endowment fund.

We noted that the financial investments portion of the endowment fund was more complicated to calculate and relied on a number of assumptions including, the timing of disposals proceeds for investment and the return rates applied. To get an understanding of the sensitivity of these assumptions, we undertook an analysis matrix which outlined all possible assumption combinations. This analysis clearly demonstrated that the value of the endowment is very sensitive to the return rate and needs to be more accurately calculated. We noted that the timing of disposal proceeds assumption does not appear to be as critically sensitive.

It was concluded that the most accurate approach would be to use the exact return rates per year rather than a blended rate and apply each rate to the corresponding date in the calculation. City of London were requested to undertake a more detailed calculation and also factor in inflation to give the absolute return rate. City of London noted that for gilts, an annual fixed interest was paid with the capital paid back at the end of the fixed term giving an effective return rate of nil. Using a more detailed return rate resulted in a decrease of £512k in the financial investments portion of the permanent endowment.

We were provided with an updated Trustees Report and Accounts which reflected the permanent endowment fund represented in majority by the total value of the investment properties held as at 31 March 2018 (£766.3m), alongside £83m of financial investments, being the current day value of property disposal proceeds re-invested in non-property investments.

We also considered whether the issue affects the other charities at City of London given the possibility that Bridge House Estates provides funding to these entities. With regards to City's Cash Trusts and Sundry and Other Trusts, there have been a limited number of grants given for specific projects that meet the funding policy of City Bridge Trust (CBT). These have been funded from the surplus income of Bridge House Estates, as agreed under the Cy Pres Scheme of 1995. City of London are clear in that all funding commitments made by CBT have come from surplus income generated since 1995.

From discussions and review of correspondence from the Charity's lawyers, we do not deem there to be a significant risk of breaches having taken place historically, and/or that there would be restricted income funds as well as permanent endowments. During our review, we did not identify any actual indication of breaches having taken place.

From the work undertaken, we have gained adequate assurance that the financial statements are not materially misstated and have therefore provided an unqualified audit opinion.

## 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 2017-18 audit of City's Cash, Bridge House Estates, City's Cash Trusts and Sundry and Other Trusts amounts to £119,500. A further £10,000 is payable by City's Cash for the 2017-18 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.

We have not encountered any significant delays or difficulties during the 2017-18 audit. We have provided no non-audit services during 2017-18.

We have undertaken additional work in 2017-18 in respect of the reconstitution of funds for Bridge House Estates (see detail on page 4) for which an additional fee of £17,000 was proposed.

## 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 and Bridge House Estates.

For City's Cash, there is a significant difference in value between income at £260.6m and net assets at £2,611.5m. We therefore assessed materiality based on net assets, which was set at £25m. 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 £4m for income and expenditure transactions.

For Bridge House Estates, there is a significant difference in value between income at £42.6m and net assets at £1,395.8m. We therefore assessed materiality based on net assets, which was set at £10m. 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 £3m 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 March 2018 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 reviewed 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 the accuracy, occurrence, cut-off and completeness of income.</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 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 – for example, journals posted at weekends and by those who do not normally post journals. 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.</p> <p>Investment property valuations are now all conducted by an external firm of property valuers. We have met with representatives of the external firm of property valuers to discuss the methodology of the valuations overall and to review individual property valuations that were significantly above or below the average increase. We did not identify any indication of management bias in the valuations applied. No significant issues were noted in our testing.</p>

Audit risk areas	Audit findings
	<p><b>Conclusion:</b> Satisfactory assurance has been gained in respect of the presumed risk of management override.</p>
<p><b>Investment Property Transactions (City's Cash and Bridge House Estates)</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 as at 31 March 2018 was £1,817.6m. This represents an increase in value of 5%. The value of property held by Bridge House Estates as at 31 March 2018 was £766.3m. This represents an increase in value of 9%.</p> <p>Investment property valuations are now all conducted by an external firm of property valuers. We have agreed property valuations to external valuations performed as at 31 March 2018. We have met with representatives of 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>
<p><b>Managed Investments (All funds and entities)</b></p> <p>The Corporation holds a significant portfolio of managed non-property investments. These investments bring about associated risks including that of disclosure, accounting and valuation.</p> <p>Given the high values associated with managed investment valuations and transactions, they carry a higher risk of material misstatement.</p>	<p>We have agreed the valuation of managed investments back to investment manager and custodian confirmations, confirming that valuation, rights and existence of investments is not materially misstated.</p> <p>We have performed procedures over the movements in the investments held year-on-year, ensuring movements were in line with the market, and have been accurately and completely recorded.</p> <p>We have discussed and agreed accounting treatments and disclosures made in the financial statements, in respect of managed investments.</p> <p><b>Conclusion:</b> Satisfactory assurance has been gained in respect of the risk identified with regard to managed investments.</p>
<p><b>Permanent Endowments (Bridge House Estates)</b></p> <p>As outlined on page 4, the charity undertook a comprehensive review of Bridge House Estates' governance and administration. Having established that Bridge House Estates holds endowment funds, the funds have been reconstituted within the financial statements.</p>	<p>We have reviewed the methodology, supporting documentation and legal advice provided to City of London in respect of this matter to form a view of whether a permanent endowment exists and the powers of the Trustee of the Charity.</p> <p>We have performed testing on the investment property portion of the endowment, ensuring that it has been calculated correctly and any assumptions are adequately supported and in line with our understanding.</p>

Audit risk areas	Audit findings
<p>Given the high values associated with the funds balance, the level of work involved to analyse the funds balance and the estimation involved in the approach, there is a higher risk of material misstatement.</p>	<p>We have performed testing on the financial investments portion of the endowment, reviewed calculations in line with supporting schedules and have undertaken sensitivity analysis to gain assurance over the accuracy and completeness of the value included within the endowments balance.</p> <p>We have discussed and agreed accounting treatments and disclosures made in the financial statements, in respect of the reconstitution of funds.</p> <p><b>Conclusion:</b> Satisfactory assurance has been gained in respect of the risk identified with regard to permanent endowments.</p>

### Other risk factors

As noted in our Audit Planning Report submitted to the Audit and Risk Management Committee in February 2018 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> The 2017-18 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> 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 2018-19;
- reviewing minutes of relevant City of London Corporation sub-committees held since 31 March 2018;
- 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.

## 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>Bridge House Estates</b>				
Several adjustments made for the 2016-17 and 2017-18 financial statements, in respect of the reconstitution of the permanent endowment. Summary not shown in this table as adjustments relate to a number of years.				
<b>Sundry &amp; Other Trusts</b>				
<b>City of London Girls School Bursary Fund</b>	106	5,727	5,727	106
<b>Sir William Coxen Trust Fund</b>	-	25,000	25,000	-
<b>City of London Almshouses</b>	-	-	1,319,751	1,319,751
<b>City's Cash Trusts</b>				
<b>Epping Forest</b>	-	-	41,265	41,265
<b>Highgate Wood and Queen's Park Kilburn</b>	-	-	16,343	16,343

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

### Unadjusted items

We are obliged to bring to your attention any 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.

We have not identified any unadjusted items in respect of the financial statements for City's Cash, Bridge House Estates, City's Cash Trusts and Sundry and Other Trusts.

## 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.	We are satisfied with the appropriateness of accounting estimates and judgements used in the preparation of the financial statements. We met with representatives of 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. We also reviewed the assumptions underpinning the valuation of pension liabilities, which we considered to be appropriate.
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.	We did not encounter any delays or 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 have held discussions with management, reviewed committee minutes and the central fraud/serious incidents register to ensure all identified issues had followed due process.

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.

## City's Cash – Consolidation discussions

### Parent entity financial statements

City's Cash produces consolidated financial statements according to FRS 102. The consolidated entities include all of the City's Cash Trusts (Open Spaces), City RE Ltd, Keat's House and Sir Thomas Gresham's Charity.

Section 9 of FRS 102 sets out guidance on preparation of consolidated financial statements and when a parent entity should consolidate and when there are exemptions. On the preparation of parent entity statements when consolidated statements are produced, section 9 simply states: *"The requirements for the preparation of individual financial statements are set out in the Act or other statutory framework."*

City's Cash as a fund of the City of London Corporation. The Act referenced in FRS 102 is to the Companies Act 2006. With no statute or other governing document proscribing otherwise, there is no requirement for City's Cash to also present parent entity only financial statements alongside the consolidated statements.

These matters were discussed with management and the Audit Review Panel.

### Control of the independent schools

We discussed with the Corporation and the Audit Review Panel the de-facto, operational and legal aspects of City's Cash control over the three independent schools which are included as part of the accounts. It was established that City's Cash have complete control over the operations of the three independent schools. The independent schools have been established to be controlled by the City of London Corporation – The Board of Governors of each school is answerable to and controlled by the Court of Common Council which is the Corporation's primary decision-making assembly. They have the power to govern the financial and operating policies of the schools so as to obtain benefits from its activities.

As no parent accounts have been deemed required it is reasonable for the schools to be included within the consolidated accounts as a department of City's Cash.

## 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 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.

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.

## 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 2018
<b>All entities and funds</b>	
<p><b>Active Directory Domain Administrator accounts not adequately set and controlled (Priority 2)</b></p> <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> <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>	<p>A new policy for the provision and management of privileged (Service and Domain Administrator) accounts was developed as part of the IT Transformation Programme. The latest version of the Privileged Access Policy, dated January 2018 was made available to us during the audit process for review.</p> <p>A review of existing privileged accounts was completed during the year, and any accounts no longer required were removed. A process has also been developed to review all privileged accounts (including Doman and Service accounts) every six months, in line with best practice.</p> <p>A project has also been undertaken to rename outstanding ‘Administrator’ accounts in conjunction with the new environment delivered through Transformation.</p> <p><b>Status: Closed</b></p>
<p><b>Non-compliance with password policy (Priority 2)</b></p> <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’). 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>	<p>A new ‘Passphrase Policy’ was implemented during the year as part of the Transformation project. This includes regular reports and review of the accounts at least monthly. The latest version of this policy, dated January 2018 was made available to us during the audit process for review.</p> <p>A data cleansing exercise has been completed, ensuring that only live and valid user accounts exist within the new IT environment. A new ‘Starters, Movers and Leavers Policy’ has also been implemented to enforce good practice. The latest</p>

<p>We recommend that CoLC ICT management in cooperation with Agilysis ensure that all user accounts are set up with the approved password policy. 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>	<p>version of this policy, dated April 2018 was made available to us during the audit process for review.</p> <p><b>Status: Closed</b></p>
<p><b>Database security updates are not applied to Paris Microsoft SQL server (Priority 2)</b></p> <p>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.</p> <p>We recommend that management in cooperation with Agilysis, extends the patching cycle to include Paris Microsoft SQL database.</p>	<p>Patch Management within the Corporation has been improved following a review in May 2017 and now includes all database servers, underpinning key services, such as Paris, CBIS and iTrent.</p> <p>The 'Patch Management Policy' has been updated and is being followed, evidenced by monthly patching reports. The latest version of this policy, dated June 2018 was made available to us during the audit process for review.</p> <p><b>Status: Closed</b></p>
<p><b>DRP for the financial systems not recently tested (Priority 2)</b></p> <p>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 (Agilysis), migration to another data centre and system hardware, replacement of server operating systems, database upgrades, changes to system functionalities.</p> <p>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.</p>	<p>The management response to this recommendation stated that a project was being commissioned to define a DR testing plan and schedule, focusing on critical business services including CBIS, iTrent and Paris.</p> <p>Delays to the Network Transformation programme and receipt of all the Business Impact Assessments have led to delays to planning for the 2018 DR plan. However, planning has commenced with a view to testing the resilience of five key services (including iTrent, CBIS and Paris) by the end of September 2018.</p> <p><b>Status: Ongoing</b></p>
<p><b>Lack of Review of ISAE 3402 Reports (Priority 2)</b></p> <p>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.</p> <p>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.</p>	<p>The Corporation agreed to obtain ISAE 3402 internal controls reports for each investment mandate to monitor the auditor's opinion on the overall control environment.</p> <p>During our 2017/18 audit, we noted that ISAE 3402 reports are now being requested and obtained for all fund managers and custodians. These are being reviewed within the Corporate Treasury team to ensure no control issues have been identified but we noted that the review is not being formally documented. We have therefore, left this recommendation open.</p> <p><b>Status: Ongoing</b></p>

**Annual Declarations (Priority 2)**

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.

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.

Our testing of related parties for 2017/18 identified 36 annual declarations (out of 146) that had not been received from Chief Officers and Members.

An update from management during the audit completion meeting informed us that this is now down to 21 outstanding declarations. The Corporation are continuing to chase the remaining declarations, with a further reminder being issued by the Deputy Chamberlain, Caroline Al-Beyerty.

As such, we have left this recommendation open.

**Status: Ongoing**

## Appendix 1 – Adjusted Misstatements

As summarised in Section 5, the following adjustments were identified during our audit work and ongoing management review 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>Bridge House Estates</b>				
Property Revaluation Fund – Designated			620,522,035	
Property Revaluation Fund – Endowment				620,522,035
Bridges Repair Fund – Designated			125,764,515	
Bridges Replacement Fund – Designated				123,500,000
Endowment Fund				211,047,735
Unrestricted Income Fund			207,783,220	
Tower Bridge – Designated			1,000,000	
Property Sales Pool – Designated			14,633	
Property Sales Pool – Endowment				14,633
<i>*Being the combined transfers between the general fund and endowment fund at the year end</i>				
Investment Expenses – Unrestricted				332,417
Investment Expenses – Endowment			332,417	
<i>*Being the adjustment for costs relating to the endowment funds in 2016-17</i>				
Investment Expenses – Unrestricted				357,035
Investment Expenses – Endowment			357,035	
<i>*Being the adjustment for costs relating to the endowment funds in 2017-18</i>				
Net Gain on Financial Investments			2,372,418	
Income from Financial Investments				2,372,418
<i>*Being the adjustment for income from segregated investments incorrectly shown in net gains in 2016-17</i>				
Net Gain on Financial Investments			3,903,691	
Income from Financial Investments				3,903,691
<i>*Being the adjustment for income from segregated investments incorrectly shown in net gains in 2017-18</i>				
<b>Sundry and Other Trusts</b>				
<b>City of London Girls School Bursary Fund</b>				
Managed Investments				106
Expenditure		106		
<i>Being the write-off of a historical discrepancy within the accounts</i>				
<b>City of London Girls School Bursary Fund</b>				
Accruals			5,727	
Expenditure		5,727		
<i>Being the correction to remove a duplicate bursary accrual</i>				
<b>Sir William Coxen Trust Fund</b>				
Expenditure		25,000		
Creditors – Grants Payable			25,000	

		Statement of Financial Activity		Balance Sheet	
		Dr	Cr	Dr	Cr
		£	£	£	£
<i>**Being the removal of GOSH grant payable at year-end</i>					
<b>City of London Almshouses</b>					
Deferred grant liability				1,319,751	
Restricted funds					1,319,751
<i>***Being the prior period correction to reclassify the social housing grant from a liability to a restricted reserve</i>					
		<b>106</b>	<b>30,727</b>	<b>1,350,478</b>	<b>1,319,857</b>
<b>City's Cash Trusts</b>					
<b>Epping Forest</b>					
Rental debtors				41,625	
Other creditors					41,625
<i>**Being the reclassification of unallocated cash</i>					
<b>Highgate Wood and Queen's Park Kilburn</b>					
Rental debtors				16,343	
Other creditors					16,343
<i>**Being the reclassification of a credit note for rent deposit</i>					
		-	-	<b>57,608</b>	<b>57,608</b>

\* Identified by client – adjustments relate to the reconstitution of the permanent endowment fund as part of the ongoing Bridge House Estates Governance Review.

\*\* Identified by client

\*\*\* Relates to the correction of a prior period error to recognise the social housing grant within restricted endowment funds rather than as a liability. Under the charities SORP it is required to apply the performance model under FRS 102. Based on the terms of the grants, this would result in immediate recognition of income at the point of receipt of the grant in the 1980s. As such, an adjustment has been made to reflect this. Note that this has no impact on the Statement of Financial Activities for the current or prior year. It is a reclassification between liabilities and reserves on the balance sheet.

## Appendix 2 – Unadjusted misstatements

As noted in Section 5, we have not identified any unadjusted items in respect of the financial statements for City's Cash, Bridge House Estates, City's Cash Trusts and Sundry and Other Trusts which are above the reporting threshold.

## 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>	260,600 (including gains)	72,300	2,611,500	25,000 (4,000 for Income Statement)
<b>Bridge House Estates</b>	107,900 (including gains)	54,600	1,395,800	10,000 (3,000 for SoFA)
<b>City's Cash Trusts</b>				
<b>Ashtead Common</b>				
Preservation of the common at Ashtead	487	-	-	10
<b>Burnham Beeches</b>				
Preservation of the Open Space known as Burnham Beeches	991	(18)	749	20
<b>Epping Forest</b>				
Preservation of Epping Forest in perpetuity	6,308	(393)	7,320	134
<b>Hampstead Heath</b>				
Preservation of Hampstead Heath for the recreation and enjoyment of the public	9,268	131	52,507	180
<b>Highgate Wood &amp; Queens Park Kilburn</b>				
Preservation of the Open Space know as Highgate Wood & Queens Park Kilburn	1,510	(15)	367	30
<b>West Ham Park</b>				
To maintain and preserve the Open Space known as West Ham Park	1,493	(17)	34	30
<b>West Wickham Common and Spring Park Coulsdon &amp; Other Commons</b>				
Preservation of West Wickham Common and Spring Park Coulsdon & Other Commons	1,824	292	446	30
<b>Sundry Trusts</b>				
<b>Ada Lewis Winter Distress Fund</b>				
Assistance and relief for the poor and distressed during winter months	9	7	286	6
<b>Charities Administered ICW the City of London Freeman's School</b>				
Promotion of education through prizes	14	6	198	4

Activities	Income £'000	Surplus/ (Deficit) £'000	Net Assets £'000	Materiality £'000
<b>City Educational Trust Fund</b>				
Advancement of education through grants	160	89	3,863	79
<b>City of London Almshouses</b>				
Almshouses for poor or aged people	357	13	1,652	65
<b>Sundry Trusts Continued</b>				
<b>City of London Corporation Combined Education Charity</b>				
Advancing education by the provision of grants and financial assistance	48	41	1,165	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	5	5	162	3
<b>City of London Freeman's School Bursary Fund</b>				
Promotion of education through bursaries	45	22	938	19
<b>City of London School Bursary Fund</b>				
Promotion of education through bursaries, scholarships and prizes	176	153	4,023	81
<b>City of London School Education Trust</b>				
Advancing education	-	-	6	1
<b>City of London School for Girls Bursary Fund</b>				
Promotion of education through bursaries, scholarships and prizes	651	82	4,302	67
<b>Corporation of London Charities Pool</b>				
Investments pool for Sundry Trusts	1,818	(3,320)	19,547	391
<b>Emmanuel Hospital</b>				
Payment of pensions and financial assistance to poor persons	191	147	2,697	54
<b>Guildhall Library Centenary Fund</b>				
Provision of education and training in library, archives, museum, and gallery services	3	3	28	1
<b>Hampstead Heath Trust</b>				
To meet a proportion of the maintenance cost of Hampstead Heath	1,614	331	32,710	667
<b>Keats House</b>				
Maintenance of Keats House	531	27	253	8
<b>King George's Field</b>				
Open space for sports, games and recreation	17	-	-	1

Activities	Income £'000	Surplus/ (Deficit) £'000	Net Assets £'000	Materiality £'000
<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	92	81	2,495	50
<b>Sundry Trusts Continued</b>				
<b>Signore Pasquale Favale Bequest</b>				
Granting of assistance to eligible persons in the form of marriage portions	1	-	15	1
<b>Sir Thomas Gresham Charity</b>	82	(1)	148	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	140	48	2,675	59
<b>Vickers Dunfee Memorial Benevolent Fund</b>				
Financial assistance to distressed past and present members of the CoL Special Constabulary and their dependents	8	8	233	5

## Appendix 4 – Management representation letters for City’s Cash, Bridge House Estates, City’s Cash Trusts and the Sundry and Other Trusts

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 2018 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 2018, 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 2018 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 2018 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 2018, 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. We have reviewed the assumptions used in the reconstitution of the permanent endowment fund and we are content that these assumptions are reasonable and reflect the best information available.
33. All correspondence with regulators has been made available to you, including any serious incidents reports.
34. Except as disclosed in the notes to the BHE accounts, as at 31 March 2018 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 2018 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 2018, 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 2018 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 2018 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 2018, 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 2018 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)

This page is intentionally left blank

<b>Committee:</b>	<b>Date:</b>
Audit & Risk Management Committee	15 <sup>th</sup> January 2019
<b>Subject:</b>	<b>Public</b>
Internal Audit Recommendations Follow-up	
<b>Report of:</b>	<b>For Information</b>
Head of Audit & Risk Management	

### Summary

This report provides an update on the outcome of a recent follow-up exercise focused on red and amber priority recommendations due for implementation by 30<sup>th</sup> November 2018. There were 125 such recommendations within the scope of this formal follow-up exercise.

Audit testing has confirmed that 52% of high priority recommendations were fully implemented at the time of follow up, 17% were partially implemented, and 31% had not been implemented or evidence had not been provided to demonstrate implementation. **Appendix 1** summarises the outcomes by department.

There were three red priority recommendations within the scope of the follow-up exercise, two of which related to the City of London Police (not implemented) and revised target timescales for implementation are required. The remaining recommendation (partially implemented) arose from an audit of a Guildhall School / Barbican Centre contract and cannot be assessed as 'implementation evidenced' until such time as the corporate catering contract which replaced it has been signed; this is outside the control of the Guildhall School and Barbican Centre.

There are four further live red priority recommendations, not due for implementation by 30<sup>th</sup> November 2018, which are detailed in this report: one relating to the corporate catering contract, two related to the City of London Police and one related to the Town Clerk's Department.

Where high priority recommendations were outstanding in full or in part at the time of audit follow-up, further updates have been sought from management to confirm timescales for resolution. Analysis of high priority recommendations not fully implemented is shown at **Appendix 2** and identifies where original target dates had previously been exceeded and revised dates supplied which have also not been met.

Implementation of 20 recommendations (33% of those outstanding from follow-up) has exceeded revised target dates. Internal Audit has reiterated the need for management to set realistic and appropriate target implementation timescales and will continue to liaise with recommendation owners to confirm these where not already supplied.

Members are asked to:

- Note the recommendations follow-up report.

- Agree an approach for responding to repeated revision of target dates, including potential increased frequency of implementation monitoring / reporting.

## **Main Report**

### **Monitoring of High Priority Recommendations**

1. The high priority (red and amber) recommendation monitoring process is operating as follows:
  - Updates on implementation are sought approximately quarterly;
  - Recommendations are assessed as “implemented” only where suitable evidence has been provided to Internal Audit, rather than on the basis of management / recommendation owner advice;
  - Where evidence is not provided, recommendations are assessed as either partially or not implemented, an explanation is required for slippage in implementation and a revised target must be supplied, recognising this Committee’s view that there should be only one extension to implementation deadlines.
2. Management continue to be reminded that any implementation actions which are extended beyond the revised target date may be subject to challenge by this Committee and senior management / recommendation owners asked to attend to explain the issues in progressing agreed actions to timescale.
3. Nominated Audit Liaisons in each client department are responsible for collating recommendation status updates and evidence, as well as communicating explanations for implementation slippage and revised target dates to Internal Audit. Following a successful pilot exercise within both the Community and Children’s Services Department and Chamberlain’s IT Division, access to the software used by Internal Audit for recommendations tracking has been rolled out fully to the following departments: the Guildhall School, the Barbican Centre, the City Surveyor’s Department, and the Markets and Consumer Protection Department.
4. The recent follow-up exercise was the first one since ‘business user’ roll-out and the process has worked as intended, with support provided by Internal Audit. It is anticipated that the resource input to capture and submit the required information for follow-up purposes will reduce as business users become more familiar with the software. In addition, Internal Audit are actively looking at ways to streamline the follow-up approach and reduce the impact upon available resource for Audit Plan delivery.

### **Formal Audit Follow-ups**

5. The corporate follow-up exercise has recently been completed in respect of all live red and amber priority recommendations due for implementation by 30<sup>th</sup>

November 2018. A summary of follow-up outcomes by department is shown at **Appendix 1** and demonstrates that implementation was confirmed for 52% of high priority recommendations, partial implementation was confirmed for 17%, and the remaining 31% had not been progressed or evidence was not supplied to Internal Audit to demonstrate implementation progress.

6. High priority recommendations not implemented or only partially implemented are summarised at **Appendix 2** and a comparison of revised target dates to original agreed dates is shown where available. The summary identifies where revised target dates, supplied where original target dates or previous revised target dates had been exceeded, have not been met. Follow-up enquiries confirmed that revised target dates for implementation have been not been achieved in respect of 20 recommendations relating to the following departments / areas:

<b>Department</b>	<b>No. of Recs</b>
Corporate (Business Travel)	1
Chamberlain's IT	1
City of London Police	6
City of London Freeman's School	1
City of London School	1
City of London School for Girls	3
City Surveyor	1
Guildhall School of Music & Drama *	6
<b>Total</b>	<b>20</b>

7. Four of the Guildhall School recommendations reflected in the above table relate to a corporate contract and the outstanding implementation action is outside of the control of the School. Internal Audit has reiterated to all Chief Officers, Audit Liaisons and recommendation owners that revised timescales should be set only in exceptional circumstances and it is intended that a further communication be sent to all Chief Officers in this respect.
8. There were three red priority recommendations within the scope of the follow-up exercise, as set out below:
- City of London Police: Seized Goods – Property storage locations (not implemented). A revised target timescale for implementation is required.
  - City of London Police: Freedom of Information - Action plan to address non-compliance (not implemented). A revised target timescale for implementation is required.
  - Guildhall School: Catering Contract Management – contract documentation (partially implemented). This recommendation cannot be closed down until such time as the new corporate catering contract, which replaced the local contract that was subject to audit, has been signed; this is outside the control of the Guildhall School and Barbican Centre.

9. Internal Audit will continue to make enquiries in respect of these live red priority recommendations, ahead of the next formal follow-up exercise, to ascertain the progress of implementation and the expected timescales for resolution.

### **Live High Priority Recommendations**

10. As at mid-December 2018 there are 82 live amber priority recommendations which are not yet due for implementation and a number of audit reports which are in the process of being finalised, containing further high priority recommendations.
11. There are four further live red priority recommendations which were not within the scope of the follow-up exercise i.e. due for implementation after 30th November 2018 and these are set out below:
- Guildhall School / Barbican Centre – this recommendation (partially implemented) relates to the corporate catering service which commenced in September 2018. The target timescale for implementation is currently 31<sup>st</sup> December 2018 but as with the above red priority recommendation, this cannot be closed down until such time as the new corporate catering contract has been signed; this is outside the control of the Guildhall School and Barbican Centre.
  - Town Clerk's: Declarations of Interest – monitoring arrangements for officer declarations (partially implemented). The target timescale for this recommendation is 30<sup>th</sup> April 2019 which is linked to completion of the following actions:
    - Revised Code of Conduct drafted and will be accompanied by FAQs, Examples of Conflicts of Interest, a Reviewing Managers Guide, updated DOI and ROI forms, a HR Topics page on Conflicts of Interest
    - An annual campaign will include: Town Clerk's Message, Managers Briefing, Intranet article, Employee & Manager Self-Service news items in 'City People' and an email from each Chief Officer to all staff in their department (noting any separate arrangements for absent staff or those without computer/mobile access). Chief Officers annual review will be co-ordinated by the office of the Director of HR.
    - New starters will make any conflict of interest declarations on joining COL.
  - City of London Police: Police Bank Accounts – the two recommendations relating to reconciliation of funds and reconciliation of balance sheets have target timescales of 31<sup>st</sup> December 2018.
12. Updates on the implementation position for these red priority recommendations will be provided to the next meeting of this Committee. Formal follow-up will take place in accordance with the agreed cycle.

## **Conclusion**

13. The recent corporate follow-up exercise in respect of high priority recommendations due for implementation by 30<sup>th</sup> November 2018 confirmed that 52% had been implemented in full, 17% had been partially implemented and 31% had not been implemented / implementation could not be confirmed. Three red priority recommendations were within the scope of this exercise and remain outstanding. A further four red priority recommendations are not yet due for implementation as at mid-December 2018. Internal Audit work is ongoing to confirm revised target dates for full implementation where these have not been supplied by recommendation owners, reiterating that these should be extended only in exceptional circumstances.

## **Appendices**

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

### **Pat Stothard**

Head of Audit & Risk Management

E: Pat.Stothard@cityoflondon.gov.uk

This page is intentionally left blank

## Corporate Follow-Up Exercise Outcomes – Recommendations due by 30/11/18

## High Priority (Red &amp; Amber) Recommendations

Department	Implementation Evidenced	Partially Implemented	Not Implemented	Total	Comments
Barbican	9	1	3	13	Revised target timescales have been supplied in respect of the four outstanding high priority recommendations. Explanations for implementation slippage have been supplied in respect of the outstanding recommendations.
Chamberlain's	7	0	9	16	Revised target timescales have been supplied in respect of the nine outstanding high priority recommendations.
Chamberlain's IT	5	1	0	6	A revised target timescale has been supplied in respect of the outstanding high priority recommendation.
City of London Freemen's School	4	1	0	5	An explanation for slippage in implementation and a revised target timescale have been supplied for the outstanding high priority recommendation.
City of London Police	15	0	10	25	Revised target timescales have been supplied in respect of five outstanding high priority recommendations. The risk has been accepted in respect of one outstanding recommendation, evidence of implementation is awaited by Internal Audit in respect of three recommendations and a revised target timescale for implementation is required in respect of the remaining recommendation.
City of London School	1	1	0	2	An explanation for slippage in implementation and a revised target timescale have been

Department	Implementation Evidenced	Partially Implemented	Not Implemented	Total	Comments
					supplied for the outstanding high priority recommendation.
City of London School for Girls	0	3	0	3	Revised target dates for full implementation have been supplied in respect of two of the outstanding high priority recommendations. The remaining recommendation relates to inventory maintenance and is within the scope of a current audit. An updated management response and revised target implementation date will be requested in response to the findings of this audit exercise.
City Surveyor	2	2	0	4	A revised target date has been supplied for full implementation of one of the outstanding (partially implemented) high priority recommendations. A revised target date is required for full implementation of the remaining recommendation.
Community & Children's Services	6	4	6	16	<p>Revised target dates have been supplied for full implementation of eight of the outstanding (2 partially implemented and 6 not implemented) high priority recommendations.</p> <p>Implementation of one of the partially implemented recommendations cannot be confirmed until a particular set of circumstances arises. Revised target date to be confirmed.</p> <p>An update is required in respect of the remaining partially implemented recommendation.</p>

Department	Implementation Evidenced	Partially Implemented	Not Implemented	Total	Comments
Guildhall School of Music & Drama	3	6	2	11	<p>Four of the partially implemented recommendations relate to the new corporate catering contract and cannot be closed down until such time as the contract is signed; this is outside of the control of the Guildhall School and the timescale for full implementation is unknown.</p> <p>A revised target timescale has been supplied for full implementation of one of the partially implemented recommendations.</p> <p>A revised target timescale is awaited in respect of the remaining partially implemented recommendation.</p> <p>Revised target timescales have been supplied for the two 'not implemented' recommendations.</p>
Mansion House	0	0	5	5	<p>Revised target timescales have been supplied for all five outstanding high priority recommendations.</p>
Markets & Consumer Protection	7	2	1	10	<p>A revised target dates has been supplied for full implementation of one of the outstanding (not implemented) high priority recommendations.</p> <p>Members of M&amp;CP management are liaising with Internal Audit and Corporate HR in respect of one remaining partially implemented recommendation and a revised target date for full implementation will be confirmed at the earliest opportunity.</p>

Department	Implementation Evidenced	Partially Implemented	Not Implemented	Total	Comments
					Demonstration of full implementation of the remaining recommendation cannot take place until a particular set of circumstances arises.
Town Clerk's	4	0	2	6	Revised target timescales have been supplied for both outstanding high priority recommendations.
Town Clerk's – Corporate HR	2	0	1	3	A revised target timescale has been supplied by Corporate HR in respect of the outstanding high priority recommendation.
<b>TOTAL</b>	<b>65</b>	<b>21</b>	<b>39</b>	<b>125</b>	
<b>Percentage of total recommendations</b>	<b>52%</b>	<b>17%</b>	<b>31%</b>		

## High Priority Recommendations Partially Implemented / Not Implemented

Amber priority recommendations outstanding at time of December 2018 follow-up (implementation due by 30<sup>th</sup> November 2018)

Department & Audit Area	Original Target Date	Previous Revised Target Date	New Target Date	Implementation Status		Management Comment / Internal Audit Comment
				Not	Partial	
<b>Barbican</b>						
Visitor Experience – Definitions	31/08/18	N/A	31/12/19	1	0	As agreed with Members, our aim is to create an environment that enables and inspires others to achieve their best. It was agreed that this is to be achieved through the delivery of the following prioritised areas: 1) Compliant, 2) Efficient, 3) Appropriate. We have been delivering a ground-up review and much resultant change and this has meant that people have had to prioritise their finite time on areas of compliance including fire safety and terrorism for example. The Barbican's Strategic Plan defines the goals, one of which is Visitor Experience, (which, unfortunately, shares its name with one of our teams, causing confusion during the audit). Within that goal are contained the objectives all of which have a direct and indirect impact on audience experience. Within these are projects which deliver change in the areas of audience experience.  Our prioritised plan means that we will focus on the points raised in the audit and bring together the projects under the 'appropriate' priority. In the meantime, the works under 'compliant' and 'efficient' have all contributed to the Visitor Experience.
Visitor Experience – SMART Objectives	30/11/18	N/A	31/12/19	1	0	
Visitor Experience – Business Plan Monitoring	30/11/18	N/A	31/12/19	1	0	
Equality & Inclusion - Reporting to Management	30/09/18	N/A	30/06/19	0	1	Revised target date as this is when it is timetabled to go to SMT.
<b>Chamberlain's</b>						
Human Resources Starters & Leavers – Payroll Leavers Checks	31/08/18	N/A	31/01/19	1	0	Target dates amended due to staffing changes within Payroll.
Human Resources Starters & Leavers – Secondary Checks on Payroll Changes	31/05/18	N/A	31/01/19	1	0	Target dates amended due to staffing changes within Payroll.

Department & Audit Area	Original Target Date	Previous Revised Target Date	New Target Date	Implementation Status		Management Comment / Internal Audit Comment
				Not	Partial	
Corporate Wide Business Travel – Scheme Update	31/05/18	N/A	31/03/19	1	0	The review of business travel by City Procurement has identified the challenges in implementing and monitoring compliance to this recommendation due to the fact that the travel authorisation /purchasing process is manual. City Procurement will therefore commence procurement of travel services that will include software to facilitate and track travel purchases. Timescale to be revised to end of FY2018.
Corporate Wide Business Travel – Contract for Taxis	31/05/18	N/A	31/03/19	1	0	
Corporate Wide Business Travel – Business Travel Insurance	31/05/18	N/A	31/03/19	1	0	
Corporate Wide Business Travel – Single Policy	31/05/18	01/10/18	31/03/19	1	0	
Corporate Wide Business Travel – Travel Arrangements	31/05/18	N/A	31/03/19	1	0	
Corporate Wide Business Travel – Travel Arrangements	31/05/18	N/A	31/03/19	1	0	
Corporate Wide Procurement Consultation with Stakeholders – Consultation Guidance	31/08/18	N/A	31/03/19	1	0	
<b>Chamberlain's IT</b> Remote Access – New User Access Authorisation	30/05/16	30/09/18	31/03/19	0	1	New Account Process – Technical issues with integrating Firmstep (Forms) and Active Directory have disrupted the initial plan to implement a cost centre manager sign off workflow for all new

Department & Audit Area	Original Target Date	Previous Revised Target Date	New Target Date	Implementation Status		Management Comment / Internal Audit Comment
				Not	Partial	
						<p>starters. In parallel, a broader piece of work to implement a staff onboarding tool has recently been scoped, and subject to commercial review will be implemented. This will include a workflow to automate the cost centre manager sign off and upon authorisation will automatically create the Active Directory account.</p> <p>The Active Directory data is now in a state which is ready to be the master data source for this work. In addition, the onboarding tool can apply the movers and leavers process at 30, 60 and 90 days and subsequently harvest O365 licences, reducing the risk of unauthorised access further. Implementation Date - 31st March</p>
<b>City of London Police</b>						
Budget Monitoring – Profiling Budgets	31/03/18	31/03/19	30/04/19	1	0	It is too early in the budget process to undertake this for 2019-20.
Budget Monitoring – Budget Estimating: Financial Limits	31/03/18	30/09/18	30/04/19	1	0	Internal Audit comment: The CoLP Interim Director of Finance advised that this has been stressed to Finance Business Partners in their team meetings, but implementation can only be evidenced once the 2019/20 budget has been uploaded on the system. Therefore, the target implementation date has been changed to April 2019.
Seized Goods – Property Storage Locations	31/03/18	30/06/18	TBC	1	0	Still being progressed with ECD. Revised timescale required for implementation.
Seized Goods – Cash Counting Policy (i)	31/03/18	30/06/18	30/04/19	1	0	The Asset Recovery SOP is still in the process of being reviewed. ECD staffing issues have meant this task has been delayed until the appointment of a new DCI mid-November. It is anticipated the review will be complete before the end of April 2019.
Seized Goods – Cash Counting Policy (ii)	31/03/18	30/06/18	30/04/19	1	0	
Seized Goods – Witness of Disposals	31/03/18	30/06/18	N/A	1	0	Risk Accepted. Please bear in mind the audit was done in 2016 and yes, it is the officer's responsibility to obtain a receipt. In 2016 we used PMs and in general the system can hold two signatures, one for the person handing the goods over and for second for the person receiving it. Due Front Offices IT terminals in use sometimes officers

Department & Audit Area	Original Target Date	Previous Revised Target Date	New Target Date	Implementation Status		Management Comment / Internal Audit Comment
				Not	Partial	
Demand and Event Policing – Record of Event Income and Expenditure	30/09/18	N/A	TBC	1	0	<p>were not able to use the terminals to hand property back, hence the paper receipt. With NICHE there is no electronic way therefore paper would have to be used. Your recommendation with regards to Property Officers to send a task/workflow to officers and chase these up in case there is no response would be nice, however due to the already staff shortage (from 3 Prop Officers down to 1.5 ) this cannot be implemented at this stage.</p> <p>Finance Business Partners are working on completing an income log for review by the Director of Finance and will be used as part of the Medium-Term Financial Planning Process in conjunction with the Corporation. Internal Audit are awaited a copy of the spreadsheet prepared to analyse income from demand and event policing.</p>
Business Continuity – Finalisation of Business Continuity Plans	01/06/18	N/A	31/03/19	1	0	<p>The revised date for approving the documents will be end of March 2019, there required to be consultation with our security group for the lockdown procedure. The draft has been refreshed and will be submitted to the group in December, the team will then have to work on making amendments and should have the plan agreed by March next year. The network recovery will be finalised as above, and the Fuel Shortage SOP is currently on hold, we will be following the national guidance/action plan in this area.</p>
Freedom of Information Requests - Incorporate FOI Training into the Triple A Training	30/06/18	N/A	TBC	1	0	<p>Internal Audit comment: A number of attempts have been made by telephone and email to arrange to examine the Triple A Training programme; however, no response has been forthcoming.</p>
Freedom of Information Requests -	01/08/18	N/A	TBC	1	0	<p>A plan has been agreed with the Performance Information Unit where they have agreed to provide data for 5 cases a day in respect to the backlog cases concerning statistical data. In addition, the drafting of additional statistical output from PNC is being considered to help clear the backlog. The complexity and frequency of BAU work from the public where PIU are required to answer will affect our ability to clear the backlog and are factors outside of organisational control.</p>

Department & Audit Area	Original Target Date	Previous Revised Target Date	New Target Date	Implementation Status		Management Comment / Internal Audit Comment
				Not	Partial	
						<p>The backlog and progress is being actively monitored by the Commissioner at Information Management Board.</p> <p>Internal Audit Note: A number of attempts have been made by telephone and email to arrange to examine Management Board updates; however, no response has been forthcoming.</p>
<b>City of London Freeman's School</b> Institutional Review – Capture of Asset Purchases	30/09/17	30/09/18	31/08/19	0	1	Random checks have not been undertaken due to staff changes and shortages to undertake this task. Revised target date - Summer 2019.
<b>City of London School</b> Financial Management - Timeliness of Interface & Reconciliations	30/06/18	30/11/18	31/01/19	0	1	The finance department were obliged to move our payment software system from SIMS to ISAMS last year, as the whole school moved to ISAMS. Sadly the finance package associated with ISAMS (AccountIQ) was imperfect. We managed a manual reconciliation of the ledger at the March year end, but have struggled to automate this since. We are asking the software provider to assist, but so far we have been dissatisfied with the result. Thus we are still obliged to manually reconcile the ledgers, and I am afraid that this will take longer than the 30th November deadline.
<b>City of London School for Girls</b> ICT Strategy, Security & Operations - Disaster Recovery Testing	11/12/15	15/11/18	28/02/19	0	1	Summer 2018 saw the completion of the wholesale replacement of CLSG's network infrastructure, moving much of it to the cloud and the replacement of all desktop and laptop PCs in the school to ensure that they had the latest operating systems available. Knowing this work was imminent and would completely change the type of DR needed, as well as needing to prioritise the network changes it has not been possible to carry out the DR walkthrough to this point. The Christmas break sees the school closed with staff who worked through their summer to get the school operational again for the new academic year taking leave and so the next opportunity to carry out the DR walkthrough will be the February half term.

Department & Audit Area	Original Target Date	Previous Revised Target Date	New Target Date	Implementation Status		Management Comment / Internal Audit Comment
				Not	Partial	
ICT Strategy, Security & Operations – Penetration Testing	01/12/15	01/11/18	31/01/19	0	1	We had initially hoped that the City of London Police would help us with this. However, it is clear that they do not have the resources to assist the school at this time. We have found an external company who offer the service at a good price. In the meantime our IT infrastructure has been completely rebuilt with new firewalls and security provision.
Institutional Review – Inventory Maintenance	08/07/16	30/09/17	TBC	0	1	Internal Audit comment: There are two elements of the original recommendation outstanding - development and rollout of a procedure for undertaking periodic asset register checks, and communication of the agreed procedures to all interested parties at the School. An audit is in progress at the School which is expected to make further recommendations in this area. The revised target date for making the necessary control improvements related to inventory maintenance will be confirmed in the management response to the current audit.
<b>City Surveyor</b> Building Services Engineering - BMS Configuration	31/12/11	30/09/18	31/03/19	0	1	The agreed solution to meet this requirement is the full segregation of the BMS communication network from the main corporate IS network. An order has been placed with Skanska for the BMS Sub-contractor, Schneider, to implement the necessary changes to the BMS infrastructure. A detailed specification for these works is currently being developed and agreed.
Service Based Property Contracts – Ad-Hoc & Fixed Price Spend	30/09/18	N/A	TBC	0	1	Internal Audit comment: evidence has been supplied of budget-monitoring meetings to demonstrate partial implementation. Full implementation will be confirmed once evidence is supplied of the following outstanding element in respect of monthly review of ad-hoc and fixed price spend: variances should be investigated, and records maintained of both discussion and corrective action taken.
<b>Community &amp; Children's Services</b> Welfare Reform - Discretionary Housing Policy	09/09/18	N/A	31/01/19	0	1	A draft version of the DHP Policy will be presented to the Almshouses and Housing Management Sub Committee in January 2019 for approval and implementation.

Department & Audit Area	Original Target Date	Previous Revised Target Date	New Target Date	Implementation Status		Management Comment / Internal Audit Comment
				Not	Partial	
Social Care Financial Assessments – Anti-Fraud Controls	31/08/18	N/A	TBC	0	1	No management comment supplied in respect of the second part of the recommendation: “Adult Social Care management should consider the legality and viability of requesting only original supporting documents.” Revised timescale for full implementation to be confirmed.
Social Care Financial Assessments - Incomplete Supporting Evidence	30/09/18	N/A	31/12/18	0	1	It was agreed at the Adults Senior Management Meeting on the 8 October that new checks using the National Fraud Initiative AppCheck product would be implemented. The Fraud Officer has been contacted to provide training and a password for the Adults Team. It is anticipated that a permanent password and training will be implemented by the end of December 2018.
Social Care Financial Assessments – Annual Financial Assessments	30/09/18	N/A	TBC	0	1	Internal Audit comment: Partial implementation has been confirmed as a new Final Assessment Quality Assurance Procedure has been agreed, will be reviewed on an annual basis and includes version control information. Audit testing to confirm implementation of the procedure in practice cannot be undertaken until annual financial assessments are due. Revised timescale for full implementation to be confirmed.
Community Centre Revenue – Revenue Generation	31/10/18	N/A	31/03/19	1	0	Implementation will take place following approval of the Community Spaces Strategy, scheduled to go to Housing and Almshouses Sub-Committee 21/01/19.
Community Centre Revenue – Income Administration	30/09/18	N/A	31/03/19	1	0	Implementation will take place following approval of the Community Spaces Strategy, scheduled to go to Housing and Almshouses Sub-Committee 21/01/19.
Community Centre Revenue – Pricing Policy	30/11/18	N/A	31/03/19	1	0	The Community Spaces Strategy will address revenue and income; this, in turn, will inform a Community Spaces Policy (final title subject to change), which will deal with charges and how these are set. Both documents will be taken to Housing Management & Almshouses Sub-Committee in Q4. Revenue from the community spaces will form

Department & Audit Area	Original Target Date	Previous Revised Target Date	New Target Date	Implementation Status		Management Comment / Internal Audit Comment
				Not	Partial	
Community Centre Revenue – Application of Charges	31/10/18	N/A	31/03/19	1	0	part of our Senior Management Team performance management meetings and we will review the charges annually. Details will be included in committee reports at appropriate intervals (possibly as part of the six-monthly Housing Update Report).  Charges will be addressed both in the Community Spaces Strategy and the associated Policy. These will apply across all estates, with some local variation as provided for in the Policy. Implementation will take place following approval of the Community Spaces Strategy, scheduled to go to Housing and Almshouses Sub-Committee 21/01/19.
Community Centre Revenue – Strategy for Community Facilities	31/10/18	N/A	31/03/19	1	0	A Community Spaces Strategy is in production, which will cover revenue, use/hire and other matters. A Community Spaces Policy will follow, which will give more detail on use and hire. Implementation will take place following approval of the Community Spaces Strategy, scheduled to go to Housing and Almshouses Sub-Committee 21/01/19.
Community Centre Revenue – Licence Renewal & Income Reconciliation	31/10/18	N/A	31/03/19	1	0	Implementation will take place following approval of the Community Spaces Strategy, scheduled to go to Housing and Almshouses Sub-Committee 21/01/19.
<b>Guildhall School of Music &amp; Drama</b>						
Baxter Storey Contract Management – Documentation	03/09/18	31/10/18	TBC	0	1	Internal Audit comment: the new corporate catering service is in operation and signing of the contract has been delayed. The Comptroller and City Solicitor's Department is working with City Procurement and client departments to resolve the issues with the contractor but the timescale for signing the contract is unknown.
Baxter Storey Contract Management – Profit Share	03/09/18	31/10/18	TBC	0	1	
Baxter Storey Contract Management – KPI Monitoring	03/09/18	31/12/18	TBC	0	1	
Baxter Storey Contract Management – Sanctions	03/09/18 31/07/18	31/10/18	TBC	0	1	

Department & Audit Area	Original Target Date	Previous Revised Target Date	New Target Date	Implementation Status		Management Comment / Internal Audit Comment
				Not	Partial	
Sundial Court Project Governance – Accommodation Strategy	31/10/17  01/09/18  N/A	30/11/18	28/02/19	0	1	At the November BoardOG a Capital Projects Working Group will be established. This group will review this strategy and make recommendations to the next BOG in February.
Satellite Sites – Collaboration Agreements		30/09/18	TBC	0	1	No management comment and no revised timescale for full implementation supplied.
Data Quality – Management of Guildhall School Returns		N/A	31/12/19	1	0	HESA have introduced data futures which will transform how we collect, hold and report on data. This will cover all aspects of the audit and more. The School must comply to meet Office for Students requirements.
Data Quality - Student Data and Information Manager		N/A	31/12/19	1	0	Recommendation status was previously 'risk accepted'. The School's management have reviewed the original management response and have now undertaken to implement this recommendation, stating: HESA have introduced Data Futures which will transform how HEI's collect, hold and report on data.
<b>Mansion House</b>						
Catering Contract Management – Business Continuity Arrangements	30/09/18	N/A	31/12/18	1	0	This will be raised in the 1st quarterly business review (12th Dec), as was part of the new contract specification.
Catering Contract Management – How to Raise A Concern	30/09/18	N/A	31/12/18	1	0	This has been raised as part of the final contract draft, and revised CoL documentation concerning 'Event Participation Code of Conduct', will be appended to the final version.
Catering Contract Management – Timeliness of Invoicing (Commissions)	30/09/18	N/A	31/12/18	1	0	We will be requesting a Ch & Co commission statement to the end of Aug, to ensure it reconciles to the AR invoices raised to the same period, (i.e. the contract crossover point).
Catering Contract Management – Performance Meeting Minutes	30/09/18	N/A	31/12/18	1	0	This has been raised with CH & Co as a request to develop their existing commission monitoring spreadsheet as we moved into the new contract period. Beyond the ongoing MH client meetings and CCC mobilisation meetings, we are about to hold our first (local) quarterly business review meeting (12th Dec), where we will expect to more formally set out the parameters of monitoring this element of

Department & Audit Area	Original Target Date	Previous Revised Target Date	New Target Date	Implementation Status		Management Comment / Internal Audit Comment
				Not	Partial	
Catering Contract Management – Checks on Commission Income	30/09/18	N/A	31/12/18	1	0	<p>the new contract as the business develops. (This ties in with the first (Surveyors) Quarterly Catering Contract meeting on the same day).</p> <p>The MH client meetings have continued, and the emphasis of the new contract was on the CCC mobilisation, and all handled via minuted meetings with actions points to ensure CH &amp; Co could operate as seamlessly as possible from day one, (and in the absence of Aramark agreeing an exit agreement, despite both mine and CCS efforts). Some of the minutes/action points are now acting as supporting docs for the new contract draft. As above, the quarterly business reviews will cover core action points, although we will intend to maintain a monthly meeting to encompass both sites.</p>
<b>Markets &amp; Consumer Protection</b> Market Fraud Risks – Fraud Awareness Training	30/11/18	N/A	TBC	0	1	All Markets' staff have been instructed to complete the e-learning Fraud Awareness module as per the audit recommendation. Due to technical problems with the City Learning portal, which is not recording the date of completion, we are unable to fully evidence implementation at this time. We are liaising with HR on this issue.
Seized Goods – Recording of Disposals	30/03/18	N/A	N/A	0	1	Internal Audit comment: Implementation in practice cannot be confirmed until such time as there are any disposals. Recommendation remains partially implemented.
Consumer Protection Enforcement – Enforcement Policy	30/11/18	N/A	11/01/19	1	0	The target implementation date has slipped - the Enforcement Policy has undergone a full review under the supervision of the PH&PP Director and his management team. This has taken longer than anticipated but will be completed as quickly as possible.
<b>Town Clerk's</b> Declarations of Interest – Policy & Guidance	30/04/18	N/A	30/04/19	1	0	Revised Code of Conduct drafted and will be accompanied by FAQs, Examples of Conflicts of Interest, a Reviewing Managers Guide, updated DOI and ROI forms, a HR Topics page on Conflicts of Interest

Department & Audit Area	Original Target Date	Previous Revised Target Date	New Target Date	Implementation Status		Management Comment / Internal Audit Comment
				Not	Partial	
Declarations of Interest – Guidance to Employees	31/05/18	N/A	30/04/19	1	0	<p>An annual campaign will include: Town Clerk's Message, Managers Briefing, Intranet article, Employee &amp; Manager Self-Service news items in CityPeople and an email from each Chief Officer to all staff in their department (noting an separate arrangements for absent staff or those without computer/mobile access). Chief Officers annual review will be co-ordinated by the office of the Director of HR.</p> <p>New starters will make any conflict of interest declarations on joining COL.</p> <p>DOI and ROI forms available on the Intranet.</p> <p>Comms plan agreed with Internal Communications Manager for annual campaign.</p>
<b>Town Clerk's – Corporate HR</b> Human Resources Starters & Leavers – City People Checks	01/06/18	N/A	31/03/19	1	0	<p>I can confirm that this is being carried out by the team. The grade D supervisors are responsible for ensuring this is done. My suggestion is that this should be included on the new starter checklist rather than an email being sent as this is where all the information pertaining to the checks etc is contained. The date checked and person who checked the information could be noted on there.</p>
<b>TOTAL</b>		<b>20</b>		<b>39</b>	<b>21</b>	

This page is intentionally left blank

# Agenda Item 9

<b>Committee(s)</b>	<b>Dated:</b>
Audit and Risk Management Committee	15 January 2019
<b>Subject:</b> Risk Management Update	<b>Public</b>
<b>Report of:</b> Dr Peter Kane, Chamberlain	<b>For Decision</b>
<b>Report author:</b> Paul Dudley, Chamberlain's department	

## Summary

This report provides the Committee with an update on the corporate and top red departmental risk registers following the review by the Chief Officer Risk Management (CORMG) on 20 November 2018 and Summit Group on 17 December 2018.

There are currently 12 corporate risks (11 in September 2018) included on the corporate risk register of which there are three red and nine amber risks.

One new risk has been added - CR26 Brexit risk. This risk focuses on the ability of the City Corporation services to prepare for the UK departure from the EU in March 2019. In addition to the corporate risk there are nine departmental level risks, three of which appear in the top red departmental risk register (see appendix 4). These risks focus on specific areas of the City corporation's business which may be exposed to the effects of EU withdrawal.

A Brexit Planning group, chaired by the Town Clerk, meets every two weeks (or more frequently if required) to review the Brexit risk register and for updates on the various preparations being made by Chief Officers.

Other recent risk movements include CR19 IT Service provision has been re-rated to a Green 4 and de-escalated to departmental level, CR21 Air quality was re-rated from a red 16 to an amber 12 in October 2018 based on mitigation progress and CR20 Road Safety met its target score also in October 2018 although a new target date of 31 December 2019 has since been added.

The Committee have previously been particularly interested in the progress to mitigate the CR23 Police funding risk. This is the subject of a deep dive report at the Committee meeting on 15 January 2019.

A total of 335 risks (304 as at September 2018) have been identified by departments providing a wide range of risks that may affect service delivery. The total number of top red departmental risks is 11 (seven in September 2018).

CORMG, at their meeting on 20 November 2018, agreed to recommend to Summit Group the inclusion of a new corporate risk (CR27) on organisational change management. Summit Group, on 17 December 2018, approved the inclusion of CR 27 Change Management risk on to the corporate risk register. The Committee are requested to endorse this decision.

## Recommendation

The Committee is asked to:

1. Endorse the decision of the Summit Group to approve the inclusion of CR 27 Change Management risk on to the corporate risk register. (This will bring to the total of corporate risks to 13).
2. Note the risk report.

## Main Report

### Background

- 1 The corporate risk register and top red departmental risk registers were last reviewed by the CORMG on 20 November 2018 and Summit Group on 17 December 2018.
- 2 A total of 335 wide ranging risks have been identified by departments comprising of 27 red, 193 amber and 115 green risks.
- 3 Of the 335 total risks, there are 12 corporate, and 11 top red departmental level risks. There are another 90 amber and 41 green risks recorded at departmental level. The remaining 181 are recorded as either service or team level risks.
- 4 Departments have used the City Corporation's Risk Management Strategy to ensure that there is a consistent approach to the way risks are described and scored. Attached as appendix 1 is the corporate risk matrix which illustrates the likelihood and impact ratings as well as the definitions for red, amber and green risks.

### Corporate risk register

- 5 There are currently 12 corporate risks (three red and nine amber). A copy of the corporate risk register is attached as appendix 2.

### Movement of risks

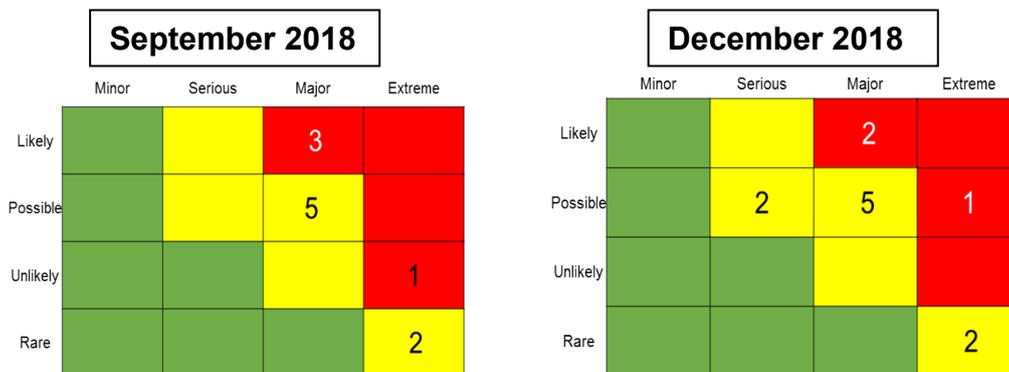
- 6 One new risk has been added - CR26 Brexit risk, CR19 IT Service provision has been re-rated to a Green 4 and de-escalated to departmental level, CR21 Air quality was re-rated from a red 16 to an amber 12 in October 2018 based on mitigation progress and CR20 Road Safety met its target score also in October 2018 although a new target date of 31 December 2019 has since been added .

Table 1 below – List of current corporate risks as at 18 December 2018 (ordered by corporate - strategic and operational categories)

Risk ref	Risk title	Status	Risk Score	Trend Icon	Strategic/ Operational
CR24	Operational Security	Red	24		S/O
CR02	Loss of Business Support for the City	Amber	12		S

CR23	Police Funding	Red	16		S
CR10	Adverse Political Developments	Amber	8		S
CR26	Brexit risk (Added November 2018)	Amber	12		S
CR16	Information Security (see para 11)	Red	16		O
CR21	Air Quality	Amber	12		O
CR01	Resilience Risk	Amber	12		O
CR09	Health and Safety Risk (under review)	Amber	12		O
CR25	GDPR project – Phase 2	Amber	6		O
CR20	Road Safety	Amber	6		O
CR17	Safeguarding	Amber	8		O

Table 2 – Comparison risk heat maps – September 2018 and December 2018



The number of risks for each risk rating are shown in each risk matrix as at the previous committee meeting (September) and the current risk report (December 2018).

### Corporate risk ratings and target dates

7 Out of the twelve corporate risks, six risks have annual target dates and relate to longer term risks. These are:

- CR01 Resilience risk
- CR02 Loss of Business Support for the City
- CR09 Health and Safety (This risk is under review by Town Clerk's department)
- CR10 Adverse political developments
- CR17 Safeguarding
- CR20 Road Safety

The other six risks relate to specific operational risks. They have target dates where the risk scores should be achieved.

- 8 The corporate risks with the highest likelihood rating (Likely) are CR16 Information Security and CR23 Police funding. The following corporate risks which have the highest impact rating are CR10 Adverse Political Developments, CR17 Safeguarding and CR24 Operational Security.
- 9 Below is a table showing the one corporate risk which has a target date within the next three months. Further information about this risk is contained in para 10 below.

Code	Title	Current Risk Score	Target Risk Score	Target Risk Date
CR16	Information Security	16 (Red)	8 (Amber)	31 January 2019

### **CR16 Information Security**

- 10 The Director of IT has reported that CR16 will remain at Red until January 2019 when key security projects will be completed, and the 10 Steps maturity model had reached a level 4. The IT team are on track to reduce this risk to Amber in January 2019.

### **Highlighting specific risks**

- 11 **CR26 Brexit risk.** This risk focuses on the ability of the City Corporation services to prepare for the UK departure from the EU in March 2019. In addition to the corporate risk there are nine departmental level risks, three of which appear in the top red departmental risk risks (see appendix 4). These nine risks are based on specific areas of the City Corporation's business which may be exposed to the effects of EU withdrawal. A list of these risks is set out below, together with their risk rating in brackets.
- Movement of talent/specialist theatrical and technical people (Red)
  - Procurement and supply chains (Red)
  - Fall in student numbers (Red)
  - Port Health and animal health (Amber)
  - The City of London as an attractive location for workers, businesses and visitors (Amber).
  - City Corporation income streams (Amber)
  - Local communities (Amber)
  - Regulatory landscape (Amber)
  - Recruitment and retention of CoL staff (Amber)
- 12 A Brexit Planning Group, chaired by the Town Clerk, meets every two weeks (or more frequently if required) to review the Brexit risk register and to receive updates on the various preparations being made by Chief Officers. In addition, each Grand Committee has a standing agenda item on Brexit - to receive an update report from respective Chief Officers.

- 13 **CR23 Police Funding risk** - The Committee have previously been particularly interested in the progress to mitigate the CR23 Police funding risk. This is the subject of a deep dive risk report (which includes the risk register entry) at the Committee meeting on 15 January 2019.

#### **New corporate risks**

- 14 A corporate risk is defined by the City Corporation's risk strategy as "*.....one that that has significant impact on multiple operations if realised*". CORMG, at their meeting on 20 November 2018, considered a new corporate risk on organisational change management from the Town Clerk. Given the potential effects of poorly managed organisational change and the pressures and challenges facing the organisation, the Group agreed to recommend this risk to Summit Group for inclusion on to the corporate risk register as risk reference CR27. Summit Group, on 17 December 2018, approved the inclusion of CR 27 Change Management risk on to the corporate risk register. The Committee are requested to endorse this action.

The risk description for CR27 Change Management risk is as follows (see appendix 3 for the full description of the risk and associated actions);

**Cause:** Failure to appreciate the scale, complexity and impact of change and take the necessary steps to ensure the organisation has the capability and capacity to change (to stay relevant)

**Event:** poorly managed and ineffective change

**Effect:**

- Disruption to service, poor performance and damage to reputation
- Outcomes not achieved, reduction in benefits (financial and non-financial)
- Failure to change or keep up with change, organisational paralysis and reduction in ability to remain relevant
- Adverse impacts on external stakeholders including businesses and residents.
- Loss of valued staff and / or negative mental health impacts for staff.

#### **Top departmental red risks**

- 15 There are currently 11 top departmental red risks (seven in September 2018). Four new risks have been added to this risk register:

- BBC Commerce 003 – Impact of Brexit on the movement of talent and specialist theatrical and technical people
- CHB CP 001 – Brexit risk to City Corporation Procurement
- BBC H&S 005 Failure to deliver the fire related projects.
- GSMD SUS 004 Failure to mitigate a potential fall in EU student numbers as a result of Brexit

A full top red departmental risk register is attached as appendix 4.

## **Conclusion**

- 16 The corporate and top red departmental risk registers were reviewed by Chief Officer Risk Management CORMG on 20 November 2018 and Summit Group on 17 December 2018. The CORMG provides additional assurance to the Summit Group, COG and the Audit and Risk Management Committee that corporate and top red departmental risks are appropriate and being actively managed.

### **Appendices:**

**APPENDIX 1** – Corporate Risk Matrix

**APPENDIX 2** – Corporate risk register

**APPENDIX 3** – Change Management

**APPENDIX 4** - Top Red departmental risk register

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

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

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

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

Appendix 1

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

(B) (C) Risk scoring grid

### (D) Risk score definitions

<b>RED</b>	Urgent action required to reduce rating
<b>AMBER</b>	Action required to maintain or reduce rating
<b>GREEN</b>	Action required to maintain rating

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

Contact the Corporate Risk Advisor for further information. Ext 1297

October 2015

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

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



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

# Corporate risks - detailed report EXCLUDING COMPLETED ACTIONS

Report Author: Paul Dudley  
 Generated on: 18 December 2018

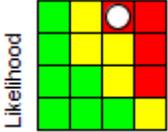
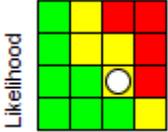


Rows are sorted by Risk Score

Risk no, title, creation date, owner	Risk Description (Cause, Event, Impact)	Current Risk Rating & Score		Risk Update and date of update	Target Risk Rating & Score		Target Date	Current Risk score change indicator
PR24 Operational Security Page 147	<p><b>Cause:</b> Inadequate, poorly maintained or time expired security infrastructure; lack of security culture within the organisation; poor training or organisation of staff; insufficient staff.</p> <p><b>Event:</b> Security of an operational property is breached.</p> <p><b>Effect:</b> Unauthorised access to building by criminals/protestors/terrorists; disruption of business/ high profile events; reputational damage; injury or potential loss of life amongst staff or members of the general public</p>		24	<ul style="list-style-type: none"> <li>•HVM Works – August 2018 – February 2019 – On track.</li> <li>•Guildhall Yard: Started on the 13th November. Currently under construction. Plan to complete by February or earlier subject to archaeology.</li> <li>•Basinghall: 95% completed on Basinghall Street moving bollards. The UPS unit in the City Centre is located temporarily until CoL (electrics) installs a permanent non switch supply. All the bollards and rising barriers in the Yard (Basinghall, King Street and Aldermanbury) are to be controlled from one unit rather than 3 units in the Control Room.</li> </ul>		16	30-Apr-2019	

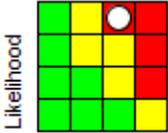
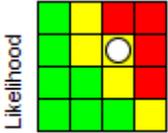
07-Jun-2017 Peter Lisley				<ul style="list-style-type: none"> <li>•Members Ramp: The existing blockers have been successfully removed. The installation is planned for the 3rd January to 12th January under complete closure.</li> </ul> <p><b>10 Dec 2018</b></p>				Constant
-----------------------------	--	--	--	--	--	--	--	----------

Action no	Action description	Latest Note	Action owner	Latest Note Date	Due Date
CR24a	Deliver a programme of security infrastructure enhancements	Governance in place, monitored through Strategic Security Board. DBE have taken over delivery of Guildhall HVM and Warwick Square at CCC, works commenced and designs in place. Cross Cutting work has commenced, BBM and ASF completed at Mansion House and CCC nearly completed.	Paul Wilkinson	18-Oct-2018	30-Apr-2019
CR24b	Mitigating risk of vehicle borne attacks across Corporation estate.	Good strategic and tactical grip established with Police and key stakeholders. HVM work now started at Barbican and St Paul's in phase one of mitigation to the public from a vehicle borne Terrorist attack. There is phased works in place for the rest of this calendar year. There is future planning and clear audited mitigation meetings with CoL and CoLP.	Carolyn Dwyer; Paul Wilkinson	18-Oct-2018	30-Apr-2019
CR24e	Protecting Guildhall for major events by installing HVM.	<ul style="list-style-type: none"> <li>•HVM Works – August 2018 –February 2019 – On track.</li> <li>•Guildhall Yard: Started on the 13th November. Currently under construction. Plan to complete by February or earlier subject to archaeology.</li> <li>•Basinghall: 95% completed on Basinghall Street moving bollards. The UPS unit in the City Centre is located temporarily until CoL (electrics) installs a permanent non switch supply. All the bollards and rising barriers in the Yard (Basinghall, King Street and Aldermanbury) are to be controlled from one unit rather than 3 units in the Control Room.</li> <li>•Members Ramp: The existing blockers have been successfully removed. The installation is planned for the 3rd January to 12th January under complete closure.</li> </ul>	Carolyn Dwyer; Richard Woolford	10-Dec-2018	28-Feb-2019

Risk no, title, creation date, owner	Risk Description (Cause, Event, Impact)	Current Risk Rating & Score		Risk Update and date of update	Target Risk Rating & Score		Target Date	Current Risk score change indicator
CR16 Information Security  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 2018. Incur a monetary penalty of up to £500,000. Compliance enforcement action. Corruption of data. Reputational damage to Corporation as effective body.</p>	 <p>Likelihood</p> <p>Impact</p>	16	<p>This risk will remain at Red until January 2019 when key security projects will be completed, and the 10 Steps maturity model had reached a level 4.</p> <p>The team are on track to reduce this risk to Amber in January.</p> <p><b>27 Nov 2018</b></p>	 <p>Likelihood</p> <p>Impact</p>	8	31-Jan-2019	  Constant

Page 149

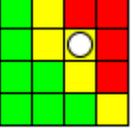
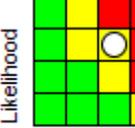
Action no	Action description	Latest Note	Action owner	Latest Note Date	Due Date
16k	Final stages of completing IT security projects which will mean that we can assure Members that the City of London Corporation has implemented all the national government recommended security practices and technology achieving a maturity level of 4.	IT Security projects on track for completing by year end to enable the risk to be updated to Amber as planned.	Gary Brailsford-Hart	06-Dec-2018	04-Feb-2019

Risk no, title, creation date, owner	Risk Description (Cause, Event, Impact)	Current Risk Rating & Score		Risk Update and date of update	Target Risk Rating & Score		Target Date	Current Risk score change indicator
<b>CR23 Police Funding</b>  21-Nov-2016 Ian Dyson; 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. Failure to deliver VFM savings. Budget deficit forecast for next 5 years requiring action to balance the budget</p> <p><b>Effect:</b> Potential impact on security and safety in the City as need to make savings, prioritise activity, review funding 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>Likelihood</p> <p>Impact</p>	16	<p>After use of the remaining police reserves, there is a forecast CoLP deficit of £5.4m for 2018/19. This has arisen from overspends on the pay bill, overtime and agency worker budgets. The overspend in payroll was masked until recently by a double count of income for the National and International Capital City grant.</p> <p>The latest update to the medium-term financial plan shows the unmitigated annual deficit rising to £19.5m by 2023-24 (£79.4m cumulative deficit across MTFP period). Work is underway on mitigations to close the budget gap.</p> <p>The Police Authority's response to the COLP financial position will be considered by the informal RASC meeting with Service Cttee Chairmen in January.</p> <p><b>19 Dec 2018</b></p>	 <p>Likelihood</p> <p>Impact</p>	12	31-Mar-2019	

Action no	Action description	Latest Note	Action owner	Latest Note Date	Due Date
CR23a	Deliver the savings programme for currently identified savings in 2018/19.	While savings plans were being pursued for 2018-19, the latest forecast has identified a £5.4m deficit, due largely to significantly higher payroll costs than were assumed by the original budget. This was masked until recently by the erroneous double inclusion of the £4.5m National & International Capital City grant in income as well as funding when the budget was	Alistair Sutherland	19-Dec-2018	31-Mar-2019

		loaded onto the system. A range of tactical mitigations to this deficit, currently estimated to save c.£3m, are being worked up for delivery over the remaining months of the financial year.			
CR23b	Medium Term Financial Plan	An updated MTFP was presented to the December Police Committee. This showed a significant worsening of the in-year and cumulative (unmitigated) deficits, rising to £19.5m by 2023-24. Since then the draft Police Settlement has been received which improves the 2019/20 deficit from £11.8m to £8.7m and the 2023-24 position deficit to £19.5m (£79.4m cumulative deficit across MTFP period). CoLP has embarked on developing mitigation strategies, including current year tactical savings along with indicative savings arising from the Transform programme. The Police Authority's response to the COLP financial position will be considered by the informal RASC meeting with Service Cttee Chairmen as part of budget setting and agreeing the medium-term financial plan.	Alistair Cook	19-Dec-2018	31-Mar-2019
CR23c	A Transform Programme is underway to develop a revised Target Operating Model for CoLP to deliver greater effectiveness and financial stability. The Programme comprises eight work strands.	<p>The Deloitte short term recommendations or 'quick wins' have been realised and are funding the core transformation project team.</p> <p>Transform workshops and service catalogue build has reduced the service strand to 6, plus the CoLP Corporate Plan.</p> <p>43 Transform Associates (volunteers) have been identified by the CoLP. Profiling their utilisation is underway.</p> <p>There remains a resourcing pressure within Transform programme team, as all strands' activity is being undertaken in the business with the competing demand of operational policing. The Programme management remains the central support hub, however requirement for business analytics and project management are a gap for the demand within the programme.</p> <p>Cashable savings have a high confidence level to £1.6m end of year.</p> <p>The 'as is' cataloguing is complete and 'to be' services are now being profiled into the service catalogue as the strands move into high level design.</p> <p>Baselining has just been completed and has been utilised to profile the current workforce against the Transform work.</p> <p>The Resolution Centre is to go live 'soft launch' in January 19, with a hard launch in April 19 planned.</p> <p>Profiling of low, med, high confidence level of savings within Transform has taken place, and potential savings of £5.6m will provide a target at the close of the MTFP.</p> <p>A Target Operating Model will be informed post high level design work and will be discussed in June 19 to then progress detailed design and build a future timeline for implementation</p>	Jane Gyford	19-Dec-2018	31-Mar-2019

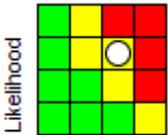
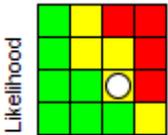
		against the 2 year lifetime of Transform and where required, into Continuous Improvement work and beyond to take into account the Policing 2025 vision, the Secure City Programme and The City Accommodation Programme.			
CR23d	Consider increase in the business rates premium in future periods	Consider contribution levels from City Fund/ City's Cash as part of financial planning and budget setting for 2019/20, measures could include increasing the business rate premium, ongoing support for capital project shortfalls, or direct contribution from City Fund or City's Cash to support additional Policing service demands.	Caroline Al-Beyerty	19-Dec-2018	31-Mar-2019

Risk no, title, creation date, owner	Risk Description (Cause, Event, Impact)	Current Risk Rating & Score		Risk Update and date of update	Target Risk Rating & Score		Target Date	Current Risk score change indicator
<b>CR01 Resilience Risk</b>  Page 152  20-Mar-2015 John Barradell	<b>Cause</b> - Lack of appropriate planning, leadership and coordination <b>Event</b> - Emergency situation related to terrorism or other serious event/major incident is not managed effectively <b>Effect</b> - Major disruption to City business, failure to support the community, assist in business recovery. Reputational damage to the City as a place to do business.	 Likelihood Impact	12	IT are still undergoing work to re-locate servers from GJR to another location. Network upgrade work and upgrading bandwidth is progressing across the corporation. Once this has been completed, we will be able to carry out resilience tests. This is currently with IT services Matt Gosden. Progress is continuing with a list of critical software applications that the IT team are looking to benchmark against RTO as well as migrating telephony systems and other IT systems  <b>04 Dec 2018</b>	 Likelihood Impact	12	30-Apr-2019	  Constant

Action no	Action description	Latest Note	Action owner	Latest Note Date	Due Date
CR01D	Working with the IS division, remove potential single points of failure from business continuity processes.	Telephony systems have now been upgraded to VoIP.  Following the LAN and WiFi upgrade work to many of the City Corporation's sites, the IT team will be making a significant change to the connectivity between our data centres and	Gary Locker	13-Nov-2018	01-Jan-2019

		Guildhall. This is one of the final elements of the comprehensive upgrade of our network. These have been continually delayed by external contractors. Latest suggestions indicate that These changes will take place on Tuesday 13 November 19.00 – 22.00.			
CR01H	To provide a larger Capability of Chief Officers & Senior Managers to strategically & tactically lead during a Major Incident impacting the City	May training delivered, further training in development process 19th Feb 2019 for Col senior staff	Gary Locker	04-Dec-2018	19-Feb-2019
CR01L	Assurance process with Cabinet Office College Provide refresher and initial training for Col staff, this training intended to increase knowledge to ensure BC plans are able to support the Col maintain its business during a major incident, provide an in-depth independent oversight of the Col business impact analysis, identifying its most critical business areas	BC assurance process and training completed in line with the date above, recommendations now to be allocated and will form part of the BC refresh programme	Gary Locker	04-Dec-2018	30-Apr-2019
CR01M	process, training, call out process to strengthen the City capability and resilience in responding to major incident and complying with the wider London boroughs standardisation programme	All staff volunteer major incident awareness day completed for all roles, LALO, CRISIS STAFF,  BECC STAFF Further training to be delivered as part of an action plan to be developed in line with London standardisation training	Gary Locker	04-Dec-2018	30-Apr-2019
CR01N	to increase City capability and resilience in also supporting wider London boroughs during major incident response, Local Emergency Control Centres, Emergency centres as part of a wider humanitarian	All staff awareness day completed 1/11/18 further training part of action plan delivery set early 2019	Gary Locker	04-Dec-2018	30-Apr-2019

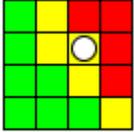
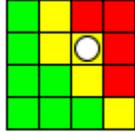
Page 153

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>CR02 Loss of Business Support for the City</b>	<p><b>Cause</b> - The City Corporation's actions to promote and support the competitiveness of the business City do not succeed.</p> <p><b>Event</b> - The City's position as the world leader in international financial services is adversely affected</p> <p><b>Effect</b> - The City loses its ability to attract and retain high value global business activity, both as a physical location and in mediating financial and trade flows; the City Corporation's business remit is damaged and its perceived relevance is diminished. Reputational damage to the City</p>	 <p>Likelihood</p> <p>Impact</p>	12	<p>A draft deal has been agreed between the UK and EU, which will now be voted on in Parliament. Whilst it isn't certain the Withdrawal Agreement will be approved, it is notable progress a draft text has been produced</p> <p>UK regulatory authorities have announced unilateral action to</p>	 <p>Likelihood</p> <p>Impact</p>	8	30-Apr-2019	

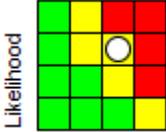
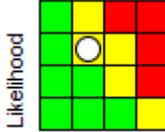
22-Sep-2014 Damian Nussbaum	as a place to do business and to Corporation ability to govern effectively			mitigate the disruption to financial services in the event of “No Deal”. Whilst political statements for EU 27 are encouraging, reciprocal action needs to be taken by EU27 regulators. <b>05 Dec 2018</b>				Constant
-----------------------------------	--	--	--	---	--	--	--	----------

Action no	Action description	Latest Note	Action owner	Latest Note Date	Due Date
Page 154	CR02C	City Corporation providing opportunities for informing the debate on the terms of Brexit, and representing the views of the financial and professional services sector	Damian Nussbaum	05-Dec-2018	31-Dec-2018
	CR02H	Work on initiatives which ensure London is at the forefront of innovation in financial and professional services	Damian Nussbaum	05-Dec-2018	21-Mar-2019

Risk no, title, creation date, owner	Risk Description (Cause, Event, Impact)	Current Risk Rating & Score	Risk Update and date of update	Target Risk Rating & Score	Target Date	Current Risk score change indicator
--------------------------------------	---	-----------------------------	--------------------------------	----------------------------	-------------	-------------------------------------

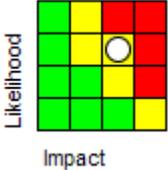
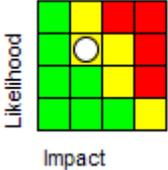
<b>CR09 Health and Safety Risk</b> 22-Sep-2014 Chrissie Morgan	<p><b>Cause</b> - Safety is treated as a low priority by the organisation, lack of training of staff and managers, management complacency, poor supervision and management</p> <p><b>Event</b> - Statutory regulations and internal procedures relating to Health and Safety breached and/or not complied with.</p> <p><b>Effect</b> - Possible enforcement action/ fine/prosecution by HSE, Employees/visitors/contractors may be harmed/injured, Possible civil insurance claim, Costs to the Corporation, Adverse publicity /damage to reputation, Rectification costs</p>	 <p>Likelihood</p> <p>Impact</p>	<p>12</p>	<p><b>HSW Policy</b> - Agreed by Establishment Committee 03.12</p> <p>07 Dec 2018</p>	 <p>Likelihood</p> <p>Impact</p>	<p>12</p>	<p>31-Dec-2018</p>	 Constant
--	---	--	-----------	---	---	-----------	--------------------	---

Action no	Action description	Latest Note	Action owner	Latest Note Date	Due Date
CR09F	Deliver a series of health and safety audits and compliance checks to provide corporate assurance that the organisation is being managed safely	Inspections continuing	Justin Tyas	07-Dec-2018	31-Dec-2018
CR09G	To deliver a programme of training sessions for Chief Officers and their reports	The programme of training is currently being delivered	Justin Tyas	07-Dec-2018	31-Dec-2018

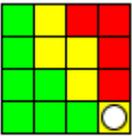
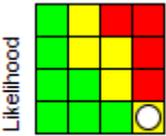
Risk no, title, creation date, owner	Risk Description (Cause, Event, Impact)	Current Risk Rating & Score		Risk Update and date of update	Target Risk Rating & Score		Target Date	Current Risk score change indicator
<b>CR21 Air Quality</b> 07-Oct-2015 Jon Avern	<p><b>Cause:</b> Small particulate pollution has chronic health impacts from long term exposure at very low concentrations and is in evidence within the City and central London. There is also a health impact associated with long term and short-term exposure to nitrogen dioxide.</p> <p><b>Event:</b> Under certain atmospheric conditions there is a higher probability of poor air quality within the City and it is more likely that residents, workers and visitors would suffer the acute consequences.</p> <p><b>Effect:</b> The consequences both acute and chronic may include:            An increase in hospital referrals placed upon both emergency services and the NHS for those already suffering from respiratory or cardiovascular conditions (it may also place a strain on City social services).            An increase in deaths, particularly of those already suffering from respiratory or cardiovascular conditions (both residents and workers).            Economic costs such as acting as a deterrent of businesses coming to London or staying and financial penalties for non-compliance with air quality limits.            Persistent poor air quality may affect the longer-term health of the City population.            Persistent poor air quality may attract adverse media coverage making the City seem a less attractive place to live and work.</p>	 <p>Likelihood</p> <p>Impact</p>	12	No change from previous review <b>17 Dec 2018</b>	 <p>Likelihood</p> <p>Impact</p>	6	31-Dec-2020	 Constant

Action no	Action description	Latest Note	Action owner	Latest Note Date	Due Date
CR21 001e	Develop and implement a plan for reducing the impact of diesel vehicles on air pollution in the Square Mile. This is to complement the work being undertaken by the Mayor of London to reduce air pollution in the central zone through the implementation of the Ultra-Low Emission Zone.	Ultra-low emission vehicle street pilot planned for April 2019. Draft Transport Strategy details a range of actions to reduce emissions from vehicles including zero emission zones from 2020	Jon Avern	03-Dec-2018	31-Dec-2019

CR21 001f	Investigate options to reduce emissions from combustion plant in the City using local legislation.	Report outlining proposals for reducing emissions from combustion plant presented to PHES and P&R Committees in November	Jon Avern	03-Dec-2018	31-Dec-2018
CR21 001g	Renew the City of London Air Quality Strategy	Officers are to renew the City of London Air Quality Strategy by March 2019	Jon Avern	03-Dec-2018	29-Mar-2019
CR21 001i	Pilot an ultra-low emission street in the City of London.	Feasibility study complete. Consultation in progress.	Jon Avern	03-Dec-2018	31-Dec-2019

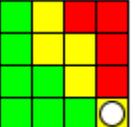
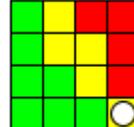
Risk no, title, creation date, owner	Risk Description (Cause, Event, Impact)	Current Risk Rating & Score	Risk Update and date of update	Target Risk Rating & Score	Target Date	Current Risk score change indicator
<b>CR26 Brexit - Organisational Impact</b>  11-Oct-2018 John Barradell	<p><b>Cause</b> – The outcome of Brexit negotiations does not secure continuity of contracts, access to talent, ongoing grant funding and/or security of supply chains</p> <p><b>Event</b> – The City Corporation services fail to prepare appropriately for the UK departure from the EU in March 2019</p> <p><b>Effect</b> – There are a range of potential impacts. The City Corporation’s services are disrupted as supply chains and contracts are reassessed, potentially increasing cost and reprioritisation of resources. Uncertainty over multi-year grants may undermine the City Corporation’s ability to deliver or commit to services. The City Corporation may be unable to access the specialist talent and supply chains it needs to deliver some of its services.</p>	 <p>12</p>	Target score adjusted from Green 4 to Amber 6  <ul style="list-style-type: none"> <li>• Brexit Risk now standing item on all key Cttee agendas</li> <li>• Weekly ‘Brexit Planning’ meeting now taking place, chaired by TC (attended by Peter Kane, Andrew Carter, Chrissie Morgan, Jon Avern, Paul Double, Damian Nussbaum, Angela Roach, Simon Latham)</li> <li>• Work strands commissioned on financial modelling, adult social care provision, Corp staffing, port health issues</li> <li>• Specific assurances being sought in respect of Corp’s Police Authority and charitable responsibilities</li> <li>• TC in close liaison with London Councils re regional contingency planning</li> </ul> <p><b>11 Dec 2018</b></p>	 <p>6</p>	29-Mar-2019	  Constant

Action no	Action description	Latest Note	Action owner	Latest Note Date	Due Date
CR26a	Ensure that appropriate Brexit related risks are identified, assessed, mitigated recorded on departmental risk registers	£2m contingency fund being set up for Brexit -to be agreed at the forthcoming P&R Departmental Brexit risks to be added to service committee agenda on standing items Departmental risks now identified and added to risk registers	Simon Latham	11-Dec-2018	29-Mar-2019
CR26b	Progress on all departmental Brexit risks and their mitigations be reported monthly to Summit Group	<ul style="list-style-type: none"> <li>Brexit Risk now standing item on all key Cttee agendas</li> <li>Weekly 'Brexit Planning' meeting now taking place, chaired by TC (attended by Peter Kane, Andrew Carter, Chrissie Morgan, Jon Avern, Paul Double, Damian Nussbaum, Angela Roach, Simon Latham)</li> <li>Work strands commissioned on financial modelling, adult social care provision, Corp staffing, port health issues</li> </ul>	Simon Latham	06-Dec-2018	29-Mar-2019

Risk no, title, creation date, owner	Risk Description (Cause, Event, Impact)	Current Risk Rating & Score		Risk Update and date of update	Target Risk Rating & Score		Target Date	Current Risk score change indicator
CR10 Adverse Political Developments	<p><b>Cause:</b> Policy issues that may compromise the City's operation as an international financial marketplace to which the City Corporation's functions are aligned; other financial services issues that make the City Corporation vulnerable to political criticism; local government proposals that call into question the justification for the separate administration of the Square Mile; overarching political hostility.</p> <p><b>Event:</b> Changes in international relationships particularly those with the EU; reputational questions related to financial institutions; local government changes in London; increase in political hostility to the Corporation.</p> <p><b>Impact:</b> Damage to the City's ability to put its case nationally and internationally and to the City's standing as a dedicated international financial marketplace. The City of London Corporation would be compromised if the City's position as a world leading financial and professional services centre were undermined. Loss of City Corporation functions as a result of adverse attitudes</p>	<p>Likelihood</p>  <p>Impact</p>	8	Constant attention is given to the form of legislation affecting the City Corporation and the broader City, and any remedial action pursued. Making known the work of the City Corporation in the financial sphere among opinion formers, particularly in Parliament and central Government, is also part of the apparatus by which the City's voice is heard and by which the Corporation is seen to be "doing a good job" for London and the nation for a crucial sector of the economy; the Brexit issue is the foremost consideration at the present time. The same approach is replicated in respect of professional services; the digital economy; arts and culture; and other activities undertaken by the City Corporation.	<p>Likelihood</p>  <p>Impact</p>	8	31-Dec-2018	

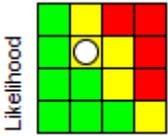
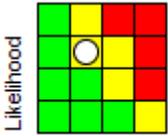
22-Sep-2014 Paul Double	towards the Corporation.			06 Nov 2018				Constant
----------------------------	--------------------------	--	--	-------------	--	--	--	----------

Action no	Action description	Latest Note	Action owner	Latest Note Date	Due Date
CR10a	Monitoring of Government legislation and proposed regulatory changes.	Relevant Bills in the Government's legislative programme will be identified and City Corporation departments alerted to issues of potential significance as the measures are introduced in the new Session. Action taken through negotiation with departmental officials or amendments tabled in Parliament as required. The legislative consequences of Britain leaving the EU as they may affect the Corporation and the City more generally as an international financial centre are a particular focus.	Paul Double	29-Oct-2018	31-Dec-2018
CR10b	Provision of information to Parliament and Government on issues of importance to the City.	Briefing has been provided for parliamentary debates including on Brexit, air quality, immigration, housing, planning, the creative industry, trade and investment, apprenticeships, economic crime, Fintech and broadband.	Paul Double	29-Oct-2018	31-Dec-2018
CR10c	Engagement with key opinion informers in Parliament and elsewhere. Programme of work to monitor and respond to issues affecting the reputation of the City Corporation.	Liaison with the City's MP and other MPs, Peers and Select Committee of both Houses on matters of importance to the City, including increased engagement on Brexit-related issues. Working with other organisations, including the Financial Markets Law Committee, to analyse the legal framework following exit from the EU. Continuing engagement on devolution in London and liaison with London Councils and Central London Forward on the application of devolution to the London boroughs and the City, either directly from Central Government or the Mayor.	Paul Double	29-Oct-2018	31-Dec-2018

Risk no, title, creation date, owner	Risk Description (Cause, Event, Impact)	Current Risk Rating & Score		Risk Update and date of update	Target Risk Rating & Score		Target Date	Current Risk score change indicator
CR17 Safeguarding  22-Sep-2014 Andrew Carter	<p><b>Cause:</b> Not providing appropriate training to staff, not providing effective management and supervision, poor case management</p> <p><b>Event:</b> Failure to deliver actions under the City of London' safeguarding policy. Social workers and other staff not taking appropriate action if notified of a safeguarding issue</p> <p><b>Effect:</b> Physical or mental harm suffered by a child or adult at risk, damage to the City of London's reputation, possible legal action, investigation by CQC and or Ofsted</p>	 <p>Likelihood</p>	8	<p>A Corporate audit on Safeguarding has now been commissioned and is in the planning stage.</p> <p>The results of the Ofsted inspection of Children Services, which took place in October are due to be published on 16 November 2018.</p> <p><b>13 Nov 2018</b></p>	 <p>Likelihood</p>	8	31-Mar-2019	  Constant

Action no	Action description	Latest Note	Action owner	Latest Note Date	Due Date
CR17o	A review is being conducted into the safeguarding arrangements within the independent schools within the City of London. It is anticipated that the report will be available at the start of December. If the report makes recommendations these will be implemented within agreed timescales.	Visits to all GSMD sites have been completed and action plans have been completed. Findings from the visits will be reported to the GSMD Board in the first term of the new academic year 2018/19.	Andrew Carter	03-Oct-2018	31-Dec-2018
CR17p	The new Ofsted Safeguarding framework will be launched in 2018. This replaces the previous Safeguarding Inspection Framework (SIF) which the CoL received a judgement of Good. The CoL CCS will need to respond to the new framework arrangements in readiness for future safeguarding inspection of Children and Families Early help and Social Care.	The result of the OFSTED inspection which took place in October is due to be published on Friday 16 November 2018.	Chris Pelham	13-Nov-2018	31-Mar-2019
CR17q	A review is being carried out into the business continuity arrangements for the staff providing the out of hours social care service. Following the review, a detailed and clear protocol for addressing issues regarding connectivity to the City of London Social Care system issues will be developed.	There have been some issues with the Out of Hours Social Care service being able to connect to the City of London Social Care System and work is being undertaken to address the issue. A temporary solution has been put in place and the IT team at the providers is working towards a permanent resolution. A review is being undertaken and a protocol for addressing connectivity issues will be developed.	Hasna Begum; Sharon McLaughlin	12-Nov-2018	31-Dec-2018

CR17r	A raising awareness campaign is being planned and will be launched shortly. This will cover education and early years settings and will include the role of the Local Authority Designated Officer and safeguarding enquiries.	A raising awareness campaign around Safeguarding and the role of the LADO within the Education Sector will take place during the current academic year. The campaign will include briefing sessions for staff in the sector and a conference.	Theresa Shortland	12-Nov-2018	31-Jul-2019
-------	--	---	-------------------	-------------	-------------

Risk no, title, creation date, owner	Risk Description (Cause, Event, Impact)	Current Risk Rating & Score		Risk Update and date of update	Target Risk Rating & Score		Target Date	Current Risk score change indicator
CR20 Road Safety	<p><b>Cause:</b> Limited space on the City's medieval road network to cope with the increased use of the highway by vehicles and pedestrians / cyclists within the City of London. Interventions &amp; legal processes take time to deliver</p> <p><b>Event:</b> The number of casualties occurring in the City rises instead of reducing.</p> <p><b>Effect:</b> The City's reputation and credibility is adversely impacted with businesses and/or the public considering that the Corporation is not taking sufficient action to protect vulnerable road users; adverse coverage on national and local media</p>	 <p>Likelihood</p> <p>Impact</p>	6	<p>The draft City Transport Strategy was approved for consultation by the Planning and Transport Committee in October 2018.</p> <p>The Road Danger Reduction and Active Travel (RDR) Plan was approved for implementation by the Planning and Transportation Committee on 20 November 2018.</p> <p>The Be Brake Ready campaign trialled a range of interventions over the course of 2017/18. The follow up survey has been deferred to Spring 2019 to avoid distracting from other consultations taking place, such as the Transport Strategy and the Local Plan.</p> <p>The RDR Plan proposes a number of behaviour change, enforcement, engagement and engineering initiatives that support safer travel by active modes (walking and cycling). It aims to enable the City to meet the Vision Zero objectives outlined in the Mayor's Transport Strategy, whereby the annual number of people killed or seriously injured (KSI) in traffic incidents is zero by 2041.</p>	 <p>Likelihood</p> <p>Impact</p>	6	31-Dec-2019	

23-Oct-2015 Carolyn Dwyer			06 Dec 2018				Constant
------------------------------	--	--	-------------	--	--	--	----------

Action no	Action description	Latest Note	Action owner	Latest Note Date	Due Date
CR20g	Behaviour Change Campaign to address ‘inattention’. The process will be (1) use focus groups to identify options; (2) conduct attitudinal survey of road users; (3) prepare campaign delivery plan; (4) deliver campaign; (5) evaluate and report to Q4 2018/19.	The Be Brake Ready campaign trialled a range of interventions over the course of 2017/18. The Queen Street camera study showed that a combination of signage and event marshals, succeeded in slowing down the average speed of cyclists by just over 1 mph. A road user attitudinal survey to monitor changing attitudes to road danger, was taken in October 2017 to set a baseline but the follow up survey has been deferred to Spring 2019 to avoid distracting from other consultations taking place, such as the Transport Strategy and the Local Plan.	Zahur Khan	03-Dec-2018	31-Mar-2019
CR20k	The Road Danger Reduction and Active Travel plan 2018 – 2023 (RDR Plan) aims to meet the Vision Zero objectives outlined in the Mayor’s Transport Strategy, whereby the annual number of people killed or seriously injured (KSI) in traffic incidents is zero by 2041.  To meet this challenging target the plan proposes a number of behaviour change, enforcement, engagement and engineering initiatives that support safer travel by active modes (walking and cycling), whilst reducing road risks at source.	The draft City Transport Strategy is currently being consulted upon. Amongst the various initiatives, this proposes policies to: - reduce the volume of traffic and congestion. - reduce the speed limit to 15mph - introduce timed deliveries outside main peak congestion periods  These will assist the City in reducing the risk of conflict between users of the highway and reduce accident related casualties.  The City also continues to lobby TfL to take positive action to reduce highway conflicts and road accidents on their network, within the City of London boundaries.	Zahur Khan	06-Dec-2018	31-Dec-2023



Action no	Action description	Latest Note	Action owner	Latest Note Date	Due Date
CR25g	<ul style="list-style-type: none"> <li>1. Report to Summit Group</li> <li>2. report to Audit &amp; Risk Committee</li> <li>3. Report to IT sub-committee</li> <li>4. GDPR Project Team meetings</li> </ul>	<ul style="list-style-type: none"> <li>• Project meetings held bi-weekly are effectively monitoring project outputs</li> <li>• Report to Summit October 2018</li> <li>• Reported to Audit &amp; Risk Committee 06.11.18</li> <li>• Reported to IT sub-committee 02.11.18</li> </ul>	Michael Cogher	14-Nov-2018	31-Dec-2018
CR25h	<ul style="list-style-type: none"> <li>• Departments to supply existing records retention schedules to supplement the CoLC corporate retention schedule.</li> <li>• GDPR compliance team to advise and review departmental retention schedules and liaise with departmental AIN representatives on required improvements.</li> </ul>	Eight departments have responded supplying full departmental records retention schedules five are still outstanding	Michael Cogher	15-Nov-2018	31-Oct-2018
CR25i	<ul style="list-style-type: none"> <li>• Investigation of use of meta compliance tool</li> <li>• If 1 unsuccessful create audit template for departments to complete</li> <li>• GDPR compliance Team review returns and advise departments on non-compliance issues</li> </ul>	<ul style="list-style-type: none"> <li>• Departmental compliance audits issued to depts in September.</li> <li>• Advisory meetings with departmental AIN reps ongoing.</li> <li>• All but three departments have completed the self-audit monitor.</li> <li>• Departmental responses to compliance audits being analysed and AIN reps receiving guidance from compliance team.</li> <li>• Responsibility for undertaking annual GDPR compliance audits will be transferred to departments post December 2018 with support, advice and guidance from the DPO and Information Compliance Team.</li> </ul>	Michael Cogher; Nick Senior	14-Nov-2018	30-Nov-2018
CR25k	<ul style="list-style-type: none"> <li>• Standard contract clauses developed and applied to all new contracts</li> <li>• Template for departmental use to record and monitor compliance</li> <li>• Will be tested by GDPR compliance Team as part of departmental GDPR audits</li> </ul>	Based on the departmental GDPR Contracts Register responses received to date there are 29 Contracts where there is no evidence of a Data Protection Schedule. These have been reviewed and are considered low risk in relation to personal data.	Michael Cogher; Nick Senior	15-Nov-2018	31-Dec-2018
CR25l	<ul style="list-style-type: none"> <li>• Paper to summit group on deletion of W drive data.</li> <li>• Data discovery tool procurement</li> </ul>	<ol style="list-style-type: none"> <li>1. Software to identify unstructured personal data is being scoped. Potential suppliers identified: Varonis, Pitney Bowes, Tricostar and Veritas.</li> <li>2. Costs from the above suppliers will be received by 16.11.18.</li> <li>3. A funding bid will be submitted.</li> </ol>	Matt Gosden; Sean Green	14-Nov-2018	31-Mar-2019

		4. Data discovery tool unlikely to be in place by 31.12.18, deadline extended to 31.03.2018			
--	--	---	--	--	--



# CR27 Change Management

Report Author: Paul Dudley

Generated on: 13 December 2018



Rows are sorted by Risk Score

Risk no, title, creation date, owner	Risk Description (Cause, Event, Impact)	Current Risk Rating & Score		Risk Update and date of update	Target Risk Rating & Score		Target Date	Current Risk score change indicator
P CR27 Change Management 05-Dec-2018 Missie Morgan; Kate Smith	<p><b>Cause:</b> Failure to appreciate the scale, complexity and impact of change and take the necessary steps to ensure the organisation has the capability and capacity to change (to stay relevant)</p> <p><b>Event:</b> poorly managed and ineffective change</p> <p><b>Effect:</b></p> <ul style="list-style-type: none"> <li>• Disruption to service, poor performance and damage to reputation</li> <li>• Outcomes not achieved, reduction in benefits (financial and non-financial)</li> <li>• Failure to change or keep up with change, organisational paralysis and reduction in ability to remain relevant</li> <li>• Adverse impacts on external stakeholders including businesses and residents.</li> <li>• Loss of valued staff and / or negative mental health impacts for staff.</li> </ul>		6			4	31-Mar-2020	 Constant

Action no	Action description	Latest Note	Action owner	Latest Note Date	Due Date
CR27a	To build the capability to look across existing and proposed programmes of work and assess their comparative benefits, risks and resource requirements and understand their interdependencies	<ul style="list-style-type: none"> <li>- Corporate Strategy &amp; Performance's Corporate Engagement Lead role 12m pilot in place Dec 2018</li> <li>- PMO's Programme Management Review running concurrently</li> <li>- Plan to bring these capabilities together as part of a single, streamlined officer governance system</li> <li>- Departmental workforce plans are being embedded in Business Plans with a forward look to show full upcoming requirements</li> </ul>	Kate Smith	05-Dec-2018	31-Mar-2020
CR27b	To help staff understand why, how and what we're changing to increase engagement and take-up and deliver benefits	Corporate Engagement Lead and Internal Communications delivering a corporate change campaign starting by feeding back and communicating actions in response to the Staff Survey results.	Kate Smith	05-Dec-2018	31-Jan-2020
CR27c	To build capacity and develop and grow our in-house capability and skills to manage change	<ul style="list-style-type: none"> <li>- A dedicated Senior HR Change Business Partner has been appointed to support Chief Officers in planning cross-cutting or significantly impactful change and to produce a Change Management Manual to support managers and employees through change and an enhanced Organisational and Development Team is working directly with departments and teams to embed change.</li> <li>- Departmental workforce plans are being used to inform Corporate HR's medium-term corporate workforce plan and in turn the Corporate Learning and Development Strategy.</li> <li>- Classroom learning is being brought in-house with dedicated trainers to better align business need with development strategies and delivery.</li> </ul>	Chrissie Morgan	05-Dec-2018	31-Jul-2019
CR27d	To put in place a new behavioural framework that is accessible and achievable at every level within the organisation to support collaboration and innovation	- New corporate behaviours and a revised performance appraisal process have been consulted on and piloted along with an electronic appraisal system with a view to both being verified and adopted for use from April 19.	Chrissie Morgan	05-Dec-2018	30-Apr-2019



This page is intentionally left blank

# Top Red departmental risks - detailed report EXCLUDING COMPLETED ACTIONS

Report Author: Paul Dudley  
Generated on: 18 December 2018



Rows are sorted by Risk Score

Risk no, title, creation date, owner	Risk Description (Cause, Event, Impact)	Current Risk Rating & Score		Risk Update and date of update	Target Risk Rating & Score		Target Date	Current Risk score change indicator
CLF-012 Masterplan 2016 15-Nov-2016 Susan Williams	<p><b>Cause(s):</b> If the City committee programme reports are not supported by the appropriate committees.</p> <p><b>Event:</b> The City Corporation approval for loan funding will not meet project timescales.</p> <p><b>Effect:</b> resulting in key objectives / activities not being delivered on time and reputational damage to the School.</p>	Likelihood  Impact	24	Chairman and Deputy Chairman are discussing loan strategies with the Chamberlain and Chairs of Policy and Resources and Projects Sub Committee. Main House may be delayed until Summer of 2019 depending on loan finance 12 Nov 2018	Likelihood  Impact	12	31-Dec-2018	 Constant

Action no	Action description	Latest Note	Action owner	Latest Note Date	Due Date
CLF-012A	Work with Chamberlain and Surveyor's Departments to develop and implement plan. Drive fundraising initiatives to ensure plan is achievable.	Despite several attempts to get the Masterplan underway, further delays in May and June prevented work commencing on site until 9th August. There are now further delays due to the contractor having not costed the project correctly and we have children and contractors trying to share a site - with contractors drilling piling and foundations and swearing etc. Once again, the City's process (Gateway and Procurement) has caused upheaval and difficulties on site.	Susan Williams	06-Nov-2018	03-Dec-2018

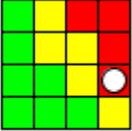
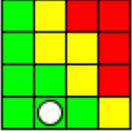
		Further delays to the Main House have now arisen and loan funding discussions appear to be stalled.			
--	--	---	--	--	--

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>BBC Commerce 003 Brexit Impact of Brexit on the Movement of Talent and Specialist Theatrical and Technical People</b> Page 172	<p><b>Cause:</b> The outcome of Brexit negotiations impacts the ability of EU nationals to live/work in the UK.</p> <p><b>Event:</b> The Barbican Centre is unprepared for the loss (or partial loss) of access to the best talent and specialist theatrical people in the EU to produce a varied and attractive cultural programme.</p> <p><b>Effect:</b></p> <ol style="list-style-type: none"> <li>1. The cultural programme offered is not as varied and attractive as it would otherwise have been.</li> <li>2. Customer expectations are not met with resultant reductions in revenues for both the Barbican Centre and catering contractors.</li> <li>3. The reputation of the Barbican Centre (and the Culture Mile) as a premier cultural location is adversely affected.</li> <li>4. Additional costs incurred to produce the Centre's cultural programme.</li> <li>5. Less attractive for EU based artists.</li> <li>6. Reduction in income streams.</li> <li>7. Reduced footfall.</li> <li>8. Procurement and contractor issues.</li> </ol>	<p>Likelihood</p> <p>Impact</p>	<p>16</p> <p>This risk was introduced following retirement of risk BBC Finance 004, following consultation with the City and in order to more closely reflect the language used common actions of the City departments and therefore ensure alignment and reduce the likelihood of confusion.</p> <p>This risk has also been escalated to red, (the original being amber), due to the lack of progress made in the Brexit debate, leading to more uncertainty.</p> <p>The teams within the Barbican have been working since the original Brexit vote to monitor and assess potential risks. A central risk document for Brexit for the Barbican Centre is held at the Barbican Centre. This is a live document and is managed by Nick Adams, reporting to the Directorate. This document includes risks which the Directorate and teams deem necessary to record in support of the Pentana risk entry.</p> <p>Brexit forms part of the regular Directorate and other meetings so is closely monitored. It is imperative that we remain alert to change, ensure that we are able to react through the risk process and that we communicate</p>	<p>Likelihood</p> <p>Impact</p>	<p>12</p> <p>29-Mar-2019</p>	

12-Dec-2018 Nicholas Kenyon				appropriately as and when required. The risk is fundamentally a failure to monitor and respond. <b>14 Dec 2018</b>					Increasing
-----------------------------------	--	--	--	--	--	--	--	--	------------

Action no	Action description	Latest Note	Action owner	Latest Note Date	Due Date
BBC Brexit a	Ensure Brexit related press and Government actions are monitored.	Management and Comms team monitor and update at Management Team meetings as required.	Sandeep Dwesar	14-Dec-2018	29-Mar-2019
BBC Brexit b	Ensure potential risks and mitigations are identified and implemented	Teams are doing their own risk assessments and in particular the Arts and Commercial areas, which are then fed into Management for oversight. These are live documents and we are monitoring the evolving situation. The Brexit Risk Assessment document, (mentioned above), managed by Nick Adams, reporting to the Directorate, includes risks which the Directorate and teams deem necessary to record in support of the Pentana risk entry.	Sandeep Dwesar	14-Dec-2018	29-Mar-2019
BBC Brexit c	Ensure business plan includes flexibility and allows for Brexit modelling	Finance working with departments on ongoing review of business plan including costs, priorities and income streams.		14-Dec-2018	29-Mar-2019
BBC Brexit d	Ensure that suitable comms plans are in place.	Teams working with Comms and City as appropriate to ensure a consistent message is put out as and when required. Management and teams working closely to ensure team risk assessments are live and the implications understood by management.	Sandeep Dwesar	14-Dec-2018	29-Mar-2019

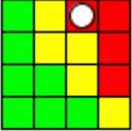
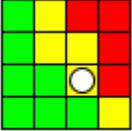
Page 173

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>BBC H&amp;S 005</b> <b>Failure to Deliver the Fire-Related Projects</b>	<p><b>Cause:</b> Inability to deliver the fire related projects in a timely and prioritised manner, resulting from insufficient resource, inability to get to access the areas or issues due to Listed Building Regulations, planning, etc.</p> <p><b>Event:</b> Failure to deliver the fire related projects</p> <p><b>Impact:</b> Delays to the projects would bring continued risk and need to maintain the current mitigations, incurring costs. Also increased risk of fire spreading more quickly or further</p>	<p>Likelihood</p>  <p>Impact</p>	<p>16</p>	<p>Working with our colleagues in procurement and Health Safety and Wellbeing departments, we now have the fire doors, fire compartmentation and emergency lighting projects all out to tender on Fusion 21 City of London framework. The projects areas split into two lots for efficient delivery as each lot requires a different level of accreditation and fire certification for the works. Fire doors and compartmentation are lot 6 whilst emergency lights are lot 7, though all have gone to tender at the same time. We expect to carry out tender evaluation and commence the next stage of the projects in December or early January. The procurement process has been more complex than originally thought, not least due to the complexity of the projects and the standard of fire certification and accreditation required, but also because legislation may be subject to change post Grenfell.</p> <p>In addition to the formal projects as noted above, we have also carried out a significant amount of work as highlighted in our fire risk assessments. This work has included policies, procedures, audit regimes quality audits and for example staff training. Gateway papers have been drafted for the fire sprinkler systems and emergency signage and it is anticipated that it will go to the next Project Sub Committee. Various</p>	<p>Likelihood</p>  <p>Impact</p>	<p>2</p>	<p>01-Sep-2021</p>	<p>■</p>

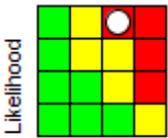
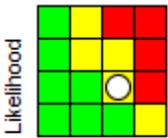
06-Jul-2018 Jonathon Poyner				<p>projects over the summer months addressed some legacy fire related issues including Concert Hall stage timber cladding, Green Room, Level - 2 kitchens and other areas. In short, all project and maintenance work are now carried out in context following our merger of the Engineering and Project Teams. We continue to work closely with the City Surveyor, Town Clerk, Chamberlain and Procurement Departments.</p> <p><b>30 Nov 2018</b></p>				Constant
--------------------------------	--	--	--	--	--	--	--	----------

Action no	Action description	Latest Note	Action owner	Latest Note Date	Due Date
BBC H&S 005a	Project planning and control during life of the projects to ensure fire safety while maintaining business continuity.	<ul style="list-style-type: none"> <li>- Restructured to ensure clear reporting, one team and clear lines of responsibility.</li> <li>- Reviewed policies and procedures with CoL colleagues to ensure compliance.</li> <li>- Introduced new processes including g DWM and control of contractors to ensure professional standards and co-working.</li> <li>- Working closely with Directorate and neighbouring departments to ensure tie-in and no business interruption</li> <li>- The scheduled workplan is for 36 months on the assumption that we will get delays as described below.</li> </ul>	Jonathon Poyner	10-Oct-2018	01-Sep-2021
BBC H&S 005b	The projects comply with current and respond to subsequent legislative changes during the lifetime of the projects; ensuring the contractors have engaged suitable consultants for the projects.	<ul style="list-style-type: none"> <li>- Following Grenfell there is an appetite to amend, change, introduce new legislation.</li> <li>- We continue to monitor the Grenfell findings with our colleagues at CoL and are working to ensure we future proof our solutions.</li> <li>- We continue with CPD training to ensure staff are current.</li> <li>- We aim to deliver our solutions; within 24 months but as described below this could be 36 months.</li> <li>- We aim to future proof our solutions and consider all projects in the wider context.</li> </ul>	Jonathon Poyner	10-Oct-2018	01-Sep-2021
BBC H&S 005c	Projects being delivered within the agreed time frames and agreed budgets.	<ul style="list-style-type: none"> <li>- Project funding for the works across the Barbican Centre has been estimated and funding provided by CoL.</li> <li>- Due to the scale of the multiple works stream of projects and the many unknowns such as asbestos in doors, door frame packers, routes for additional cabling that could require more</li> </ul>	Jonathon Poyner	10-Oct-2018	01-Sep-2021

		<p>funding, there are potentially unknown unknowns which the surveys will assist us in identifying.</p> <ul style="list-style-type: none"> <li>- The timing following Grenfell has seen a spike in costs and availability regarding fire safety systems, consultants and contractors. This could cause price increases and limited availability of products and suppliers.</li> <li>- Our aim is to complete within 24 months, however asbestos delays alone would require notification, causing delays, so potentially 36 months. -</li> </ul>			
BBC H&S 005d	Select the appropriate contractors in line with CoL control of contractors' guidance who have developed robust business continuity plans following Brexit.	<ul style="list-style-type: none"> <li>- Working with CoL colleagues to ensure compliance with CoL procedures.</li> <li>- Ensure the contractors selected for the project works are fully accredited, have good site knowledge and experience and fulfil the PQQ criteria.</li> <li>- In order to mitigate Brexit, we are engaging companies that manufacture their own products in UK, so as to ensure future supply for PPM.</li> <li>- We have met UK suppliers who have assured us of supply post Brexit.</li> <li>- Ensure that only competent and trained operatives work on our projects.</li> <li>- We are planning to complete projects within 24 months, but could take 36 months.</li> </ul>	Jonathon Poyner	10-Oct-2018	01-Sep-2021
BBC H&S 005e	Delivering CIP following the outputs from FRAs and delivering the changes required to ensure PPMs.	<ul style="list-style-type: none"> <li>- Working to current standards for our FRAs, with CIP (Continual Improvement).</li> <li>- Working with our CoL colleagues to further improve our fire safety system. This includes testing and PPM work.</li> <li>- Working ever closer with LFB to ensure we deliver standards appropriate to a world class venue and lead by example.</li> <li>- We have introduced a new CAFM system (Computer Aided Facilities Management) as part of the BRM2 change, again working with our CoL colleagues.</li> <li>- Delivering PPMs and statutory checks and servicing to ensure future compliance and audit trails.</li> <li>- The CAFM system is being populated and will become most useful after a full cycle of 5 years. It will give us the corporate knowledge that we have to date as in the past the knowledge left with individuals when they retired.</li> </ul>	Jonathon Poyner	10-Oct-2018	01-Sep-2021

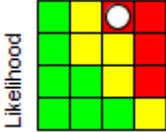
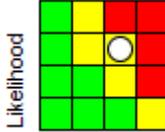
Risk no, title, creation date, owner	Risk Description (Cause, Event, Impact)	Current Risk Rating & Score	Risk Update and date of update	Target Risk Rating & Score	Target Date	Current Risk score change indicator
<p><b>CHB CP001</b> <b>Brexit risk to City Corporation procurement and supply chains</b></p> <p>12-Nov-2018 Christopher Bell</p>	<p><b>Cause:</b> The UK leaving the EU (Brexit) with no trading deals in place.  <b>Event:</b> The result of the Brexit negotiations could have a negative impact on the Corporation’s supply chain, both with direct tier 1 suppliers and their sub-contractor network.  <b>Effect:</b> Brexit could effect changes to our direct suppliers and their supply chain, impacting negatively on the Corporation. A range of potential impacts are:</p> <ul style="list-style-type: none"> <li>• <b>Regulatory / Legal requirements</b> -existing supply contracts may be impacted by changes in regulation, or legal requirements.</li> <li>• <b>Assurance of Supply</b> - risk that a complete failure in supply of the goods / service (e.g. Carillion) from key suppliers could be felt.</li> <li>• <b>Quality</b>- quality of the goods / service impact due to changes in our Supply Chain.</li> <li>• <b>Service</b>- Service levels be impacted negatively by any changes in the Supply Chain or access to workers, particularly in low skilled categories.</li> <li>• <b>Financial risk</b> -Are any supply changes likely to drive up costs of the Goods / Services/Works in the short/medium/long term.</li> <li>• <b>Sustainability</b>- risk that will change the level of innovation or sustainability of the goods / service/work against expectations?</li> <li>• <b>Workload</b>- Will changes in the Supply Chain cause significant workload to the Procurement/Commercial/Legal teams due to change controls/re-negotiation of terms?</li> </ul>	<p><b>Likelihood</b></p>  <p><b>Impact</b></p> <p><b>16</b></p>	<p>City Procurement are liaising with key partners across the London Procurement Network and Home Office to create a consistent approach to assessing risk of key service categories, as well as key suppliers. A workshop has been held in December with a consultancy organisation (Efficio Consulting), whom are producing an EU Exit Risk assessment report on our key categories of spend. They aim to have a final draft of the report to us by the 21st December with a final published version in early January.</p> <p>Thereafter we would propose to be in contact with our key suppliers requesting their mitigation plan for the risks identified in January.</p> <p><b>13 Dec 2018</b></p>	<p><b>Likelihood</b></p>  <p><b>Impact</b></p> <p><b>8</b></p>	<p>31-Mar-2019</p>	<p></p> <p>Constant</p>

Action no	Action description	Latest Note	Action owner	Latest Note Date	Due Date
CHB CP001a	Work with London Councils and London Procurement Network to assess key risks by spend category. Sharing information and findings to assist key risks to the Corporation.	A number of London Boroughs have shared materials on how they are assessing risks, the experience to date is that supply chains are unwilling to participate due to the unknown Brexit deal position, as they feel work is not prudent until the terms are known, therefore it is accepted that any assessments are for high level risk identification at present.	Christopher Bell	12-Nov-2018	31-Mar-2019
CHB CP001b	Approach external consultancy for proposal to deliver a deep dive assessment of our key top 20 suppliers against the risks identified.	City Procurement requested a further revised proposal from consultancy firm which we received yesterday, just reviewing it but likely to appoint and with target date of January for the report to be finalised.	Christopher Bell	29-Nov-2018	31-Mar-2019
CHB CP001c	Finalise an approach for the Corporation to assess key supply chain risks, consistent with peers and in line with required assessment work to be completed for the Home Office.	The Home Office have shared an approach to assessing key supply chain risks for Policing. City Procurement are working with CoLP to complete and reviewing the process for its fitness for use Corporately.	Christopher Bell	12-Nov-2018	31-Mar-2019

Risk no, title, creation date, owner	Risk Description (Cause, Event, Impact)	Current Risk Rating & Score		Risk Update and date of update	Target Risk Rating & Score		Target Date	Current Risk score change indicator
SMD SUS 004 Failure to mitigate against a potential fall in EU student numbers as a result of Brexit	The Vice Principal and Director of Music has prepared a Brexit mitigation strategy for the Music department, which is more exposed to a potential drop in recruitment from the EU than the Drama or Production Arts departments and accounts 75% of total student enrolment at the School. The plan includes: seeking to identify potential alternative loan providers should EU students lose access to the Student Loan Company; offering targeted fee waivers to EU students to counter the effect of higher fees; developing a new suite of short courses and foundation courses that would enable more Home students who were unsuccessful at their first audition to attend the School; reaching out to new markets beyond the EU from where the School has not historically recruited in significant numbers; and introducing remote teaching.	 Likelihood	16	<p>Target score adjusted from Green 3 to Amber 8.</p> <p>The Vice Principal and Director of Music has prepared a Brexit mitigation strategy for the Music department, which is more exposed to a potential drop in recruitment from the EU than the Drama or Production Arts departments and accounts 75% of total student enrolment at the School. The plan includes: seeking to identify potential alternative loan providers should EU students lose access to the Student Loan Company; offering targeted fee waivers to EU students to counter the effect of higher fees; developing a new suite of short courses and foundation courses that would enable more Home students who were unsuccessful at</p>	 Likelihood	8	31-Dec-2019	

03-Dec-2018 Jo Hutchinson				their first audition to attend the School; reaching out to new markets beyond the EU from where the School has not historically recruited in significant numbers; and introducing remote teaching.				Constant
------------------------------	--	--	--	--	--	--	--	----------

Action no	Action description	Latest Note	Action owner	Latest Note Date	Due Date
GSMD SUS 004a	Develop a marketing strategy to deliver a significant increase in quality applications by students from outside the EU	In the process of recruiting new student recruitment staff who will be responsible for implementing the marketing strategy.	Jo Hutchinson	05-Dec-2018	31-Dec-2019
GSMD SUS 004b	Carry out targeted fundraising to raise new scholarship funds dedicated to EU students, and review strategic use of existing scholarship funds	With Jo's re-wording of the Fundraising bit, I think we can claim something like 20% progress on that one, not least as a result of your own work on the GST Asset Register, where there seem to be a number of mini-funds which could be applied to targeted EU recruitment.		05-Dec-2018	31-Dec-2019
GSMD SUS 004c	Develop and introduce a range of short course and foundation courses to 'skill up' additional Home students who would otherwise be unable to attend the School		Jonathan Vaughan		31-Dec-2019
GSMD SUS 004d	Develop a framework for the delivery of remote learning		Jonathan Vaughan		31-Dec-2019
GSMD SUS 004e	Develop a more extensive strategy for Guildhall Profs to engage in overseas workshops and masterclasses – specifically targeting North America and Commonwealth Countries - a process that has a historic proven track record in generating significant increases in OS applications and enrolments	Develop a more extensive strategy for Guildhall Profs to engage in overseas workshops and masterclasses – specifically targeting North America and Commonwealth Countries - a process that has a historic proven track record in generating significant increases in OS applications and enrolments	Jonathan Vaughan	05-Dec-2018	31-Dec-2019

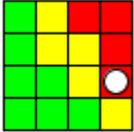
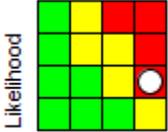
Risk no, title, creation date, owner	Risk Description (Cause, Event, Impact)	Current Risk Rating & Score		Risk Update and date of update	Target Risk Rating & Score		Target Date	Current Risk score change indicator
<b>OSD 006</b> <b>Impact of development summary risk</b> 30-Aug-2017 Colin Buttery	<p><b>This risk summaries the risks associated with housing and/or transport development across the Open Spaces Department.</b></p> <p><b>Cause:</b> Pressure on housing and infrastructure in London and South East; failure to monitor planning applications and challenge them appropriately; challenge unsuccessful; lack of resources to employ specialist support or carry out necessary monitoring/research, lack of partnership working with Planning Authorities</p> <p><b>Event:</b> Major development near an open space</p> <p><b>Impact:</b> Increase in visitor numbers, permanent environmental damage to plants, landscape and wildlife, air and light pollution, ground compaction and resulting associated effects on tree and plant health. Wear and tear to sports pitches. Lack of budget to facilitate repairs, potential for encroachment.</p> <p>This risk is felt to be of departmental concern due to the high level of work required across the open space divisions to defend against the impact of development and the serious nature of the impact.</p> <p>The actions for this risk are the open actions from each of the divisional risk registers.</p>	 <p>Likelihood</p> <p>Impact</p>	16	Risk remains at red due to the possible impact of development across several sites.  <b>05 Dec 2018</b>	 <p>Likelihood</p> <p>Impact</p>	12	30-Apr-2020	  Constant

Action no	Action description	Latest Note	Action owner	Latest Note Date	Due Date
OSD EF 010 a	Epping Forest DC local plan - Attend meetings and respond to consultation on the local plan so that can influence the content of the plan and the Memorandum of Understanding between EFDC and Natural England LB Redbridge core strategy and other LA actions plans - respond to any further consultation.	Mitigation strategy in place. Ongoing implementation work action.	Jeremy Dagley	05-Dec-2018	30-Apr-2020
OSd EF 010 c	Forest transport strategy - Negotiate renewal with Essex County Council and extend to cover London Borough's	The Forest Transport Strategy has been accepted as vital vehicle for any air quality (AQ) mitigation. However, the Habs Regs Assessment for the EFDC Local Plan is still being re-written as it was not adequate on AQ and the traffic modelling and highways proposals have been delayed further (having been promised in June 2018). Currently this key part of the	Jeremy Dagley	05-Dec-2018	30-Apr-2020

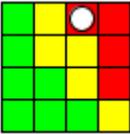
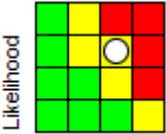
		Local Plan is 'unsound' in our view and we may have to object at the future Local Plan Examination in Public.  An ongoing issue			
OSD NLOS 011 a	Maintain a close partnership with Planning Authorities. Supt and Officers in contact with the London Borough of Camden, Barnet and Haringey in regard to planning issues which may impact the open spaces.	Ongoing, division to make representation as necessary.	Richard Gentry	05-Dec-2018	31-Mar-2020
OSD NLOS 011 b	Respond to consultation on the local plans to help influence the content of the documents.	Ongoing. Response to planning issues as necessary. No change.	Richard Gentry	05-Dec-2018	31-Mar-2020
OSD NLOS 011 c	A Consultant is monitoring planning activity and will assist the Superintendent with specialist support in regard to resisting planning applications that impact on the Open Spaces.	Division continues to monitor planning issues.	Richard Gentry	05-Dec-2018	27-Jul-2020
OSD P&G 007 a	Attendance at meetings and respond to consultation on the local plans to help influence the content of the document.	Relationship with planning colleagues in the city continues - ongoing action.	Lucy Murphy; Martin Rodman; Jake Tibbets	05-Dec-2018	31-Mar-2020
OSD P&G 007	Maintain a close partnership with planning authorities including (but not limited to) Newham, Islington, Camden, and Tower Hamlets.	Ongoing risk action based on responding appropriately to relevant planning issues.	Martin Rodman	05-Dec-2018	31-Dec-2020
OSD TC 002 a	Inclusion in core strategy planning documents - where applicable Close partnership working with local planning authorities Active monitoring of planning applications with responses as appropriate All ongoing and/or as and when	Monitoring activity continues - ongoing action.	Hadyn Robson	05-Dec-2018	31-Mar-2020
OSD TC 002 b	Active monitoring of pollution where possible Active monitoring of environmental impacts - where possible Undertake research - where appropriate and where resources allow Ongoing	Ongoing action - monitoring of impact of visitors and other possible stressors continues.	Hadyn Robson	05-Dec-2018	31-Mar-2020



OSD TC 006 a	Condition assessments carried out and options provided for approval Options costed Gateway 4 report drafted - Sept 16	Project at The Commons remains a goal for the future. Ongoing action to mitigate risk, to be updated as project moves forward.	Hadyn Robson	05-Dec-2018	31-Dec-2022
OSD TC 006 b	Inspections / monitoring of outflow condition Ongoing	All water bodies are actively monitored by relevant authorities within the City to ensure they comply with legislation.	Hadyn Robson	05-Dec-2018	31-Mar-2020

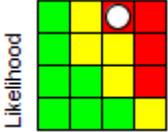
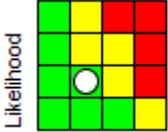
Risk no, title, creation date, owner	Risk Description (Cause, Event, Impact)	Current Risk Rating & Score		Risk Update and date of update	Target Risk Rating & Score		Target Date	Current Risk score change indicator
<b>SUR CB 003</b> <b>City Bridges: - Substantial vessel strikes</b>  Paul Wilkinson 01-Nov-2018	<b>Cause:</b> Substantial Vessel strike  <b>Event:</b> Structural damage to bridge  <b>Impact:</b> Instability in bridge structure leading to possible collapse. Death / injury, disruption of traffic, reputational damage, additional costs to repair / replace	<b>Likelihood</b>  <b>Impact</b>	<b>16</b>	No recent bridge strike since the minor incident at Tower Bridge in early August (no notifiable damage). City Bridge Trust and Bridge House Estates are undertaking a governance review through an officer Task and Finish Group. The aspect of where risk ownership sits will be considered by this group in the new year.  <b>14 Dec 2018</b>	<b>Likelihood</b>  <b>Impact</b>	<b>16</b>	31-Mar-2019	  Constant

Action no	Action description	Latest Note	Action owner	Latest Note Date	Due Date
SUR CB 003a	Navigation controls	Navigation is controlled by the Port of London Authority and navigation lights fixed to bridges. Paul Monaghan is an on-going member of the River Crossings Liaison Group and is currently pursuing them for further meeting dates following their change in Chair. Paul Monaghan updates CSD at the quarterly meetings as to any actions, activities, or change in the risk status of this item.	Nicholas Gill; Peter Young	14-Dec-2018	31-Mar-2019

Risk no, title, creation date, owner	Risk Description (Cause, Event, Impact)	Current Risk Rating & Score		Risk Update and date of update	Target Risk Rating & Score		Target Date	Current Risk score change indicator
<b>SUR CB 006</b> <b>City Bridges -</b> <b>Wanton</b> <b>Damage /</b> <b>Terrorism</b>  -Nov-2018 Paul Wilkinson	<b>Cause:</b> Wanton Damage / Terrorism  <b>Event:</b> Structural damage to bridge/s  <b>Impact:</b> Instability in bridge structure, reputational damage, disruption to traffic, additional costs to repair / replace	 Likelihood	<b>16</b>  <b>Impact</b>	DBE attended joint assessment workshop in July and are awaiting further feedback from this forum.  The Comptroller and City Solicitor is in the process of registering the City of London as an interested party for the upcoming inquiry into the London Bridge incident. City Bridge Trust and Bridge House Estates are undertaking a governance review through an officer Task and Finish Group. The aspect of where risk ownership sits will be considered by this group in the new year.  <b>14 Dec 2018</b>	 Likelihood	<b>12</b>  <b>Impact</b>	31-Mar-2019	  Constant

Action no	Action description	Latest Note	Action owner	Latest Note Date	Due Date
SUR CB 006a	Counter Terrorism	Sequence of joint workshops were hosted by TFL over July. This involved TFL, the City Police, the MET Police and DBE. This investigated the risks associated with key bridges, with a different assessment made depending on the bridge. MET Police have yet to provide paperwork and are awaiting clearance to do so – will be assessed once received. Temporary mitigation by the Metropolitan Police remains in place, but this is not full Hostile Vehicle Mitigation.	Nicholas Gill; Paul Monaghan; Peter Young	14-Dec-2018	31-Mar-2019



Risk no, title, creation date, owner	Risk Description (Cause, Event, Impact)	Current Risk Rating & Score		Risk Update and date of update	Target Risk Rating & Score		Target Date	Current Risk score change indicator
<b>TC TCO 05 Customer Relationship Management System</b>  20-Nov-2015 John Barradell; Damian Nussbaum; Angela Roach	Cause: Outdated software that is no longer supported stops working or will no longer work with our network environment Event: Failure of the CRM system Effect: Loss of critical data, Contact Centre, C.O.D team unable to effectively carry out their duties.	 Likelihood	<b>16</b>  Impact	It is hoped that payment processes will go live within the next few weeks, which will enable a significant percentage of the Contact Centre's processes to be completed using Firmstep  <b>07 Dec 2018</b>	 Likelihood	<b>4</b>  Impact	31-Jan-2019	  Constant

Action no	Action description	Latest Note	Action owner	Latest Note Date	Due Date
TCO05D	The Corporation has procured a new system tailored to the needs of the Contact Centre ("Firmstep"). We are now implementing the new system.	It is hoped that payment processes will go live within the next few weeks, which will enable a significant percentage of the Contact Centre's processes to be completed using Firmstep.	Sam Collins	05-Dec-2018	31-Dec-2018
TCO05E	The Corporation has a procured a new platform (City Dynamics) and is configuring a new application tailored to the needs of strategic engagement and events management (SEEM) that will support compliance with new data protection law. The strategic engagement function will be implemented in early Summer, followed by the events management function in early Autumn. The solution for Strategic Engagement is currently undergoing System Testing and will be made available for UAT shortly.	The Corporation has a procured a new platform (City Dynamics) and is configuring a new application tailored to the needs of strategic engagement and events management (SEEM) that will support compliance with new data protection law. The strategic engagement and events functions will launch at the same point in the Autumn, with a gradual stair casing of the events solution. Both solutions are undertaking user testing before training begins	Damian Nussbaum	05-Dec-2018	31-Jan-2019

<b>Committee:</b> Audit & Risk Management Committee	<b>Date:</b> 15/01/2019
<b>Subject:</b> Deep dive – CR23 Police funding	<b>Public</b>
<b>Report of:</b> Police Authority Treasurer	<b>For Information</b>
<b>Report author:</b> Alistair Cook Interim Head of Police Authority Finance	

## Summary

Recent work to update Police medium-term finances has projected much higher current and future year deficits which, taking account of a beneficial 2019-20 Police settlement, accumulate to £79.4m across the medium-term, prior to mitigation. The Police reserve is now fully utilised, and there is a major risk to City Fund of a comprehensive mitigation strategy not being implemented to tackle deficits of this magnitude. Mitigation plans are to be reviewed by a sub-group of Police Committee in advance of the Resource Allocation Sub-Committee in January 2019, most immediately to ensure a balanced budget can be set for 2019-20.

The failure to identify in a timely way the quantum of the in-year and medium-term financial deficits also plays into the wider concerns Audit & Risk Management Committee has about the Force's financial management capability and the financial control weaknesses identified by Internal Audit.

## Recommendations

Members are asked to:

- Note the risk to the City Fund posed by the increased magnitude of Police medium-term deficits.
- Seek assurance about progress with the in-year and medium-term deficit mitigation strategies.
- Seek assurance about progress on building CoLP financial management capability and on improvements to financial control (the latter of which is a separate item on the agenda for this Committee).

## Main Report

### Background

1. The risk to Police funding has been highlighted by previous work on the Police medium-term financial plan. The quantum of this risk has since grown.

2. The Corporate Risk register already contains a risk on Police funding (CR23) with a range of mitigations applied to it, the latest update for which is attached at Appendix 1.

## Current Position

3. Recent work to update the Medium-Term Financial Projection for the December 2018 Police Committee, in partnership between the Police Authority and Force Finance teams, has projected a much higher level of financial deficit through to 2023-24. Taking account of a beneficial 2019-20 Police settlement, they accumulate to £79.4m across the medium-term, prior to mitigation.
4. In parallel, there has been a highly adverse movement in the Force's Q2 forecast; from a forecast underspend of £0.7m in Q1 to a forecast overspend, prior to mitigation, of £4.9m in Q2 (Police Authority Finance's assessment is slightly higher at £5.3m overspend). This has been caused mainly by a £5.8m increase in pay costs compared to the original budget, as a result of the budget significantly underestimating the costs of employing the planned workforce numbers, combined with spend on overtime and 'agency' resourcing. The increase has been largely masked until recently by an erroneous double inclusion by the Force of the £4.5m National & International City Grant, in income as well as funding, when loading the 2018-19 budget onto the system (NB it was not counted as income in the approved budget).
5. There is a major risk to City Fund if a comprehensive mitigation strategy is not implemented to tackle deficits of this magnitude, and members will wish to be assured about the plans and commitment for actively driving such a strategy. Current mitigations include:
  - The in-year mitigations on which the Force is embarked, which sum to an estimated £3.1m savings, leaving a residual 2018-19 deficit of about £2m. The scope for recurrence of these savings in future years needs to be confirmed, and then as appropriate rolled forward as part of the mitigation strategy for 2019-20 and subsequent years.
  - The delivery of efficiency savings arising from the Transform programme. An indicative savings range has been presented to the Police Committee and Efficiency & Performance sub-committee. These savings rise from an estimated £1.6m in 2019-20 to an annualised impact of £4.7-5.6m across the medium-term. It should be noted that the savings estimates are, at this point, highly indicative and that continuing challenge and detailed assurance processes need to be undertaken on the plans and capabilities to realise them. Also that full implementation of Transform outcomes and savings is targeted for 2025, and the savings estimates will only partially close the deficit gaps.
  - The reviews currently being undertaken of the options for reprioritisation of activities and resources, of new operational demands or pressures being faced by the Force, and of the level of financial contribution that funded

units are making. This work will enable decisions to be taken on the scope to further bridge the gap, by reducing expenditure and / or increasing income.

6. Papers on these potential mitigations will be submitted to a sub-group of Police Committee, which meets on 8 January 2019 to enable proposals to be formulated and recommended to the Resource Allocation Sub-Committee in January 2019, most immediately on the balancing of the 2019-20 budget.
7. The failure to identify in a timely way the quantum of the in-year and medium-term financial deficits also plays into the wider concerns Audit & Risk Management Committee has about the Force's financial management capability and the financial control weaknesses identified by Internal Audit (the latter of which is a separate item on the agenda for this Committee).

### **Options**

8. As set out in paragraph 5.

### **Proposals**

9. To be determined by a meeting of a sub-group of Police Committee on 8 January 2019, and then recommended to the January 2019 Resource Allocation Sub-Committee.

### **Corporate & Strategic Implications**

10. Consideration will need to be given to the impact of mitigations on the Force's and Corporation's strategic objectives and outcomes. This will need to be impact assessed once there is more clarity on the range of mitigation strategies to be pursued.

### **Financial Implications**

11. There is a risk to the City Fund arising from a potential failure to deliver a comprehensive mitigation strategy. As City Fund's revenue resources are predicted to fall considerably following a reset in the Business Rates retention system, significant ongoing financial support to the Police Force is not sustainable over the medium-term.

### **Conclusion**

12. Recent work to update the MTFP has confirmed and significantly increased the magnitude of inherent financial deficits for the Police, and that these deficits will continue to increase over the medium-term in the absence of mitigation. The management of CR23 – Police funding is therefore very much about the vigorous identification and implementation of a range of mitigation strategies, most immediately in recovering the large forecast current year deficit and enabling a balanced budget to be set for 2019-20. This mitigation

strategy links closely to work needed to build Police financial management capability and operate effective financial controls.

## **Appendices**

- Appendix 1 – Risk register extract for CR23 Police funding.

### **Alistair Cook**

Interim Head of Police Authority Finance

T: 020 7332 3481

E: [Alistair.cook@cityoflondon.gov.uk](mailto:Alistair.cook@cityoflondon.gov.uk)



# CHB Detailed risk register by risk category

Report Author: Hayley Hajduczek

Generated on: 19 December 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
<b>CR23 Police Funding</b>  21-Nov-2016 Ian Dyson; 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. Failure to deliver VfM savings. Budget deficit forecast for next 5 years requiring action to balance the budget</p> <p><b>Effect:</b> Potential impact on security and safety in the City as need to make savings, prioritise activity, review funding 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>	Likelihood  Impact	16	<p>After use of the remaining police reserves, there is a forecast CoLP deficit of £5.4m for 2018/19. This has arisen from overspends on the pay bill, overtime and agency worker budgets. The overspend in payroll was masked until recently by a double count of income for the National and International Capital City grant.</p> <p>The latest update to the medium-term financial plan shows the unmitigated annual deficit rising to £19.5m by 2023-24 (£79.4m cumulative deficit across MTFP period). Work is underway on mitigations to close the budget gap.</p> <p>The Police Authority's response to the COLP financial position will be considered by the informal RASC meeting with Service Cttee Chairmen in January.</p> <p><b>19 Dec 2018</b></p>	Likelihood  Impact	12	31-Mar-2019	

Action no	Action description	Latest Note	Action owner	Latest Note Date	Due Date
CR23a	Deliver the savings programme for currently identified savings in 2018/19.	While savings plans were being pursued for 2018-19, the latest forecast has identified a £5.4m deficit, due largely to significantly higher payroll costs than were assumed by the original budget. This was masked until recently by the erroneous double inclusion of the £4.5m National & International Capital City grant in income as well as funding when the budget was loaded onto the system. A range of tactical mitigations to this deficit, currently estimated to save c.£3m, are being worked up for delivery over the remaining months of the financial year.	Alistair Sutherland	19-Dec-2018	31-Mar-2019
CR23b	Medium Term Financial Plan	An updated MTFP was presented to the December Police Committee. This showed a significant worsening of the in-year and cumulative (unmitigated) deficits, rising to £19.5m by 2023-24. Since then the draft Police Settlement has been received which improves the 2019/20 deficit from £11.8m to £8.7m and the 2023-24 position deficit to £19.5m (£79.4m cumulative deficit across MTFP period). CoLP has embarked on developing mitigation strategies, including current year tactical savings along with indicative savings arising from the Transform programme. The Police Authority's response to the COLP financial position will be considered by the informal RASC meeting with Service Cttee Chairmen as part of budget setting and agreeing the medium-term financial plan.	Alistair Cook	19-Dec-2018	31-Mar-2019
CR23c	A Transform Programme is underway to develop a revised Target Operating Model for CoLP to deliver greater effectiveness and financial stability. The Programme comprises eight work strands.	<p>The Deloitte short term recommendations or 'quick wins' have been realised and are funding the core transformation project team.</p> <p>Transform workshops and service catalogue build has reduced the service strand to 6, plus the CoLP Corporate Plan.</p> <p>43 Transform Associates (volunteers) have been identified by the CoLP. Profiling their utilisation is underway.</p> <p>There remains a resourcing pressure within Transform programme team, as all strands' activity is being undertaken in the business with the competing demand of operational policing. The Programme management remains the central support hub, however requirement for business analytics and project management are a gap for the demand within the programme.</p> <p>Cashable savings have a high confidence level to £1.6m end of year.</p> <p>The 'as is' cataloguing is complete and 'to be' services are now being profiled into the service catalogue as the strands move into high level design.</p> <p>Baselining has just been completed and has been utilised to profile the current workforce against the Transform work.</p> <p>The Resolution Centre is to go live 'soft launch' in January 19, with a hard launch in April 19 planned.</p> <p>Profiling of low, med, high confidence level of savings within Transform has taken place, and potential savings of £5.6m will provide a target at the close of the MTFP.</p>	Jane Gyford	19-Dec-2018	31-Mar-2019

		A Target Operating Model will be informed post high level design work and will be discussed in June 19 to then progress detailed design and build a future timeline for implementation against the 2 year lifetime of Transform and where required, into Continuous Improvement work and beyond to take into account the Policing 2025 vision, the Secure City Programme and The City Accommodation Programme.			
CR23d	Consider increase in the business rates premium in future periods	Consider contribution levels from City Fund/ City's Cash as part of financial planning and budget setting for 2019/20, measures could include increasing the business rate premium, ongoing support for capital project shortfalls, or direct contribution from City Fund or City's Cash to support additional Policing service demands.	Caroline Al-Beyerty	19-Dec-2018	31-Mar-2019

This page is intentionally left blank

**NOT PROTECTIVELY MARKED**

<b>Committee:</b> Audit and Risk Management Committee	<b>Date:</b> 15/1/2019
<b>Subject:</b> City of London Police - Internal Audit Action Plan Update	<b>Public</b>
<b>Report of:</b> The Commissioner, City of London Police	<b>For Decision</b>
<b>Report author:</b> Mark Reeves, Interim Finance Director	

## Summary

This report sets out the progress that's been made in relation to recommendations in Internal Audit reports for the Police Commissioner.

Over the past 18 months there have been a number of internal audits carried out in City of London Police. The recommendations for these audits have been consolidated into one action plan. This action plan has action owners with regular progress updates given by the Finance Director to the Commissioner and Assistant Commissioner.

Attached at Appendix 1 is the latest update of the Internal Audit Action Plan.

## Recommendation(s)

Members are asked to:

1. Note the contents of the City of London Police Internal Audit Action Plan.
2. Consider the need for a further update of the action plan at the next Audit and Risk Management Committee.

## **Main Report**

### **Background**

1. There have been several internal audits carried out within City of London Police in the past 18 months. These reports have covered areas such as budget setting, accounts payable and the reconciliations for court funds.

### **Current Position**

2. The recommendations from these reports have all been consolidated into one action plan. This action plan is monitored regularly and updates are provided to the Commissioner and Assistant Commissioner.
3. Attached at Appendix 1 is the latest update as at 31<sup>st</sup> December. The action plan shows who is responsible for auctioning the recommendation and who and how progress against the recommendation is measured.
4. Progress is being made against all recommendations and follow up audit field work has taken place in December and further follow up work is planned for January 2019.
5. There are 5 recommendations with a deadline date for implementation of 31<sup>st</sup> December. These are all now part of business as usual for the Finance Department. The remainder all have deadline dates for 31<sup>st</sup> March 2019 and all are on track to be achieved.

### **Conclusion**

6. Progress has been made against all Internal Audit recommendations. Given that additional field work is planned for January any further progress against the plan can be measured and reported back to Audit and Risk Management Committee at the next meeting.

### **Mark Reeves**

Interim Director of Finance

City of London Police

T: 020 7601 2484

E: [mark.reeves@cityoflondon.pnn.police.uk](mailto:mark.reeves@cityoflondon.pnn.police.uk)

### **Appendices**

Appendix 1 – Key assumptions used for building the MTFP

Appendix 2 - Report of the Chamberlain, City of London Corporation

RECOMMENDATIONS	MANAGEMENT RESPONSE AND ACTION PLAN	ACTION TAKEN	ACTIONED BY	MONITORED BY	TARGET COMPLETION BY
<p><b>Internal Audit Recommendation 1: Point 23, Page 6 (Budget Setting-Approach)</b> The budget-setting process should incorporate:</p> <p>1.1 Stakeholder input to ensure alignment with operational requirements;</p> <p>1.2 Clear linkage with the Medium Term Financial Plan and Workforce Plan;</p> <p>1.3 Local arrangements for scrutiny;</p> <p>1.4 Retention of documentation to reflect key elements of the process e.g. meetings between Finance Business Partners and budget holders and working papers to support budget calculations.</p>	<p><i>Responsibility: Director of Finance Target Implementation Date: 31st March 2019</i></p> <p><i>The Medium Term Financial Plan is currently being developed with regular involvement of and weekly challenge from the Corporation. This detailed work will form the basis of the annual budget for 2019/20. Between September and March there will be regular meetings between Finance Business Partners and Budget Holders with an agenda agreed by the Finance Director. All actions will be recorded centrally by the Finance Directors PA. In order to build trust and confidence and develop an informal day to day financial relationship with the Corporation of London financial officials to compliment and underpin the formal relationships that already exist within Governance. This should aim to promote a greater level of financial transparency and openness on both sides. The Work started with the new Police Committee Head of Finance needs to continue at a strategic level cascaded further through the respective teams in both organisations.</i></p>	<p>BUDGET SETTING</p> <p>Work has been carried out to develop the MTFP with the Head of Police Authority Finance in the Corporation. This work has broken down forensically the MTFP which allows a high degree of assurance in the basis of the composition of MTFP. The work was carried out with COLP Senior Finance Business Partner being embedded within the Finance Team in the Corporation and a regular Monday meeting with COLP Finance Director and Head of Police Authority Finance Finance. Business Partners have regular meetings with budget holders against a structured agenda developed by the Interim Finance Director. The budget setting process will happen in the last two weeks of January and the first two weeks February after the Police budget has been agreed. This work will build on the business intelligence collected as part of the regular Finance Business Partner meetings and develop appropriate budgets for all areas of the Force.</p>	<p>Deputy Director of Finance Deputy Director of Finance</p>	<p>Director of Finance Director of Finance at weekly Finance Ops Meetings. By Commissioner and Assistant Commissioner at SMB</p>	<p>31st March 2019 31st March 2019</p>
<p><b>Internal Audit Recommendation 2: Point 24, Page 7 (Budget Setting-Timetable)</b> Consideration should be given to the development of a CoLP Budget Setting timetable for local activities to be undertaken prior to formal budget submission to the City, to ensure that all interested parties are made aware of their responsibilities in this respect.</p>	<p><i>Responsibility: Director of Finance Target Implementation Date: 31st December 2018</i></p> <p><i>The timetable will be pulled together and dates checked with the Corporation to ensure congruence with their requirements. This needs to include a clear link to the Governance requirements that need to be established clearly by the Corporation as to what reporting requirements will be.</i></p>	<p>This is a work in progress and is forming part of a wider annual Finance Department Timetable which will include all key dates and deadlines for Force and Coproration requirements.</p>	<p>Deputy Director of Finance Deputy Director of Finance</p>	<p>Director of Finance Director of Finance. Progress against timetable will be monitored by Deputy Director of Finance</p>	<p>31st March 2019 31st March 2019</p>
<p><b>Internal Audit Recommendation 3: Point 27, Page 8 (Budget Setting-Guidance to Finance Staff)</b> CoLP should produce documented procedures to support key financial administration processes such as AP and AR processing, ensuring that these are made available to all relevant staff.</p>	<p><i>Responsibility: Director of Finance Target Implementation Date: 31st March 2019</i></p> <p><i>i) Admin Finance team will draw together internal processes notes which will be checked with the Corporation Procurement team to ensure they meet with system and process guidelines. Force wide communications will also be issued to ensure all members of the Force are clear on the purchase to pay process.</i></p> <p><i>ii) Court Funds process notes are being prepared by the Supervisor in that team which will allow clarity for people involved in that process.</i></p>	<p>Process notes are being developed and a number of SOP's have already been updated. Process notes have also been developed around the application for and the use of Corporate Credit Cards which will be published to the Force shortly</p> <p>Process notes for Court Fund processes have been developed for the operational work and the reconciliations. From January reconciliations will be carried out full time by one member of staff.</p>	<p>Deputy Director of Finance Head of Admin. Finance</p>	<p>Director of Finance Director of Finance</p>	<p>31st March 2019 31st March 2019</p>
<p><b>Internal Audit Recommendation 4: Point 30, Page 9 (Income-Accounts Receivable)</b> CoLP should formalise the process for identification of income due, supported by reconciliations to amounts invoiced, to help ensure that all necessary income is recovered.</p>	<p><i>Responsibility: Senior Finance Business Partner Target Implementation Date: 31st December 2018</i></p> <p><i>As part of the Medium Term Financial Plan a full list of income is being prepared. This will be used as the basis for identifying when income is due and recovered.</i></p>	<p>Business Partners are working with the business areas to ensure that all income strands are identified, particularly for mutual aid operations. A file is being retained and links developed with the planning of operations to ensure Finance Business Partners are engaged at the earliest opportunity. We have also developed a grants log which tracks all the anticipated grant income due to the Force.</p>	<p>Senior Finance Business Partner Senior Finance Business Partner</p>	<p>Deputy Director of Finance Deputy Director of Finance</p>	<p>31st March 2019 31st March 2019</p>

RECOMMENDATIONS	MANAGEMENT RESPONSE AND ACTION PLAN	ACTION TAKEN	ACTIONED BY	MONITORED BY	TARGET COMPLETION BY
<p><b>Internal Audit Recommendation 5: Point 34, Page 10 (Income-Accounts Receivable)</b> CoLP should ensure that:</p> <p>5.1 The aged debtor report is reviewed to confirm the status of debt, identification of amounts for write-off and determination of the potential impact on the accounts in terms of bad debt provision.</p> <p>5.2 On an ongoing basis, debt management arrangements should incorporate the following: maintenance of local records to facilitate monitoring of aged debt and recovery action taken, to include evidence of regular review and details of write-off submissions to CoL.</p>	<p><i>Responsibility: Director of Finance Target Implementation Date: 31st December 2018</i></p> <p><i>This is now a standing item on the weekly Finance Operational Meeting and the aged debtors report will be reviewed regularly by the Finance Director who will hold Finance Business Partners accountable for invoices in their business areas.</i></p>	<p>Tackling Income Debt, Aged Debtors and Debt provision and debt write-off</p> <p>This is now a standing item on the weekly Finance Operational Meeting and the aged debtors report is reviewed regularly by the Finance Business Partners accountable for invoices in their business areas.</p>	<p>Senior Finance Business Partner</p> <p>Senior Finance Business Partner</p> <p>Senior Finance Business Partner</p>	<p>Deputy Director of Finance</p> <p>Deputy Director of Finance through running weekly aged debtors reports and summarising progress to Finance Director at weekly Finance Ops Meeting</p> <p>Deputy Director of Finance through running weekly aged debtors reports and summarising progress to Finance Director at weekly Finance Ops Meeting. Debt Recover performance to be a standing agenda item on Strategic Finance Board</p>	<p>31st December 2018</p> <p>31st December 2018</p> <p>31st December 2018</p>
<p><b>Internal Audit Recommendation 6: Point 36, Page 12 (Payments-Accounts Payable)</b> All goods/services to be procured by CoLP staff should be requested by the individual requiring the goods/services.</p>	<p><i>Responsibility: Deputy Director of Finance Target Implementation Date: 31st December 2018</i></p> <p><i>This will be communicated to the Force to ensure clarity of the process.</i></p>	<p>Requestors for Goods &amp; Services should be actioned by person needing the</p> <p>This is now being done and improvements have been made. There are a significant number of budget holders in the Force which is being reviewed as this will reduce the number of requisitions. The backlog in requisitions ran to about 8 months in June 2018 which is now running at 3 months.</p>	<p>Senior Finance Business Partner</p> <p>Senior Finance Business Partner</p>	<p>Deputy Director of Finance</p> <p>Deputy Director of Finance</p>	<p>31st March 2019</p> <p>31st March 2019</p>
<p><b>Internal Audit Recommendation 7: Point 41, Page 13 (Payments-Accounts Payable)</b> CoLP should:</p> <p>7.1 Review the AP management information reports in order to identify and take action to clear any processing backlog.</p> <p>7.2 Ensure that management information reports are reviewed on a regular, monthly basis and appropriate action taken to improve performance so that corporate targets are met.</p>	<p><i>Responsibility: Director of Finance Target Implementation Date: 31st March 2019</i></p> <p><i>The Management Information Packs are a regular agenda item on the weekly Finance Team Meeting. Finance Business Partners are held to account for the performance in their business areas around outstanding requisitions and expected receipts.</i></p>	<p>Review AP Reports</p> <p>Creditor reports are a standing item on the weekly team meeting and also a regular agenda item on the business partner meetings with business areas. Progress has been made, there are however still occasional invoiceing issues attributable to the goods receipting process.</p>	<p>Senior Finance Business Partner</p> <p>Senior Finance Business Partner</p> <p>Senior Finance Business Partner</p>	<p>Deputy Director of Finance</p> <p>Deputy Director of Finance through running weekly accounts payable reports and summarising progress to Finance Director at weekly Finance Ops Meeting. Accounts Payable performance to be a standing agenda item on Strategic Finance Board</p> <p>Deputy Director of Finance</p>	<p>31st March 2019</p> <p>31st March 2019</p> <p>31st March 2019</p>
<p><b>Internal Audit Recommendation 8: Point 43, Page 14 (Payments-Accounts Payable)</b> All CoLP procurement should be in line with the corporate Procurement Code, including adequate operational planning to eradicate procurement breaches.</p>	<p><i>Responsibility: Director of Finance Target Implementation Date: 31st March 2019</i></p> <p><i>Finance Business Partners will work with business areas and Corporation Procurement to develop sourcing plans for financial year 2019/20 which will allow for appropriate planning which will reduce procurement breaches.</i></p>	<p>Adherence to Procurement Code</p> <p>Finance Business Partners will work on sourcing plans with business areas in January and February which will be fed into the Corporation Procurement Team.</p>	<p>Senior Finance Business Partner</p> <p>Senior Finance Business Partner</p>	<p>Deputy Director of Finance</p> <p>Deputy Director of Finance to coordinate production of sourcing plans with business areas and then submit to Corporation Procurement Team</p>	<p>31st March 2019</p> <p>31st March 2019</p>
<p><b>Internal Audit Recommendation 9: Point 47, Page 16 (General Ledger-Dashboard)</b> The potential for introduction of a finance dashboard, providing a high-level overview of the monthly management accounts, should be investigated by CoLP in conjunction with the Chamberlain's Financial Services Decision.</p>	<p><i>Responsibility: Director of Finance Target Implementation Date: 31st March 2019</i></p> <p><i>Work has already started on improving management information provided to budget holders. This work will be developed further with the corporation to see if a dashboard can be developed through the Corporations Oracle platform.</i></p>	<p>Introduction of a Finance Dashboard</p> <p>Work has already started on improving management information provided to budget holders. This work will be developed further with the corporation to see if a dashboard can be developed through the Corporations Oracle platform.</p>	<p>Senior Finance Business Partner</p> <p>Senior Finance Business Partner</p>	<p>Deputy Director of Finance</p> <p>Deputy Director of Finance</p>	<p>31st March 2019</p> <p>31st March 2019</p>

RECOMMENDATIONS	MANAGEMENT RESPONSE AND ACTION PLAN	ACTION TAKEN	ACTIONED BY	MONITORED BY	TARGET COMPLETION BY
<p><b>Internal Audit Recommendation 10: Point 48, Page 16 (General Ledger-Monitoring)</b> Key actions arising from monthly budget monitoring meetings should be recorded to facilitate follow-up.</p> <p><b>Internal Audit Recommendation 11: Point 50, Page 17 (Monitoring)</b> Budget monitoring processes should identify necessary actions to reduce the risk of funded units being subsidised by core operations; key points to be reflected in the monthly monitoring records.</p> <p><b>Internal Audit Recommendation 12: Point 52, Page 18 (Monitoring-Variations)</b> Variance analysis should be undertaken on a monthly basis and evidence retained. Where any significant variances are identified, these should be sent to the Assistant Director of Finance for review and remedial action taken as appropriate.</p> <p><b>Internal Audit Recommendation 13: Point 55, Page 19 (Reporting)</b> All financial reporting deadlines, for example in respect of budget-setting, in-year monitoring, and outturn reports, should be met to facilitate appropriate oversight.</p>	<p><i>Responsibility: Director of Finance Target Implementation Date: 31st December 2018 Finance Business Partners and Budget Holders meet regularly with an agenda agreed by the Finance Director. All actions will be recorded centrally by the Finance Directors PA.</i></p> <p><i>Responsibility: Senior Finance Business Partner Target Implementation Date: 31st March 2019 It is important to note that a lot of funded units are carrying out core policing functions and the funding reduces the burden on core funding. As part of the budget setting process funded units will be clearly broken down to illustrate what resources are included as part of the funding. This will then allow Business Partners to clearly monitor the budget to ensure that core resources are not used and the budget monitoring narrative will reflect this.</i></p> <p><i>Responsibility: Deputy Director of Finance Target Implementation Date: 31st March 2019 As part of the budget monitoring process monthly variance analysis and narrative will be undertaken and reviewed. This will then be centrally, electronically recorded.</i></p> <p><i>Responsibility: Deputy Director of Finance Target Implementation Date: 31st March 2019 An annual timetable will be prepared and dates clearly outlined. The performance against these dates will be monitored and recorded.</i></p>	<p>Recording Meetings with Budget Holders</p> <p>Finance Business Partners and Budget Holders meet regularly with an agenda agreed by the Finance Director. All actions will be recorded centrally by the Finance Directors PA</p> <p>This is done as part of the management information review in the budget holder meetings.</p> <p>Monthly Variance analysis should be retained as evidence and reviewed by senior managers</p> <p>As part of the budget monitoring process monthly variance analysis and narrative is undertaken and reviewed. This is also supplemented by narrative reporting as well as just providing figures.</p> <p>Adherence to Reporting Deadlines</p> <p>This is a work in progress and is forming part of a wider annual Finance Department Timetable which will include all key dates and deadlines for Force and Corporation requirements.</p>	<p>Finance Business Partners</p> <p>Finance Business Partners &amp; PA to Finance Director</p> <p>Senior Finance Business Partner</p>	<p>Senior Finance Business Partner</p> <p>Deputy Director of Finance</p> <p>Deputy Director of Finance</p> <p>Deputy Director of Finance to develop budget loading product that clearly outlines the core budget and the funded units budget so that budget holders are clear how much they have to spend in each area. Finance Business partners to be responsible for ensuring the appropriate level of funding is received in a timely manner from partners.</p> <p>Deputy Director of Finance</p> <p>Deputy Director of Finance to ensure that narrative reports are prepared and submitted to budget holders and held electronically in a central easily accessible filing system.</p> <p>Deputy Director of Finance</p> <p>Deputy Director of Finance to ensure that the timetable is closely monitored. Timetable will be a standing agenda item on Finance ops meeting.</p>	<p>31st December 2018</p> <p>31st December 2018</p> <p>31st March 2019</p>

This page is intentionally left blank

<b>Committee:</b> Audit and Risk Management Committee	<b>Date:</b> 15/01/2019
<b>Subject:</b> Internal Audit - CoLP Key Financial Controls Update addendum	<b>Public</b>
<b>Report of:</b> The Chamberlain	<b>For Information</b>
<b>Report author:</b> Pat Stothard, Head of Audit & Risk Management	

---

### Summary

This report relates to the City of London Police Commissioner's Internal Audit Action Plan Update report presented to the A&RMC in this agenda.

The Action Plan Update report summary highlights that *“Over the past 18 months there have been a number of internal audits carried out in City of London Police. The recommendations for these audits have been consolidated into one action plan”*. By way of clarification, the Head of Audit & Risk Management would point out that the CoLP Action Plan may have consolidated a number of the Internal Audit reports issued over the past 18 months; however, these will only be reports made in relation to financially-focussed audits and do not include the non-financial audits such as Seized Goods and Freedom of Information Requests.

The main report section notes under the Current Position that *“Progress is being made against all recommendations and follow up audit field work has taken place in December and further follow up work is planned for January 2019”*. It should be noted that none of the recommendations in relation to the Key Financial Controls audit have yet been followed-up or validated by Internal Audit as part of the Internal Audit Recommendations Follow-up exercise, the outcome of which is presented to the A&RMC in this agenda. This will be undertaken for the May 2019 A&RMC.

It is intended that Internal Audit will undertake additional testing during January 2019 to ascertain whether there have been improvements in financial compliance and to confirm progress in relation to the AP and AR performance statistics and backlogs identified in the CoLP Key Financial Controls audit.

In addition, Members would need to ensure that the City of London Police Commissioner's Internal Audit Action Plan Update report and appendix provides sufficient information to explain the actions being taken to address the control weaknesses to provide them with assurance that there will be and is an ongoing improvement in the financial controls within CoLP, and that resources are available to deliver this improvement. Particularly in relation to the aged debt and invoice

payment statistics, it is suggested that CoLP provide an update on financial performance (particularly with regard to trend information on the AR and AP backlogs) since the audit was undertaken at August 2018.

### **Recommendation(s)**

Members are asked to:

1. Note the comments of Head of Audit & Risk Management alongside the report of the CoLP Commissioner in relation to the City of London Police Internal Audit Action Plan.
2. Ensure that CoLP has provided sufficient assurance that there will be and is an ongoing improvement in the financial controls within CoLP, and request that performance updates should be provided to A&RMC as required to confirm ongoing assurance.

### **Main Report**

#### **Background**

3. At the November 2018 A&RMC, Members requested that the City of London Police provide an Action Plan to address the issues raised in respect of the Internal Audit review of City of London Police (CoLP) key financial controls, undertaken as a result of concerns raised in relation to year-end closedown for the 2017-18 financial year.
4. The Commissioner's Internal Audit Action Plan Update report presented to the A&RMC in this agenda makes a number of references which require clarification to ensure a clear understanding of the current position from an Internal Audit perspective.

#### **Internal Audit Action Plan Update report**

5. The report summary highlights that *“Over the past 18 months there have been a number of internal audits carried out in City of London Police. The recommendations for these audits have been consolidated into one action plan”*. The Head of Audit & Risk Management would point out that the CoLP Action Plan may have consolidated a number of the Internal Audit reports issued over the past 18 months; however, these will only be reports made in relation to financially-focussed audits and do not include the non-financial audits such as Seized Goods and Freedom of Information Requests.
6. The main report section notes under the Current Position that *“Progress is being made against all recommendations and follow up audit field work has taken place in December and further follow up work is planned for January*

2019". The Head of Audit & Risk Management would clarify that none of the recommendations in relation to the Key Financial Controls audit have yet been followed-up or validated by Internal Audit as part of in relation to the Internal Audit Recommendations Follow-up exercise, the outcome of which is presented to the A&RMC in this agenda. This will be undertaken for the May 2019 A&RMC.

7. It is intended, however, that Internal Audit will undertake additional testing during January 2019 to ascertain whether there have been improvements in financial compliance and to confirm progress in relation to the AP and AR performance statistics and backlogs identified in the CoLP Key Financial Controls audit.
8. In addition, Members would need to ensure that the City of London Police Commissioner's Internal Audit Action Plan Update report and appendix provides sufficient information to explain the actions being taken to address the control weaknesses to provide them with assurance that there will be and is an ongoing improvement in the financial controls within CoLP and that resources are available to deliver this improvement. Particularly in relation to the aged debt and invoice payment statistics, it is suggested that CoLP provide an update on financial performance (particularly with regard to trend information on the AR and AP backlogs) since the audit was undertaken at August 2018.

## Conclusion

9. For the sake of clarity in the CoLP Internal Audit Action Plan Update report, the points raised by the Head of Audit & Risk Management above should be read in conjunction with the report and Action Plan presented by the Commissioner at this meeting.
10. The CoLP should be able to provide Members with assurance that there will be and is an ongoing improvement in the financial controls within CoLP and that resources are available to deliver this improvement, and that performance updates should be provided to A&RMC as required to confirm ongoing assurance.

### Pat Stothard

Head of Audit & Risk Management

E: [pat.stothard@cityoflondon.gov.uk](mailto:pat.stothard@cityoflondon.gov.uk)

This page is intentionally left blank

# Agenda Item 12

<b>Committee:</b> Audit and Risk Management	<b>Date:</b> 15 January 2019
<b>Subject:</b> Terms of Reference and Frequency of Meetings of the Audit and Risk Management Committee	<b>Public</b>
<b>Report of:</b> Town Clerk	<b>For Decision</b>
<b>Report Author:</b> Julie Mayer	

## Summary

As part of the post-implementation review of the changes made to the Governance Arrangements in 2011, it was agreed that all Committees/Boards should review their Terms of Reference annually. This will enable any proposed changes to be considered in time for the reappointment of Committees by the Annual Meeting of the Court of Common Council. The current Terms of Reference are attached for your consideration.

### **RECOMMENDATION – That:**

1. Subject to Members' comments/suggestions, the Terms of Reference of the Committee be approved.
2. The Committee continues to meet 6 times a year.

**Appendix – Order of the Court of Common Council, as of 19<sup>th</sup> April 2018**

BOWMAN, Mayor	<b>RESOLVED:</b> That the Court of Common Council holden in the Guildhall of the City of London on Thursday 19th April 2018, doth hereby appoint the following Committee until the first meeting of the Court in April 2019.
---------------	--

**AUDIT & RISK MANAGEMENT COMMITTEE**

1. **Constitution**

A Non-Ward Committee consisting of,

- ten Members elected by the Court of Common Council\* at least one of whom shall have fewer than five years' service on the Court at the time of their appointment
- three external representatives (i.e. non-Members of the Court of Common Council with no voting rights)
- the Chairman and Deputy Chairman of the Finance Committee (ex-officio with no voting rights)
- a representative of the Policy & Resources Committee (ex-officio with no voting rights)

*NB:- The Chairmen of the Policy and Resources, Finance and Investment Committees are not eligible for election to this Committee and the Deputy Chairman of the Audit & Risk Management Committee for the time being may not be a Chairman of another Committee.*

*From April 2017 onwards, Members of the Court of Common Council are appointed for terms of three years. The maximum continuous period of service (except when serving as Chairman or Deputy Chairman) shall be nine years in any twelve-year period.*

2. **Quorum**

The quorum consists of five Members i.e. at least three Members elected by the Court of Common Council and at least one external representative.

3. **Membership 2018/19**

- 2 (2) Alexander Robertson Martin Barr, *for two years*
- 2 (2) Randall Keith Anderson
- 2 (2) Christopher Paul Boden
- 8 (2) Nicholas John Anstee, Alderman
- 2 (2) Paul Nicholas Martinelli
- 8 (1) Ian David Luder, J.P., Alderman
- 1 (1) John Garbutt, Alderman, *for two years*
- 1 (1) John Petrie, *for two years*
- Vacancy*
- Vacancy*

together with three external representatives :-

Hilary Daniels (*appointed for a three-year term expiring in March 2019*)

Kenneth Ludlum (*appointed for a three-year term expiring in March 2020*)

Caroline Mawhood (*appointed for a three-year term expiring in March 2021*)

and together with the Members referred to in paragraph 1.

4. **Terms of Reference**

**Audit**

- (a) To consider and approve annually the rolling three-year plan for Internal Audit.
- (b) To consider and approve the annual External Audit Plan.
- (c) To commission and to receive reports from the Chief Internal Auditor on the extent that the City of London Corporation can rely on its system of internal control and to provide reasonable assurance that the City of London Corporation's objectives will be achieved efficiently.
- (d) To meet with the external auditors prior to the presentation of the Accounts to the Court, consider the audited annual accounts of the City Fund and the various non-local authority funds, to receive and consider the formal reports, letters and recommendations of the City of London Corporation's external auditors and to make recommendations relating to the approval of the accounts (to the Finance Committee).
- (e) To meet with the external auditors of the City's various funds at least once in each calendar year prior to the presentation of the financial statements to the Court.

- (f) In addition to (e), to meet with the external auditors of the City's various funds at least once in each calendar year.
- (g) To report back, as necessary and at least annually, to the Court of Common Council.
- (h) To appoint an Independent Audit Panel to make recommendations on the appointment of external auditors to the Court of Common Council.

**Risk Management**

- (a) To monitor and oversee the City of London Corporation's risk management strategy, anti-fraud and anti-corruption arrangements; and to be satisfied that the authority's assurance framework properly reflect the risk environment.
- (b) To consider all audit or external inspection reports relating to any department at the City of London Corporation and seek assurance that action has been taken where necessary.
- (c) To receive an annual report from the Chamberlain reviewing the effectiveness of the City of London's risk management strategy.
- (d) To consider and report back to the Court on any risks related to all governance issues.
- (e) To undertake periodic reviews of the risk management procedures, financial capabilities, controls, and safeguarding procedures of the City of London School, the City of London School for Girls, the City of London Freemens' School, the City of London Academies Trust (including its embedded academies) and the City Academies which are free-standing entities.

**Contact:**

Julie Mayer, Committee and Member Services

Telephone: 020 7332 1410

Email: [julie.mayer@cityoflondon.gov.uk](mailto:julie.mayer@cityoflondon.gov.uk)

This page is intentionally left blank

Document is Restricted

This page is intentionally left blank