



Report – Finance Committee

City Fund and Pension Funds - 2014/15 Statement of Accounts and Annual Audit Letter

To be presented on Thursday, 3rd December 2015

*To the Right Honourable The Lord Mayor, Aldermen and Commons
of the City of London in Common Council assembled.*

SUMMARY

On 23 May 1996, the Court authorised this Committee to approve, amongst other things, the Statement of Accounts for the City Fund and Pension Funds. We have duly considered and approved the 2014/15 City Fund and Pension Funds Statement of Accounts. Hard copies of the Statement have been placed in the Members' Reading Room and are available from the Chamberlain. The annual audit letter from Deloitte LLP on their audit work is attached for the information of the Court. In addition, the Statement and letter have been published on the City's website at <http://www.cityoflondon.gov.uk/about-the-city/how-we-make-decisions/budgets-and-spending/Pages/Council-budgets-and-spending.aspx>.

It is **recommended** that the Court is receives the 2014/15 City Fund and Pensions Fund Statement of Accounts.

MAIN REPORT

These Statements were considered by your Audit and Risk Management Committee on 20 July 2015 and by your Finance Committee on 21 July 2015. Both Committees agreed to delegate approval of the Statements to the Town Clerk, in consultation with the Chairman and Deputy Chairman of each Committee. This was due to a

significant outstanding issue relating to the accounting treatment for the proceeds from long leasehold disposals.

This accounting treatment issue was that the Corporation previously considered all income from long leasehold disposal transactions as capital receipts. However, the auditors advised that an element of these transactions was a lease of land and therefore this element of the receipt should be treated as deferred income. This would then be released as revenue on an annual basis over the lengths of the leases. At the time of the above meetings in July 2015, discussions regarding the accounting treatment for such long leasehold disposals were continuing with the auditors.

Agreement was reached at the end of September as to how to treat such transactions. It was confirmed that an element of these transactions will be treated as a lease of land, and therefore as deferred income.

The result of this is that £136m total premiums were received in 2014/15 and, of this, £72.5m has been apportioned as a lease of land. In addition, £25.2m in premiums from transactions in 2012/13 and 2013/14 has been reclassified as relating to land. This has resulted in £97.7m being reclassified from usable reserves to unusable reserves.

The Corporation has received the cash for the transactions which have been adjusted. The change is in respect of how this is treated within the accounts. These premiums will still be available to use for the Corporation's £200m contribution towards Crossrail. However, there will be a charge of around £500,000 per year to the revenue account going forward, to account for these funds.

Briefings were arranged for the Chairmen and Deputy Chairmen of your Finance Committee and your Audit and Risk Management Committee on 30 September 2015, to advise them of the outcome of these discussions with the auditors. The Chairmen and Deputy Chairmen were content with the position taken, and therefore advised the Town Clerk that they were content for him to exercise his delegated authority and approve the 2014/15 City Fund and Pension Funds Statement of Accounts.

Members will recall that a number of questions were asked about the Pensions Fund Deficit at the meeting of the Court of Common Council on 15 October 2015. Your Finance Committee will submit a separate report on this issue to the next meeting of the Court.

All of which we submit to the judgement of this Honourable Court.

DATED this 30th day of September 2015.

SIGNED on behalf of the Committee.

Roger Arthur Holden Chadwick
Chairman, Finance Committee