

THE CITY OF LONDON CORPORATION
STATEMENT OF ACCOUNTS FOR THE CITY FUND
YEAR ENDED 31 MARCH 2017

Contents

Narrative Report	1
Statement of Responsibilities for the Statement of Accounts	11
Core Financial Statements and Explanatory Notes	
Comprehensive Income and Expenditure Statement.....	12
Movement in Reserves Statement	13
Balance Sheet	14
Cash Flow Statement	15
Explanatory Notes to the Financial Statements	16
Supplementary Financial Statements and Explanatory Notes	
Housing Revenue Account	99
Collection Fund Statement.....	106
Police Pension Fund Account.....	111
City of London Corporation Pension Fund Account	114
Annual Governance Statement.....	135
Glossary of Terms.....	148
Acronyms.....	153
Index to Explanatory Notes	154

AN INTRODUCTION TO THE CITY OF LONDON CORPORATION

1. Although little more than one mile square in size, the City of London is densely developed with 17,980¹ businesses providing employment for 454,700² people, this represents 9.0% of Greater London's employment and 1.5% of the UK's total employment, meaning over 1 in 100 of the UK's workforce is employed in the City. By contrast the residential population of around 8,300³ is relatively small. In addition, it is estimated that the City attracts some 10.3⁴ million visitors each year.
2. As the local authority for the "Square Mile" the City of London Corporation is the oldest continuous municipal democracy in the world and predates Parliament. While the City Corporation has a long history, with many traditions and ceremonies continuing to this day, it has a modern outlook that matches that of the City it serves.
3. A unique organisation with a diverse range of roles and responsibilities the City Corporation has a role and remit that goes beyond that of an ordinary local authority. In addition to the functions of a local and police authority, a range of specialist services are provided for the business City and to its residents, workers and visitors. Many of the City Corporation's services are of wider regional and national importance including the Barbican Centre, the Old Bailey, Spitalfields Market and the Animal Reception Centre at Heathrow.
4. Recognising that the Square Mile cannot work in isolation, the City Corporation is committed to working in partnership to improve the quality of life of, and increase the opportunities for the wider London community. This work ranges from encouraging corporate responsibility in City firms to assisting in education, promoting employability, jobs and growth.
5. The City Corporation plays a leading role in supporting and promoting the City as the world's leading international financial and business centre and in promoting the interests of the financial services sector in the City and the UK. This includes providing essential infrastructure maintenance, strategic economic development and encouraging inward investment. The City of London Police is a dedicated police force for the Square Mile and the national lead force for economic crime.
6. The City Fund covers the City Corporation's activities in its capacity as a local authority, police authority and port health authority. The other funds are Bridge House Estates and City's Cash. Bridge House Estates funds the maintenance of Tower, London, Southwark, Millennium and Blackfriars Bridges and the work of City Bridge Trust (London's largest independent grant-giving charity). City's Cash allows us to provide services that are of importance to Greater London as well as to the City at little or no cost to the public. More information on the role and ongoing work of the City Corporation, including the Corporate Plan (the

¹ Source: UK Business: Activity, Size and Location, 2016

² Source: Business Register and Employment Survey, Office for National Statistics, 2015 data (released autumn 2016)

³ Source: GLA 2015 round SHLAA-based population projections: DCLG-Based Model

⁴ Source: City of London estimates for 2015

City Corporation's main strategic planning document providing a framework for the delivery of services) can be found on City's website at www.cityoflondon.gov.uk¹.

7. The Corporate Plan 2015-19 sets out our Vision and Strategic Aims, as follows:

Our Vision:

The City of London Corporation will support, promote and enhance the City of London as the world leader in international finance and business services, and will maintain high quality, accessible and responsive services benefiting its communities, neighbours, London and the nation.

Our strategic aims:

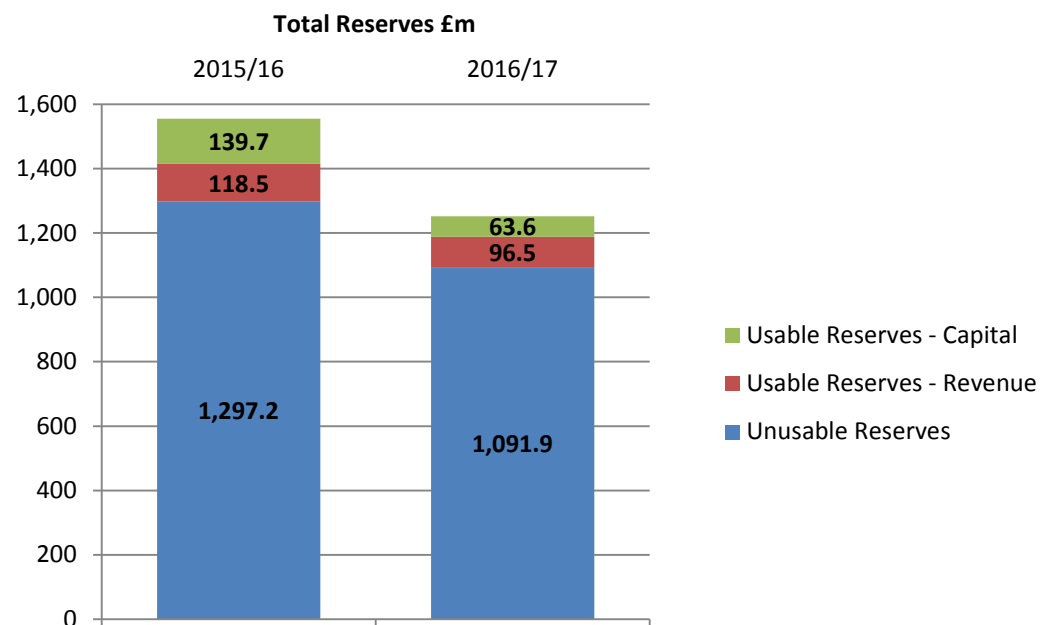
- To support and promote The City as the world leader in international financial and business services;
- To provide modern, efficient and high quality local services, including policing, within the Square Mile for workers, residents and visitors;
- To provide valued services, such as education, employment, culture and leisure, to London and the nation.

8. **The rest of this publication only covers services provided by the City Fund unless otherwise stated.**

¹ The City of London Corporation is responsible for the maintenance and integrity of the corporate and financial information included on its website. Legislation in the United Kingdom governing the preparation and dissemination of financial information differs from legislation in other jurisdictions

FINANCIAL PERFORMANCE OF THE CITY FUND 2016/17**Reserves**

9. Total reserves of £1,252m, a decrease of £303.4m since last year. This is after the City Corporation's £200m contribution from the City Fund to Crossrail which was made in March 2017.



10. Reserves are analysed between usable, those relatively liquid reserves that can be applied to fund expenditure or reduce local taxation, and unusable, those reserves which cannot be used to provide services and which hold unrealised gains and losses and differences between the accounting basis and funding basis under regulations.

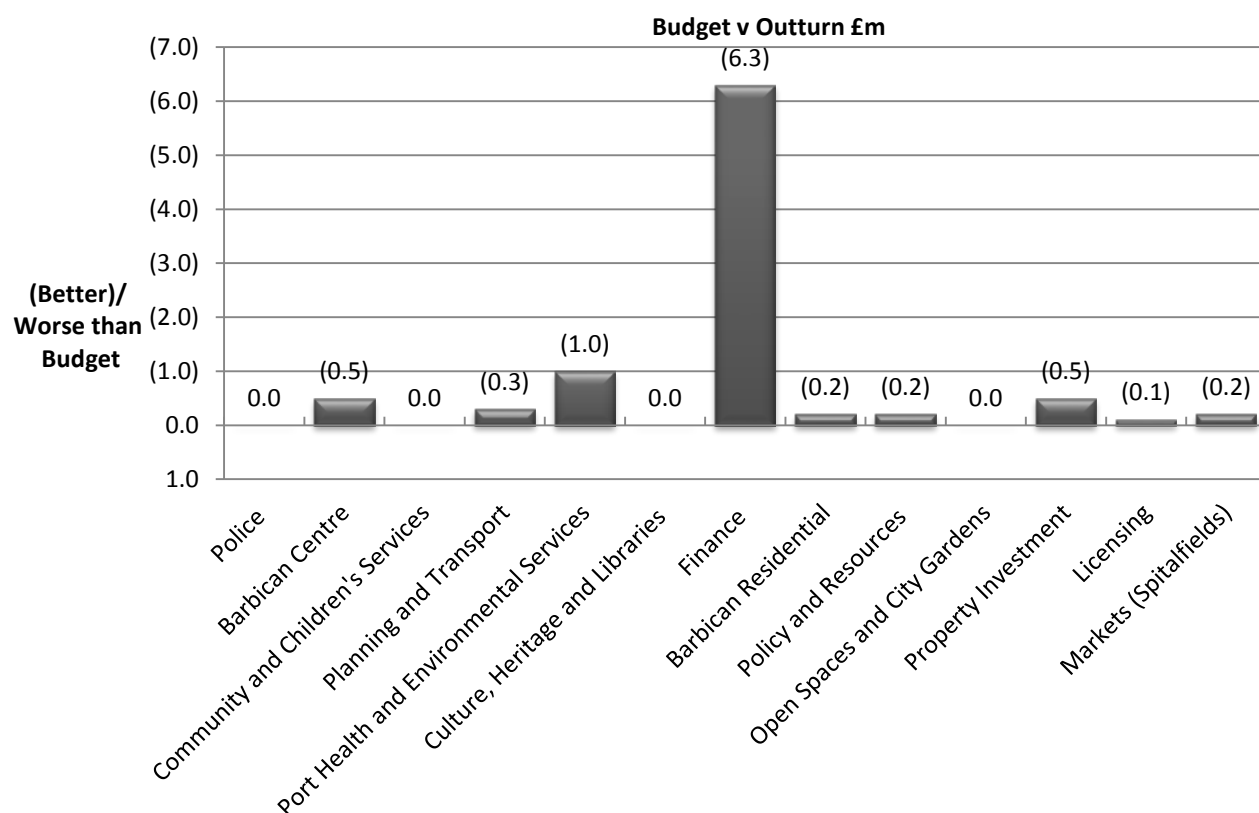
11. The following table is an extract from the financial statements and shows that after taking into account those items which the City Corporation, as a local authority, is required by statute and non-statutory proper practices to debit or credit to the City Fund the movement on usable revenue reserves for 2016/17 was a reduction of £22m compared to a reduction of £13.9m in 2015/16.

2015/16 £m		2016/17 £m
	Comprehensive Income and Expenditure Statement	
0.0	Crossrail payment	200.0
151.0	Other services	160.0
151.0	Cost of services	360.0
(16.6)	Other operating income - net gain on disposal of fixed assets	(9.5)
1.1	Other operating expenditure	1.1
	Financing and investment income - gain on revaluation of investment properties	(54.9)
(180.3)		
(10.6)	Financing and investment income - other	(10.5)
(122.1)	Taxation and non-specific revenue grant income	(109.1)
(20.7)	Capital grants, contributions and donations	(30.9)
(198.2)	(Surplus)/deficit on the provision of services	146.2
	Movement in Reserves Statement	
	Adjustments between accounting basis and funding basis under regulation	
212.1		(124.2)
13.9	Decrease in Usable Revenue Reserves	22.0

* The £200m City Fund contribution to Crossrail is classed as revenue expenditure in the financial statements as it does not result in the creation of a City Fund asset. However, under statutory provisions the City is able to capitalise this expenditure and this is included as one of the adjustments between the accounting basis and funding basis.

2016/17 Revenue Outturn compared to Budget

12. Set out below is a summary by Committee comparing actual revenue expenditure for the year to budget and indicating that outturn for the year was £9.3m better than budget. The summary is in the format used to report the overall City Fund budget requirement to the City of London Corporation's Finance Committee and includes transfers to and from earmarked revenue reserves.
13. This better than budget position of £9.3m is summarised in the City Fund's management accounts as follows:



14. The Finance Committee holds contingency budgets to meet unforeseen and/or exceptional items that may be identified across the City Corporation's range of activities. The Finance Committee's outturn position has also benefitted from significantly reduced insurance premiums, lower operational building running costs and increased investment income.

2016/17 Capital Outturn compared to Budget

15. The approved capital budget for 2016/17 totalled £71.3m. Actual expenditure during the year was £59.5m, an underspend of £11.8m compared with the budget. This reduction was mainly due to re-phasing of expenditure on highways, public realm and police projects.

16. Capital expenditure included:

- £31.6m on the acquisition and redevelopment of investment properties
- £10.2m on highways and streetscene schemes, including £4.2m on the Aldgate highway, public realm improvement and new pavilion project
- £8.8m on construction and refurbishment of Housing Revenue Account Properties.

Capital Borrowing

17. The City Fund has not had loan debt for many years as it has been able to finance its full capital spending from its own resources or external contributions. However, the 'borrowing option' is kept under review.

Pension Liabilities

18. Pension liabilities have increased from £1,018.9m to £1,220.3m. The liabilities arise from applying the requirements of International Accounting Standard (IAS) 19: Employee Benefits. This accounting standard is complex, but is based on the principle that an organisation should recognise liabilities for pension benefits as they are earned, even if the payment of such benefits will be many years into the future. The liability relates primarily to the historic deficit in the unfunded Police Pension Schemes (£913m – An increase of £137m from 31 March 2016) and the City Fund's share (£305m – an increase of £64m from 31 March 2016) of the City of London scheme.

19. Although the liabilities have a substantial impact on the net worth of the City Fund statutory arrangements for funding the schemes mean that the financial position of the City Fund remains sound. The Police Schemes are funded on a pay as you go basis, with the employer contributing a percentage of police pay into the Pension Fund and the Home Office meeting the balance. For the City of London Scheme the fund is revalued every three years to set future employer contribution rates and to recover the deficit over an agreed period (currently 17 years).

20. Pension fund deficits (or surpluses) are sensitive to movements in the underlying assumptions and the main reason for the increase in the Police pension deficit is a decrease in the discount rate used for calculating the present day value of future payments from the fund - with a decrease in the rate resulting in higher liabilities and vice-versa. The decrease in the discount rate has also increased the deficit on the City of London Pension Fund. However, as the City of London Scheme is funded (i.e. it has assets) the value of the Scheme's investments have to be taken into account when assessing the net deficit. In 2016/17 there was an increase in the value of the Scheme's investments which partly offset the increase in liabilities.

Impact of Economic Climate

21. The outlook for local government and police forces remains particularly challenging due to the continuing pressures on public finances and the level of uncertainty following Brexit and the election of a new Government.

Local Government Services

22. Low interest rates continue to depress interest earnings but rental incomes from investment properties remain strong with little impact from Brexit yet. As investment properties continue to generate yields which are significantly better than interest on cash balances, the City will continue to review these investments in light of other demands on the City Fund.
23. A Service Based Review began in 2014/15 to identify a range of options to deliver efficiencies, budget reductions, and income generation opportunities. The package of measures agreed by the Policy and Resources Committee is being implemented over the four year period to 2018/19 and, subject to there being no significant adverse changes in financial planning assumptions across the period, the savings/increased incomes will produce some headroom in the revenue budget. This will allow consideration of options for sustained investment in service priorities, IT infrastructure and improving the condition of operational properties.
24. Whilst the medium-term financial forecasts indicate that the City Fund is in a stable position there are risks due to continued uncertainty from Brexit. In particular, the future levels of demand for office accommodation and the level of development in the City will have consequential impacts on rent yields, business rates income and the community infrastructure levy which are directly related to funding City Fund services.
25. A close watching brief will be kept on these and other implications as events unfold during the coming months. There are proposals to reform business rates resulting in a change to the amount retained by local government to fund services. As the picture becomes clearer on Brexit, business rates retention and the direction of the new Government financial forecasts will be refreshed.

City Police

26. The City of London Police manages its budget on a ring-fenced basis and financial forecasts indicate annual deficits if action is not taken to stabilise the budget position of the force over the medium term. A financial strategy to balance the budget has been prepared.
27. The strategy includes maximising opportunities to increase income, exploring potential additional funding streams, and reviewing expenditure on the basis of demand and delivering value for money.

Capital and Major Revenue Projects

28. Spending on capital and major revenue projects is limited to the highest corporate priorities with funding being maximised from external sources and surplus operational properties, thus minimising requirements for the sale of income generating investment properties and/or the depletion of reserves.
29. There are a number of major schemes that the City is considering which will require significant investment from the City Fund. A funding strategy will be developed as these plans mature to ensure that these remain within the means of the City Fund, including seeking funding from partners where appropriate.

NON-FINANCIAL PERFORMANCE OF THE CITY FUND 2016/17

30. Illustrative key performance information from City Fund services, including the City of London Police, during 2016/17:

External Inspections

- Adult Skills and Education Service was rated as “good” in all areas by Ofsted
- Reablement Service was rated as “good” overall and “good” in all five key areas (safe, effective, caring, responsive, well-led) by the Care Quality Commission
- Ofsted gave an overall “good” rating for the quality and effectiveness of the City Corporation’s services for children in need of help and protection; children looked after and care leavers. Two “outstanding” judgements were received for Leadership, Management and Governance and the City and Hackney Safeguarding Children Board

Performance Indicators

- 85% of residents were 'very satisfied' or 'satisfied' with the overall service the City Corporation provides as their landlord
- 48% of participants in smoking cessation programme quit smoking compared to 46% in previous year
- Over 98% of Freedom of Information requests received were responded to within 20 working days of receipt
- 96% (against a 90% target) of justifiable noise complaints investigated by the Pollution Team resulted in a satisfactory outcome
- The Trading Standards Team responded to all victims of investment fraud, of whom it was notified, within 5 working days
- Notifiable crimes increased by 4.6% (from 5,227 to 5,465), this mirrors the national position (the national increase has averaged 10%). No force has recorded a decrease. City of London Police’s increase was the 8th lowest nationally.
- Almost 85% of victims satisfied with the service received, placing City of London Police third nationally compared to other police forces

Other Achievements

- Work commenced on the establishment of a Low Emission Neighbourhood in the Barbican and Golden Lane area.
- The Environmental Health Service was a finalist in the 2016 Association for Public Service Excellence service awards, in the category “Best Service Team: Environmental Health Service”
- The Guildhall Art Gallery achieved its second highest annual footfall since it opened and received the Visit England Quality Rose Marque
- International Association of Music Libraries, Archives and Documentation Centres - “Excellence” award for the Barbican Music Library
- John Connell Soundscape Award to the City Corporation’s Pollution Team for its Noise and Soundscape Strategy.
- Chartered Institute of Highways and Transportation - the Holborn Circus Area Enhancement project achieved “Highly Commended”
- Chartered Institute of Public Finance and Accountancy – Outstanding Procurement Initiative for the design, strategy and procurement of the City’s Corporate Cleaning Contract

ANNUAL GOVERNANCE STATEMENT

31. The Annual Governance Statement is reviewed and updated annually, and is considered and approved by the Audit and Risk Management Committee, based on its evaluation of the effectiveness of the risk and governance framework. The Annual Governance Statement for the year ended 31 March 2017 is set out on pages 135 to 147.

RISK MANAGEMENT

32. The City Corporation has a comprehensive Risk Management Strategy in place. The Audit and Risk Management Committee monitors and oversees the strategy on a regular basis and undertakes a systematic programme of detailed reviews of each of the risks on the Corporate Risk Register. The Chief Officer Risk Management Group has a remit to ensure that risk management policies are applied, that there is an ongoing review of risk management activity and that appropriate advice and support is provided to Members and officers.

33. The Risk Management Strategy captures the following key objectives:

- Enables corporate, departmental and programme objectives to be achieved in the optimum way and to control risks and maximise opportunities which may impact on the City Corporation's success
- The City Corporation recognises its responsibility to manage risks and support a structured and focused approach that includes risk taking in support of innovation to add value to service delivery
- Risk Management is seen as an internal element of the City Corporation's culture.

34. The Corporate Risk Register codifies key strategic risks and assigns responsibility for taking action to mitigate each risk to a named Chief Officer. It includes risk in the following areas:

- Information Technology Service Provision
- Road Safety
- Air Quality
- Resilience (emergency planning)
- Health and Safety
- Information Security (including cyber security)
- Loss of business support for the City
- Safeguarding
- Funding Reduction (City Police).

THE CITY FUND FINANCIAL STATEMENTS

35. The format and content of the financial statements set out in this publication is prescribed by the Chartered Institute of Public Finance and Accountancy Code of Practice on Local Authority Accounting in the United Kingdom 2016/17. They comprise core and supplementary statements together with supporting disclosure notes.

CORE STATEMENTS**Comprehensive Income and Expenditure Statement or CIES**

(page 12) - the cost of providing services in accordance with generally accepted accounting practices (GAAP) rather than the statutory amount to be funded from business rates, council tax and general government grants. The statutory position is shown in both the Expenditure and Funding Analysis and the Movement in Reserves Statement.

Balance Sheet

(page 14) – a “snapshot” at 31 March of the City Fund’s assets and liabilities matched by the reserves held. Reserves are categorised as usable (available to provide services subject to maintaining a prudent level and in some instances statutory limitations) and unusable which are mainly used to hold unrealised gains and losses.

Movement in Reserves Statement

(page 13) –sets out the change in the City Fund’s “net worth” over the year and analyses the movement between “usable reserves” and “unusable reserves”.

Cash Flow Statement

(page 15) - shows the change in cash and cash equivalents during the year and whether that change is due to operating, investing and financing activities. The net cash flow from operating activities is a key indicator of the extent to which services are funded by way of taxation and grant income or from the recipients of services provided. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to future service delivery.

Explanatory Notes to the Core Financial Statements are on pages 16 to 98. They include the **Expenditure and Funding Analysis** (Note 3, page 30) which shows how annual expenditure is used and funded from resources (government grants, rents, council tax and business rates) in comparison with those resources consumed or earned in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes between the City Corporation’s Committees. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

Supplementary Financial Statements

Housing Revenue Account (HRA) (pages 99 to 105) –reflects a statutory obligation to maintain a separate revenue account for social housing.

Collection Fund (pages 106 to 110) –a separate account setting out income collected from taxpayers and its distribution between the Government, the Greater London Authority and the City Corporation.

Police Pension Fund (pages 111 and 112) and **City of London Corporation Pension Fund** (pages 113 to 134)

The City of London's Responsibilities

The City of London is required to:

- make arrangements for the proper administration of its financial affairs and to ensure that one of its officers has the responsibility for the administration of those affairs. This officer is the Chamberlain;
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets; and
- approve the Statement of Accounts.

The Chamberlain's Responsibilities

The Chamberlain is responsible for the preparation of the Authority's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 ("the Code").

In preparing this Statement of Accounts, the Chamberlain has:

- selected suitable accounting policies and then applied them consistently;
- made judgments and estimates that were reasonable and prudent; and
- complied with the local authority Code.

The Chamberlain has also:

- kept proper accounting records which were up to date; and
- taken reasonable steps for the prevention and detection of fraud and other irregularities.

Chamberlain's Certificate

I certify that the Statement of Accounts gives a true and fair view of the financial position of the City Fund and the Pension Funds of the City of London at the reporting date and of its expenditure and income for the year ended 31 March 2017.

Dr Peter Kane
Chamberlain

Date:

2015/16 Restated				Notes	2016/17		
Gross Expenditure £m	Gross Income £m	Net Expenditure (Income) £m			Gross Expenditure £m	Gross Income £m	Net Expenditure (Income) £m
118.8	(56.5)	62.3	Services		117.7	(58.9)	58.8
50.4	(25.6)	24.8	Police		52.4	(25.2)	27.2
27.9	(14.8)	13.1	Barbican Centre		28.9	(15.2)	13.7
10.5	(15.7)	(5.2)	Community & Children's Services		18.7	(15.1)	3.6
33.4	(24.5)	8.9	Housing Revenue Account (HRA)		34.7	(25.7)	9.0
25.4	(13.0)	12.4	Planning & Transportation		24.9	(13.9)	11.0
23.1	(2.4)	20.7	Port Health & Environmental Services		23.0	(2.1)	20.9
17.9	(9.1)	8.8	Culture, Heritage and Libraries		21.6	(11.5)	10.1
11.6	(13.3)	(1.7)	Finance		12.3	(14.3)	(2.0)
9.1	(4.7)	4.4	Barbican Residential		11.0	(5.9)	5.1
2.0	(0.4)	1.6	Policy & Resources		2.2	(0.4)	1.8
1.2	(0.4)	0.8	Open Spaces and City Gardens		1.5	(0.7)	0.8
0.7	(0.6)	0.1	Property Investment Board		0.7	(0.7)	0.0
0.0	0.0	0.0	Licensing				
			Crossrail	12	200.0	0.0	200.0
332.0	(181.0)	151.0	Cost of Services		549.6	(189.6)	360.0
		(15.5)	Other Operating Income	13			(8.4)
		(190.9)	Financing & Investment Income & Expenditure	14			(65.4)
		(142.8)	Taxation & Non-Specific Grant Income	15			(140.0)
		(198.2)	(Surplus)/Deficit on the Provision of Services				146.2
		(100.3)	Surplus on the Revaluation of Property, Plant & Equipment	29A			(16.5)
		(75.9)	Remeasurements of the Pensions Liability	50			173.7
		(176.2)	Other Comprehensive (Income) & Expenditure				157.2
		(374.4)	TOTAL COMPREHENSIVE (INCOME) & EXPENDITURE				303.4

	Notes	City Fund Balance £m	Housing Revenue Account £m	Capital Receipts Reserve £m	Capital Grants Unapplied £m	Major Repairs Reserve £m	Total Usable Reserves £m	Unusable Reserves £m	Total Reserves £m
Balance at 31 March 2016*		(108.4)	(10.1)	(129.9)	(3.6)	(6.2)	(258.2)	(1,297.2)	(1,555.4)
Movement in reserves during 2016/17									
Total Comprehensive Income & Expenditure		145.4	0.8	0.0	0.0	0.0	146.2	157.2	303.4
Adjustments between accounting basis & funding basis under regulations	10	(125.4)	1.2	96.2	(19.8)	(0.3)	(48.1)	48.1	0.0
(Increase) or decrease in 2016/17		20.0	2.0	96.2	(19.8)	(0.3)	98.1	205.3	303.4
Balance at 31 March 2017 carried forward*		(88.4)	(8.1)	(33.7)	(23.4)	(6.5)	(160.1)	(1,091.9)	(1,252.0)

* The City Fund balance of £88.4m comprises unallocated revenue funds of £50.9m and earmarked revenue reserves of £37.5m (see note 11)

	Notes	City Fund Balance £m	Housing Revenue Account £m	Capital Receipts Reserve £m	Capital Grants Unapplied £m	Major Repairs Reserve £m	Total Usable Reserves £m	Unusable Reserves £m	Total Reserves £m
Balance at 31 March 2015		(124.3)	(8.1)	(96.0)	(0.7)	(7.1)	(236.2)	(944.8)	(1,181.0)
Movement in reserves during 2015/16									
Total Comprehensive Income & Expenditure		(191.4)	(6.8)	0.0	0.0	0.0	(198.2)	(176.2)	(374.4)
Adjustments between accounting basis & funding basis under regulations	10	207.3	4.8	(33.9)	(2.9)	0.9	176.2	(176.2)	0.0
(Increase) or decrease in 2015/16		15.9	(2.0)	(33.9)	(2.9)	0.9	(22.0)	(352.4)	(374.4)
Balance at 31 March 2016 carried forward		(108.4)	(10.1)	(129.9)	(3.6)	(6.2)	(258.2)	(1,297.2)	(1,555.4)

* The City Fund balance of £108.4m comprises unallocated revenue funds of £53.7m and earmarked revenue reserves of £54.7m (see note 11)

31 March 2016 £m		Notes	31 March 2017 £m
885.9	Property, Plant and Equipment	16	888.2
8.9	Heritage Assets	17	8.9
1,366.7	Investment Property	18	1,444.8
0.1	Intangible Assets		0.1
0.2	Investments	20	0.2
36.6	Long-Term Debtors	22	16.1
2,298.4	Long-Term Assets		2,358.3
712.4	Short-Term Investments	20	697.9
0.0	Assets Held for Sale		0.3
0.5	Inventories		0.5
0.4	Intangible Current Assets		0.4
68.0	Short-Term Debtors	23	89.4
57.7	Cash and Cash Equivalents	24	52.3
839.0	Current Assets		840.8
(271.9)	Short-Term Creditors	25	(376.4)
(46.3)	Provisions	26	(82.6)
(318.2)	Current Liabilities		(459.0)
(1,018.9)	Pensions Liability	50	(1,220.3)
(90.8)	Capital Grants and Contributions Received in Advance	41	(111.3)
(151.7)	Deferred Credits	42	(152.4)
(2.4)	Other Long-Term Liabilities	44	(4.1)
(1,263.8)	Long-Term Liabilities		(1,488.1)
1,555.4	NET ASSETS		1,252.0
(258.2)	Usable Reserves	10,11	(160.1)
(1,297.2)	Unusable Reserves	10,29	(1,091.9)
(1,555.4)	TOTAL RESERVES		(1,252.0)

2015/16 £m		Notes	2016/17 £m
(198.2)	Net (surplus)/deficit on the provision of services		146.2
51.1	Adjustments for non-cash movements	30	(89.1)
66.8	Adjustments for items that are investing and financing activities	30	75.8
(80.3)	Net cash inflows from operating activities		132.9
144.3	Investing activities	31	(59.6)
(54.6)	Financing activities	32	(67.9)
9.4	Net (increase)/decrease in cash and cash equivalents		5.4
(67.1)	Cash and cash equivalents at the beginning of the reporting period	24	(57.7)
(57.7)	Cash and cash equivalents at the end of the reporting period	24	(52.3)

1. Accounting Policies

The accounting policies set out the specific principles, bases, conventions, rules and practices applied in preparing and presenting the financial statements.

1.1. General Principles

The Statement of Accounts summarises the City Fund transactions for the 2016/17 financial year and its position at the year end of 31 March 2017. The City of London Corporation is required to prepare the City Fund annual Statement of Accounts in accordance with proper accounting practices by the Accounts and Audit Regulations 2015. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 (the Code) and the Service Reporting Code of Practice for Local Authorities 2016/17 (SeRCOP), both of which are issued by the Chartered Institute of Public Finance and Accountancy (CIPFA), supported by International Financial Reporting Standards (IFRS). The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets.

1.2. Accruals of Expenditure and Income

The accounts of the City Fund are maintained on an accruals basis. Consequently, activity is accounted for in the year that it takes place, not simply when cash payments are made or received. In particular:

- Revenue from the sale of goods is recognised when the significant risks and rewards of ownership are transferred to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the City Fund.
- Revenue from the provision of services is recognised when the percentage of completion of the transaction can be measured reliably and it is probable that economic benefits or service potential associated with the transaction will flow to the City Fund.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where it is subsequently identified that debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

1.3. Cash and Cash Equivalents

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

1.4. Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years affected by the change and do not give rise to a prior period adjustment.

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the City Fund's financial position or financial performance. Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

1.5. Charges to Revenue for Non-current Assets

Services are debited with the following amounts to record the cost of holding non-current assets during the year:

- depreciation attributable to the assets used by the relevant service;
- revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off; and
- amortisation of intangible assets attributable to the service.

The City Fund is not required to raise council tax to fund depreciation, revaluation and impairment losses or amortisation. However, if it had a borrowing requirement it would be required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement equal to an amount, the Minimum Revenue Provision (MRP), calculated on a prudent basis determined in accordance with statutory guidance. Depreciation, revaluation and impairment losses and amortisation would then be replaced by the MRP by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves.

1.6. Employee Benefits***(a) Short-term employee benefits***

Short-term benefits are those due to be settled within 12 months of the year end. They include such benefits as salaries, wages, paid annual leave and paid sick leave, bonuses and non-monetary benefits for current employees and are recognised as an expense for services in the year in which employees render service.

The cost of leave earned but not taken by employees at the end of the period is recognised within the Surplus or Deficit on the Provision of Services to the extent that employees are permitted to carry forward leave into the following period. However, statutory regulations require this cost to be reversed out of the accounts and this is achieved by crediting the revenue account for 'adjustments between accounting basis and funding basis under regulations' within the Movement in Reserves and debiting the 'statutory adjustments account' on the balance sheet.

(b) Termination benefits

Termination benefits are amounts payable as a result of a decision to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy in exchange for those benefits and are charged on an accruals basis to the appropriate service in the Comprehensive Income and Expenditure Statement at the earlier of when the authority can no longer withdraw the offer of those benefits or when the authority recognises costs for a restructuring. Where termination benefits involve the enhancement of pensions, statutory provisions require the City Fund Balance to be charged with the amount payable by the employer to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end.

(c) Retirement benefit costs**(i) Pension Costs – City of London Staff**

With the exception of serving police officers and teachers, City of London staff are eligible to contribute to the City of London Pension Fund, which is a funded defined benefits scheme. The estimated net deficit on the Fund is the responsibility of the City of London as a whole, as one employer, rather than the specific responsibility of any of its three funds (City Fund, City's Cash and Bridge House Estates). Although the Pension Fund net deficit cannot be attributed precisely between the three funds, an apportionment of that deficit and inclusion in the respective balance sheets presents a fairer view of the funds' financial positions than if the deficit were to be excluded. Accordingly an apportionment has been made which is based on employer's annual contributions from the funds to the Pension Fund.

- The liabilities attributable to the City Fund are included on the balance sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions including mortality rates, employee turnover rates and projections of earning for current employees
- Liabilities are discounted to their value at current prices
- The assets attributable to the City Fund are included in the balance sheet at their fair value using estimated bid values where necessary.

The change in the net pensions liability is analysed into the following components:

- Service cost comprising:
 - current service cost, the increase in liabilities as a result of years of service earned this year, allocated in the comprehensive income and expenditure statement to the services for which the employees worked;
 - past service cost, the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years – debited to the surplus or deficit on the provision of services in the comprehensive income and expenditure statement as part of non-distributed costs; and
 - net interest on the net defined benefit liability is charged to the financing and investment income and expenditure line of the comprehensive income and expenditure statement. The interest is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability at the beginning of the period taking into account any changes in the net defined benefit liability during the period as a result of contribution and benefit payments.

- Remeasurements comprising:
 - the return on plan assets, excluding amounts included in the net interest on the net defined benefit liability, charged to the pensions reserve as other comprehensive income and expenditure; and
 - actuarial gains and losses, changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions, charged to the pensions reserve as other comprehensive income and expenditure.
- Contributions paid to the Pension Fund, cash paid as employer's contributions to the pension fund in settlement of liabilities, not accounted for as an expense.

In relation to retirement benefits, statutory provisions require the City Fund unallocated reserve to be charged with the amount payable to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the movement in reserves statement, this means that there are transfers to and from the pension reserve to remove the notional debits and credits for retirement benefits and replace them with debits for cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year end. The negative balance that arises on the pension reserve thereby measures the beneficial impact to the City Fund unallocated reserve of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

(ii) Pension Costs – Police Officers and Judges

The Police Pension Scheme is unfunded. Prior to 1 April 2006 each police authority was responsible for paying the pensions of its own former employees on a "pay as you go" basis. Under the current arrangements the City Fund no longer meets pension costs directly; instead it contributes a percentage of police pay into the Police Pension Fund. At the year end the Police Pension Fund is balanced to zero by either receiving a contribution from the City Fund equal to the amount by which the amounts payable from the Pension Fund for the year exceed the amounts receivable or, by paying to the City Fund the amount by which sums receivable by the Pension Fund for the year exceed the amounts payable. Where the City Fund makes a transfer to the Pension Fund, the Home Office will pay an equivalent top-up grant to the City Fund. Where a transfer is made out of the Pension Fund, the City Fund must pay the amount to the Home Office.

The payment of pensions to former judges is the responsibility of the Treasury with the City of London reimbursing the Treasury for the City Fund's share of the liability. The City Fund's estimated liability has been determined by independent actuaries in accordance with IAS19.

The accounting treatment for the estimated liabilities on the Police and Judges schemes are similar to that outlined above for the City of London Pension Scheme.

(iii) Pension Costs - Teachers

The payment of pensions to former teachers under the Teachers' Pension Scheme is administered by Capita Teachers' Pensions on behalf of the Department for Education (DfE). The scheme provides defined benefits to members (retirement lump sums and pensions), earned as employees worked for the Authority. However, the arrangements for the teachers' scheme mean that liabilities for these benefits cannot ordinarily be identified specifically to the Authority. The scheme is therefore accounted for as if it was a defined contribution scheme and no liability for future

payments of benefits is recognised in the Balance Sheet. The Children's and Education Services line in the Comprehensive Income and Expenditure Statement is charged with the employer's contributions payable to Teachers' Pensions in the year.

1.7. Events After the Reporting Period

Events after the Balance Sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue. Two types of events can be identified:

(a) Adjusting Events

Those that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted to reflect such events.

(b) Non-adjusting Events

Those that are indicative of conditions that arose after the reporting period – the Statement of Accounts is not adjusted to reflect such events, but, where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect. Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts.

1.8. Financial Instruments

(a) Financial Assets

Financial assets are recognised when the City Fund becomes party to a financial instrument contract (any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another) or, in the case of trade receivables, when the goods or services have been delivered. Financial assets are derecognised when the contractual rights have expired or the asset has been transferred.

Financial assets are initially recognised at fair value. This is defined as the amount for which an asset could be exchanged or a liability settled, assuming the transaction was negotiated between parties knowledgeable about the market in which they are dealing and willing to buy/sell at an appropriate price, with no other motive in their negotiations other than to secure a fair price.

All of the City Fund's financial assets are classified as loans and receivables. Loans and receivables are non-derivative financial assets with fixed or determinable payments which are not quoted in an active market. They are recognised on the Balance Sheet when the City Fund becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. After initial recognition, they are measured at amortised cost using the effective interest method, less any impairment. Interest is recognised using the effective interest method.

The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, to the initial fair value of the financial asset.

At the end of the reporting period, the City Corporation assesses whether any of the City Fund financial assets are impaired. Financial assets are impaired and impairment losses recognised if there is objective evidence of impairment as a result of one or more events which occurred after the initial recognition of the asset and which has an impact on the estimated future cash flows of the asset. The impairment of receivables is based on the age and type of each debt with the percentages applied reflecting an assessment of the recoverability. The loss is recognised in expenditure and the carrying amount of the asset is reduced through a provision for impairment of receivables.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through expenditure to the extent that the carrying amount of the

receivable at the date of the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

(b) Financial Liabilities

Financial liabilities are recognised when the City Fund becomes party to the contractual provisions of the financial instrument or, in the case of trade payables, when the goods or services have been received. Financial liabilities are de-recognised when the liability has been discharged, that is, the liability has been paid or has expired.

1.9. Interest Income

Interest is credited to the City Fund and Housing Revenue Account based upon average balances held by the Chamberlain of London, and invested by him in the London Money Markets.

1.10. Government Grants and Other Contributions

Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations are recognised as income at the date that the authority satisfies the conditions of entitlement to the grant/contribution, there is reasonable assurance that the monies will be received. Where a grant or contribution has been received but the conditions of entitlement have not been satisfied, the grant or contribution is treated as a receipt in advance.

(a) Revenue

Specific, ring-fenced, revenue grants are credited to the appropriate service revenue accounts. Non ring-fenced grants to finance the general activities of a local authority (e.g. Revenue Support Grant) are disclosed in the Comprehensive Income and Expenditure Account within taxation and non-specific grant income.

(b) Capital

Where a capital grant or contribution has been received but conditions remain outstanding at the balance sheet date, the grant or contribution is recognised as part of Capital Grants Receipts in Advance. Once the conditions have been met, the grant or contribution will be transferred from Capital Grants Receipts in Advance and recognised as income in the Comprehensive Income and Expenditure Statement.

Where a capital grant or contribution has been recognised as income in the Comprehensive Income and Expenditure Statement, and the expenditure to be financed from the grant or contribution has been incurred at the Balance Sheet date, the grant or contribution is transferred from revenue to the Capital Adjustment Account, reflecting the application of capital resources to finance expenditure. This transfer is reported in the Movement in Reserves Statement.

Where a capital grant or contribution has been recognised as income in the Comprehensive Income and Expenditure Statement, but the expenditure to be financed from that grant or contribution has not been incurred at the Balance Sheet date, the grant or contribution is transferred to the Capital Grants Unapplied Account within the usable reserves section of the balance sheet reflecting its status as a capital resource available to finance expenditure. This transfer is reported in the Movement in Reserves Statement.

When, at a future date, the expenditure to be financed from the grant or contribution is incurred, the grant or contribution is transferred from the Capital Grants Unapplied Account to the Capital Adjustment Account, reflecting the application of capital resources to finance expenditure. This transfer is reported in the Movement in Reserves Statement.

1.11. Business Improvement Districts

A Business Improvement District (BID) scheme applies across an area of the City (Cheapside). The scheme is funded by a BID levy paid by non-domestic ratepayers. The Authority acts as principal under the scheme, and accounts for income received and expenditure incurred (including contributions to the BID project) within the relevant services within the Comprehensive Income and Expenditure Statement.

1.12. Community Infrastructure Levy

The City Corporation has elected to charge a Community Infrastructure Levy (CIL). The levy is charged on new builds (chargeable developments for the Authority) with appropriate planning consent. The City Corporation charges for and collects the levy, which is a planning charge. The income from the levy will be used to fund a number of infrastructure projects to support the development of the area. CIL is received without outstanding conditions; it is therefore recognised at the commencement date of the chargeable development in the Comprehensive Income and Expenditure Statement in accordance with the accounting policy for government grants and contributions set out above. CIL charges will be largely used to fund capital expenditure. However, a small proportion of the charges may be used to fund revenue expenditure.

1.13. Heritage Assets

Heritage assets are those assets intended to be preserved in trust for future generations because of their cultural, environmental or historical associations. The Code provides that where the cost or value of heritage assets cannot be obtained at a cost which is commensurate with the benefits to the users of the financial statements, such assets will not be recognised in the Balance Sheet. The City Corporation does not consider the expense of obtaining information on cost or values to be justified and therefore recognises on the City Fund balance sheet only those heritage assets for which information on costs is readily available. The City Corporation considers that heritage assets will have indeterminate lives and high residual values; hence the City Corporation does not consider it appropriate to charge the City Fund depreciation for these assets (see note 17 for details of these assets).

1.14. Investment Property

Investment properties are those that are used solely to earn rentals and/or for capital appreciation. The definition is not met if the property is used in any way to facilitate the delivery of services or production of goods or is held for sale.

Investment properties are measured initially at cost and subsequently at fair value, being the price that would be received to sell such an asset in an orderly transaction between market participants at the measurement date. As a non-financial asset, investment properties are measured at highest and best use. Properties are not depreciated but are revalued annually according to market conditions at the year-end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

Rentals received in relation to investment properties are credited to the Financing and Investment Income line and result in a gain for the Unallocated Reserve. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the Unallocated Reserve. The gains and losses are therefore reversed out of the Unallocated Reserve in the Movement in Reserves Statement and posted to the Capital Adjustment Account.

1.15. Contingent Assets

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the City Fund. Contingent assets are assessed continually to ensure that developments are appropriately reflected in the financial statements. If it has become virtually certain that an inflow of economic benefits or service potential will arise and the asset's value can be measured reliably, the debtor (or cash where consideration has been received) and the related revenue are recognised in the financial statements of the period in which the change in circumstances occurs. Where an inflow of economic benefits or service potential is probable (rather than virtually certain) and can be reliably measured, contingent assets are disclosed as notes to the accounts.

1.16. Contingent Liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the City Fund. Contingent liabilities are assessed continually to determine whether an outflow of resources embodying economic benefits or service potential has become probable. If it becomes probable that an outflow of future economic benefits or service potential will be required for an item previously dealt with as a note to the accounts, a provision is recognised in the financial statements for the period in which the change in probability occurs (except in circumstances where no reliable estimate can be made). Where a contingent liability exists, but a reliable estimate cannot be made, a note is disclosed in the accounts unless the possibility of an outflow of resources embodying economic benefits or service potential is remote.

1.17. Provisions

Provisions are made where an event has taken place that gives the City Fund a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation. For instance, the City Fund may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation from the City Fund. Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the City Fund becomes aware of the obligation, and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties. When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year – where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service. Where some or all of the payment required to settle a provision is expected to be recovered from another party (e.g. from an insurance claim), this is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received if the City Fund settles the obligation.

1.18. Leases

Leases are classified as finance leases when substantially all the risks and rewards of ownership are transferred to the lessee. All other leases are classified as operating leases. Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification. Freehold land has an indefinite life and the land within the lease is recorded as an operating lease unless it is an immaterial part of the lease.

(a) Finance Leases**(i) City Fund as Lessee**

The City of London recognises property, plant and equipment held under finance leases as assets at the commencement of the lease at amounts equal to its fair value and, where material, liabilities at the lower of the present value of the minimum lease payments or the fair value of the property. The asset recognised is matched by a liability for the obligation to pay the lessor. Minimum lease payments are apportioned between a finance charge (interest) and a reduction of the outstanding liability. The finance charge element is allocated to revenue and is calculated so as to produce a constant periodic rate of interest on the remaining balance of the liability. Where liabilities are immaterial, a liability is not recognised and the full rental is charged to revenue over the term of the lease.

(ii) City Fund as Lessor

Amounts due from lessees under finance leases are recorded in the Balance Sheet as a debtor at the amount of the net investment in the lease. The lease payments receivable are apportioned between repayment of the debtor and finance income. The finance income is credited to revenue and calculated so as to give a constant periodic rate of return from the net investment. The asset is written out of the balance sheet as a disposal. A gain, representing the net investment in the lease is credited to income and the difference shown as a gain or loss on disposal. Where the lessee acquires the asset through payment of a premium at the commencement of the lease, this is included as a capital receipt and there is no remaining finance lease asset.

(b) Operating Leases**(iii) City Fund as Lessee**

Rentals payable, net of benefits received or receivable (e.g. cash incentives for a lessee to sign a lease), are charged to revenue on a straight-line basis over the term of the lease, even if the payments are not made on such a basis, unless another systematic and rational basis is more representative of the benefits received.

(iv) City Fund as Lessor

Assets subject to operating leases are included in the Balance Sheet according to the nature of the assets. Rental income from operating leases, excluding charges for services such as insurance and maintenance, are recognised on a straight-line basis over the period of the lease, even if the payments are not received on this basis (e.g. due to lease incentives), unless another systematic and rational basis is more representative of the time pattern in which the benefits derived from the leased asset are diminished. Where the lessee pays an upfront premium for land that is classified as an operating lease, this is included as a deferred credit and released to rental income on a straight line over the lease term.

1.19. Overheads

The costs of support service overheads, with the exception of expenditure on corporate and democratic activities, are generally apportioned between all services on the basis of employee time spent or other resources consumed on behalf of user services. Similarly, with the exception of vacant properties, the costs of support service buildings (including capital charges) are apportioned on the basis of the office area utilised by each service.

1.20. Property, Plant and Equipment

Property, plant and equipment comprises the following classes of tangible long-term assets; council dwellings, other land and buildings, leasehold improvements, vehicles plant and equipment, infrastructure assets, community assets and assets under construction.

(a) Recognition

Expenditure on the acquisition, creation or enhancement of property, plant and equipment is capitalised provided that the expenditure is material (generally in excess of £50,000) and the asset yields benefits to the City Fund, and the services it provides, for a period of more than one year. This excludes expenditure on routine repairs and maintenance of property, plant and equipment which is charged directly within service costs.

(b) Valuation

Property, plant and equipment are measured initially at cost, representing the cost directly attributable to acquiring or constructing the asset so that it is capable of operating in the manner intended. Assets are then carried in the Balance Sheet using the following measurement bases:

- Properties regarded as operational - current value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV), or where this cannot be assessed because there is no market for the subject asset, the depreciated replacement cost, based on modern equivalent assets, as an estimate of current value. In some cases, specialist properties have required specialist valuation assumptions or alternative use valuations have been carried out.
- Council dwellings – current value, determined using the basis of existing use value for social housing.
- Non-operational assets under construction – historic cost.
- Infrastructure, community and heritage assets - historic cost, net of depreciation, where appropriate.
- Vehicles, plant and equipment - cost, net of depreciation, as a proxy for current value.
- Surplus assets – fair value, estimating highest and best use.

All properties included on the balance sheet at current or fair value are revalued at least once within a five year period as part of a rolling programme with subsequent additions being included in the accounts at their cost of acquisition until the asset is next revalued. Revaluations are carried out sufficiently regularly to ensure that their carrying value is not materially different from their value at the year end.

(c) Revaluations

An increase arising on revaluation is taken to the revaluation reserve unless the increase is reversing a previous impairment loss charged to Surplus or Deficit on the Provision of Services on the same asset or reversing a previous revaluation decrease charged to Surplus or Deficit on the Provision of Services on the same asset, in which case it is credited to expenditure to the extent of the loss or decrease previously charged there.

Where the carrying amount of an item of property, plant and equipment is decreased as a result of a revaluation, i.e. a significant decline in an asset's carrying amount during the period that is not specific to the asset (as opposed to impairment – see below), the decrease is recognised in the Revaluation Reserve to the extent that there is a balance on the reserve for the asset and, thereafter, against the Surplus or Deficit on the Provision of Services. Legislation prescribes that revaluation gains or losses charged to Surplus or Deficit on the Provision of Services are not proper charges to the City Fund. Such amounts are transferred to the Capital Adjustment Account and reported in the Movement in Reserves Statement. The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal inception following implementation from the 2007 Statement of Recommended Practice. Gains arising before that date have been consolidated in the Capital Adjustment Account.

(d) Impairments

An impairment loss arises if the carrying amount of an asset exceeds its recoverable amount. This could be caused by such factors as a significant decline in an asset's value during the period (i.e. more than expected as a result of the passage of time, normal use or general revaluation), evidence of obsolescence or physical damage of an asset, a commitment by the authority to undertake a significant reorganisation, or a significant adverse change in the statutory or other regulatory environment in which the authority operates.

An annual assessment takes place as to whether there is any indication that an asset may be impaired. An impairment loss is recognised in the Revaluation Reserve to the extent that there is a balance on that reserve relating to the specific asset and thereafter to the Surplus or Deficit on the Provision of Services.

The reversal of an impairment loss previously recognised in Surplus or Deficit on the Provision of Services will not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. Any excess above this carrying amount is treated as a revaluation gain and charged to the Revaluation Reserve.

Legislation prescribes that impairment losses and reversal of impairment losses charged to Surplus or Deficit on the Provision of Services are not proper charges to the City Fund. Such amounts are transferred to the Capital Adjustment Account and reported in the Movement of Reserves Statement.

(e) De-recognition

The carrying amount of an item of property, plant and equipment is derecognised:

- on disposal, or
- when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from de-recognition of an asset is the difference between the net disposal proceeds, if any, and the carrying amount of the asset. The gain or loss arising from de-recognition of an asset is included in Surplus or Deficit on the Provision of Services under other operating expenditure. Legislation prescribes that the gain or loss is not a proper charge to the City Fund or Housing Revenue Account. As a result, the City Fund or Housing Revenue Account is debited (in the case of a gain) or credited (in the case of a loss) with an amount equal to the gain or loss on disposal with the consequent entry being:

- an increase in the Capital Receipts Reserve of an amount equal to the disposal proceeds; and
- a charge to the Capital Adjustment Account of an amount equal to the carrying amount of the asset.

If the asset derecognised was carried at a re-valued amount, an additional entry is required; the balance on the Revaluation Reserve is written off to the Capital Adjustment Account and reported in the Movement in Reserves Statement.

The Capital Receipts Reserve can only be used for new capital investment or set aside to reduce any underlying need to borrow (the capital financing requirement). A proportion of receipts relating to Housing Revenue Account disposals (75% for dwellings, 50% for land and other assets, net of statutory deductions and allowances) is payable to the Government.

(f) Depreciation

Depreciation is provided for on all property, plant and equipment with a finite useful life, other than freehold land. The depreciation charge is calculated by allocating the Balance Sheet value of the asset, less its residual value, to the periods expected to benefit from its use; generally the straight-line method has been adopted.

The costs of services include charges for depreciation for all property, plant and equipment used in the delivery of services based on the value of assets at the start of the year. Where the effects of major additions or disposals occurring during the year are material, these are also reflected in capital charges to service revenue accounts. Freehold land, certain community assets and assets under construction are not directly used in the delivery of services and therefore do not attract a charge for capital.

(g) Components

Assets other than HRA Dwellings

Large assets, for example a building, are reviewed to ascertain whether differences in the useful lives of components would have a material impact on the level of depreciation and/or carrying value of the overall assets. These reviews are undertaken:

- when an asset is acquired;
- when an asset is enhanced; and
- when an asset is revalued.

Where there is a material impact on depreciation and/or the carrying value, the components are treated as separate assets and depreciated over their own useful economic lives.

HRA Dwellings

The components of HRA dwellings are reviewed at the same stages as indicated above. However, upon review, all the main components in HRA dwellings (e.g. roofs, windows, central heating, lifts and electrics) are treated as separate assets and depreciated over their own useful economic lives. This facilitates the use of the Major Repairs Reserve which is classified by Government as 'capital' funding.

1.21. Fair value measurement

The authority measures some of its non-financial assets such as surplus assets and investment properties and some of its financial instruments such as equity shareholdings at fair value at each reporting date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

- a) in the principal market for the asset or liability, or
- b) in the absence of a principal market, in the most advantageous market for the asset or liability.

The authority measures the fair value of an asset or liability using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

When measuring the fair value of a non-financial asset, the authority takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The authority uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Inputs to the valuation techniques in respect of assets and liabilities for which fair value is measured or disclosed in the authority's financial statements are categorised within the fair value hierarchy, as follows:

- Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities that the authority can access at the measurement date
- Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly
- Level 3 – unobservable inputs for the asset or liability.

1.22. Reserves

Specific amounts have been set aside as reserves for future policy purposes or to cover contingencies. Details of the City Fund's earmarked reserves are set out in 11. Certain reserves are required by the Code to manage the accounting process for long-term assets and retirement benefits and do not represent usable resources. Details of these reserves are set out in note 29.

1.23. Revenue expenditure funded from capital under statute

Legislation allows some expenditure to be classified as capital for funding purposes when it does not result in the expenditure being carried on the Balance Sheet as a long-term asset. The purpose of this is to enable it to be funded from capital resources rather than be charged to revenue and impact on that year's council tax. These items are generally grants and expenditure on property not owned by the authority and amounts directed under statute.

Such expenditure is charged to Surplus or Deficit on the Provision of Services in accordance with the general provisions of the Code. Any statutory provision that allows capital resources to meet the expenditure is accounted for by debiting the Capital Adjustment Account and crediting the City Fund unallocated reserve and inclusion as a reconciling item in the Movement in Reserves Statement.

1.24. Value Added Tax

Income and expenditure excludes any amounts related to VAT as all VAT collected is payable to HM Revenue & Customs and all VAT paid is recoverable from it.

1.25. Schools

The Code of Practice on Local Authority Accounting in the United Kingdom confirms that the balance of control for local authority maintained schools (i.e. those categories of school identified in the School Standards and Framework Act 1998, as amended) lies with the local authority. The Code also stipulates that those schools' assets, liabilities, reserves and cash flows are recognised in the local authority financial statements. Therefore schools' transactions, cash flows and balances are recognised in each of the financial statements of the authority as if they were the transactions, cash flows and balances of the authority.

2. Prior Year Restatement

Prior to the 1 April 2016 all local authorities were required to analyse the net cost of services in the Comprehensive Income and Expenditure Statement on the basis of a standard service analysis. The 2016/17 Code of Practice on Local Authority Accounting introduced a new requirement for local authorities to report services based on the way in which the authority operates and manages services. The Court of Common Council is the City Corporation's primary decision-making body and it works through committees. The 2015/16 CIES has therefore been restated to reflect the City's committee structure. As a result of the restatement requirement £0.4m of internal recharges were identified which had been included in gross expenditure and income. These amounts have been eliminated in the restated 2015/16 comparators.

3. Expenditure and Funding Analysis

2015/16				2016/17		
Net Expenditure Chargeable to City Fund and HRA Balances	Adjustments between the Funding and Accounting Basis	Net Expenditure in the CIES		Net Expenditure Chargeable to City Fund and HRA Balances	Adjustments between the Funding and Accounting Basis	Net Expenditure in the CIES
£'m	£'m	£'m		£'m	£'m	£'m
68.5	(6.2)	62.3	Committees	68.4	(9.6)	58.8
23.4	1.4	24.8	Police	26.1	1.1	27.2
12.0	1.1	13.1	Barbican Centre	13.0	0.7	13.7
(1.9)	(3.3)	(5.2)	Community and Children's Services	2.1	1.5	3.6
8.9	0.0	8.9	HRA	9.3	(0.3)	9.0
13.4	(1.0)	12.4	Planning and Transport	12.3	(1.3)	11.0
20.2	0.5	20.7	Port Health and Environmental Services	20.7	0.2	20.9
(11.3)	20.1	8.8	Culture, Heritage and Libraries	234.3	(224.2)	10.1
3.0	(4.7)	(1.7)	Finance	2.6	(4.6)	(2.0)
4.2	0.2	4.4	Barbican Residential	4.9	0.2	5.1
1.5	0.1	1.6	Policy and Resources	1.7	0.1	1.8
(39.0)	39.8	0.8	Open Spaces and City Gardens	(39.0)	39.8	0.8
0.1	0.0	0.1	Property Investment	0.0	0.0	0.0
(0.7)	0.7	0.0	Licensing	(1.9)	1.9	0.0
0.0	0.0	0.0	Markets	0.0	200.0	200.0
			Crossrail			
102.3	48.7	151.0	Net Cost of Services	354.5	5.5	360.0
(88.4)	(260.8)	(349.2)	Other Income and Expenditure	(332.5)	118.7	(213.8)
13.9	(212.1)	(198.2)		22.0	124.2	146.2
(132.4)			(Surplus) or Deficit on the Provision of Services	(118.5)		
13.9			Opening City Fund and HRA Balances	22.0		
(118.5)			Add (Surplus) or Deficit on City Fund and HRA Balance in Year	(96.5)		
			Closing City Fund and HRA Balances at 31 March*			

* For a split of this balance between the City Fund and the HRA – see the Movement in Reserves Statement (page 13)

4. Note to the Expenditure and Funding Analysis

This note provides a reconciliation of the main adjustments to Net Expenditure Chargeable to the City Fund and HRA Balances to arrive at the amounts in the Comprehensive Income and Expenditure Statement.

	2016/17				
	Adjustments for Capital Purposes	Net Changes for Pension Adjustments	Collection Fund Adjustment Account	Other Adjustments	Total Adjustments
	£'m	£'m	£'m	£'m	£'m
Committees					
Police	2.9	(12.4)	0.0	(0.1)	(9.6)
Barbican Centre	0.0	0.8	0.0	0.3	1.1
Community and Children's Services	0.0	0.2	0.0	0.5	0.7
HRA	1.4	0.2	0.0	(0.1)	1.5
Planning and Transport	0.0	0.4	0.0	(0.7)	(0.3)
Port Health and Environmental Services	0.0	0.5	0.0	(1.8)	(1.3)
Culture, Heritage and Libraries	0.0	0.4	0.0	(0.2)	0.2
Finance	(37.5)	0.7	0.0	(187.4)	(224.2)
Barbican Residential	0.0	0.2	0.0	(4.8)	(4.6)
Policy and Resources	0.0	0.2	0.0	0.0	0.2
Open Spaces and City Gardens	0.0	0.1	0.0	0.0	0.1
Property Investment	0.0	0.0	0.0	39.8	39.8
Licensing	0.0	0.0	0.0	0.0	0.0
Markets	0.0	0.0	0.0	1.9	1.9
Crossrail	0.0	0.0	0.0	200.0	200.0
Net Cost of Services	(33.2)	(8.7)	0.0	47.4	5.5
Other Income and Expenditure	104.6	36.5	25.1	(47.5)	118.7
Difference between the City Fund and HRA surplus or deficit and the Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	71.4	27.8	25.1	(0.1)	124.2

	2015/16				
	Adjustments for Capital Purposes	Net Changes for Pension Adjustments	Collection Fund Adjustment Account	Other Adjustments	Total Adjustments
	£'m			£'m	£'m
Committees					
Police	3.7	(9.8)	0.0	(0.1)	(6.2)
Barbican Centre	0.0	1.1	0.0	0.3	1.4
Community and Children's Services	0.0	0.6	0.0	0.5	1.1
HRA	(3.2)	(0.1)	0.0	0.0	(3.3)
Planning and Transport	0.0	0.6	0.0	(0.6)	0.0
Port Health and Environmental Services	0.0	0.8	0.0	(1.8)	(1.0)
Culture, Heritage and Libraries	0.0	0.6	0.0	(0.1)	0.5
Finance	6.1	1.0	0.0	13.0	20.1
Barbican Residential	0.0	0.2	0.0	(4.9)	(4.7)
Policy and Resources	0.0	0.1	0.0	0.1	0.2
Open Spaces and City Gardens	0.0	0.1	0.0	0.0	0.1
Property Investment	0.1	0.0	0.0	39.7	39.8
Licensing	0.0	0.0	0.0	0.0	0.0
Markets	0.0	0.1	0.0	0.6	0.7
Crossrail	0.0	0.0	0.0	0.0	0.0
Net Cost of Services	6.7	(4.7)	0.0	46.7	48.7
Other Income and Expenditure	(217.9)	35.1	(31.5)	(46.5)	(260.8)
Difference between the City Fund and HRA surplus or deficit and the Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	(211.2)	30.4	(31.5)	0.2	(212.1)

Adjustments for Capital Purposes

This column adjusts for capital items which need to be included in the Comprehensive Income and Expenditure Statement such as:

- the net gain on the disposal of fixed assets
- revaluation gains or losses on investment properties
- income from capital grants

Net Changes for Pensions Adjustments

This column removes the employer pension contributions charges to services during the year and replaces them with pension related expenditure and income calculated in accordance with International Accounting Standard (IAS) 19 *Employee Benefits*.

Collection Fund Adjustment Account

This is a timing difference between what is chargeable under statutory regulations for business rates and council tax, which is largely based on estimates at the start of the year, and the income recognised under generally accepted accounting practices.

Other Adjustments

This column includes:

- the re-mapping of items reported to service committees to financing and investment income and expenditure in the Comprehensive Income and Expenditure Statement. Such items include income and expenditure relating to investment properties reported to the Property Investment Board, trading activities reported to the Markets Committee and interest on cash balances reported to Finance Committee
- the elimination of recharges between committees which would otherwise result in gross expenditure and income being overstated in the Comprehensive Income and Expenditure Statement

The above adjustments net to nil overall. The net difference remaining relates to accruals for the cost of annual leave entitlement earned but not taken in the year.

5. Expenditure and Income Analysed by Nature

City Fund income and expenditure included in the net cost of services is analysed as follows:

2015/16 £'m		2016/17 £'m
	Expenditure	
156.3	Employee expenses	156.0
144.6	Other service expenses	154.1
0.0	Crossrail	200.0
31.8	Support service recharges	33.6
18.7	Depreciation, amortisation and impairments	26.6
34.8	Interest payments	36.2
0.5	Precepts and levies	0.5
223.9	Business rates tariff and levy payments to Government	213.3
0.5	Payments to Government's housing capital receipts pool	0.3
(16.6)	Gain on the disposal of assets	(9.5)
594.5	Total expenditure	811.1
	Income	
(156.7)	Fees, charges and other service income	(161.4)
(5.2)	Interest and investment income	(5.1)
(278.8)	Business rates and council tax income	(257.4)
(171.6)	Government grants and other grants, contributions and reimbursements	(186.1)
(180.4)	Unrealised gains on revaluation of investment properties	(54.9)
(792.7)	Total Income	(664.9)
(198.2)	(Surplus) or Deficit on the Provision of Services	146.2

6. Accounting Standards That Have Been Issued but Not Yet Adopted

Under the Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 (the Code), the Council is required to disclose information setting out the impact of an accounting change required by a new accounting standard that has been issued but not yet adopted by the Code.

It is not anticipated that the standards introduced in the 2017/18 Code that are relevant to this requirement will have a material impact on the information provided in the financial statements.

7. Critical Judgements in Applying Accounting Policies

In applying accounting policies authorities may have to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgement that management considers will have a material effect on the amounts recognised in the financial statements are:-

- The net deficit on the City of London Pension Fund is the responsibility of the City of London Corporation as a whole rather than the specific responsibility of any of its three funds. Therefore, the City Fund does not have an exclusive relationship with the Pension Fund and the portion of the Pension Fund net deficit relating to City Corporation employees engaged on City Fund activities is not separately identifiable. Therefore, an apportionment is made based on employer's pension contributions paid by each of the three funds into the Pension Fund.

8. Assumptions Made About the Future and Other Major Sources of Estimation Uncertainty

The Statement of Accounts contains estimated figures that are based on assumptions made by the City Fund about the future or that are otherwise uncertain. The estimates and associated assumptions are continually reviewed and are based on historical experience and other factors including expectations of future events that are considered to be reasonable under the circumstances. However, because balances cannot be determined with certainty, actual results could be materially different from those estimates. Changes in accounting estimates may be necessary if there are changes in circumstances on which the estimate was based, or as a result of new information or more experience. The estimates and assumptions that have the most significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are:

(a) Business Rates

Since the introduction of the Business Rates Retention Scheme effective from 1 April 2013, Local Authorities are liable for successful appeals against business rates in their proportionate share. Therefore, a provision has been recognised for the best estimate of successful appeals up to 31 March 2017. The estimate has been calculated using the Valuation Office (VOA) ratings list of appeals and the analysis of successful appeals.

(b) Pension Benefits

Estimation of the net liability to pay pensions depends on a number of complex adjustments relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the City Fund with expert advice about the assumptions to be applied.

The effect of changes in individual assumptions on the net pension liability can be measured, but are complex and interact in a complex manner. For example the actuary determines the appropriate discount rate at the end of each year after taking account of the yield from a high quality bond of appropriate duration, a 0.1% decrease in the discount rate assumption would result in an increase in the pension liabilities of City Fund of some £30.8m. Other key assumptions for pension obligations are based in part on current market conditions and demographic data. Additional information on pension schemes is given in notes 46 to 50.

(c) Property Valuations

The carrying values of property, plant and equipment and investment properties are primarily dependent on judgements of such variables as the state of the property market, location, asset lives, condition of the property, indices etc. Valuation is an inexact science with assessments provided by different surveyors rarely agreeing and with prices subsequently realised diverging from valuations. A reduction in estimated valuations would result in reductions to the Revaluation Reserve and/or a loss recorded as appropriate in the Comprehensive Income and Expenditure Statement. For example a 1% reduction in the value of investment properties would result in a £14.4m debit to "Financing and Investment Income and Expenditure" in the Comprehensive Income and Expenditure Statement. Conversely, an increase in value would result in increases to the Revaluation Reserve and/or reversals of previous negative revaluations to the Comprehensive Income and Expenditure Statement and/or gains being recorded as appropriate in the Comprehensive Income and Expenditure Statement.

However, the risk of material adjustments is mitigated by using the experience and knowledge of professional chartered surveyors, both in-house staff and external firms. In addition, tests are undertaken to ensure that variations between the valuations of different surveyors, and between valuations and actual prices, are within reasonable tolerances. Additional information on property asset valuation is provided in note 18.

(d) Arrears

At 31 March 2017, the City Fund had a balance for rents and sundry debtors of £33.5m. A review of the length of time past due and progress on recovery action suggested that an impairment allowance for doubtful debts of £3.2m was appropriate. If collection rates were to deteriorate an increase in the amount of the impairment of the doubtful debts would be required.

9. Events after the Balance Sheet Date

The Statement of Accounts was authorised for issue by the Chamberlain on 13 July 2017. Events after the balance sheet date and up to 13 July 2017 have been considered in respect of material impact on the financial statements. Events taking place after this date are not reflected in the financial statements or notes.

10. Adjustments between Accounting Basis and Funding Basis under Regulations

This note details the adjustments that are made to the total comprehensive income and expenditure recognised in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to meet future capital and revenue expenditure.

The following sets out a description of the reserves that the adjustments are made against.

City Fund Balance

This is the statutory fund into which all receipts are required to be paid and out of which all liabilities are to be met in respect of the City Fund's activities as a local authority, police authority and port health authority, except to the extent that statutory rules might provide otherwise. These rules can also specify the financial year in which liabilities and payments should impact on the City Fund unallocated reserve, which is not necessarily in accordance with proper accounting practice. The City Fund Balance is not available to fund Housing Revenue Account (HRA) services. With this exception, the City Fund Balance therefore summarises the resources that the City Fund is statutorily empowered to spend on its services or on capital investment (or the deficit of resources that the City Fund is required to recover) at the end of the financial year.

Housing Revenue Account (HRA) Balance

The HRA Balance reflects the statutory obligation to maintain a revenue account for local authority council housing provision in accordance with Part VI of the Local Government and Housing Act 1989. It contains the balance of income and expenditure as defined by the 1989 Act that is available to fund the City Fund's HRA landlord function or (where in deficit) that is required to be recovered from tenants in future years.

Capital Receipts Reserve

This reserve holds the proceeds from the disposal of land or other assets, which are restricted by statute from being used other than to fund new capital expenditure or to be set aside to finance historical capital expenditure. The balance on the reserve shows the resources that have yet to be applied for these purposes at the year-end.

Capital Grants Unapplied

This reserve holds the grants and contributions received towards capital projects which have yet to be applied to meet expenditure. The balance is restricted by grant terms as to the capital expenditure against which it can be applied and/or the financial year in which this can take place.

Major Repairs Reserve

The City Fund is required to maintain this reserve, which controls an element of resources limited to being used on capital expenditure on HRA assets or the financing of historic capital expenditure by the HRA. The balance shows the resources that have yet to be applied at the year-end.

2016/17	Usable Reserves					Movement in Unusable Reserves £m
	City Fund Balance £m	Housing Revenue Account £m	Capital Receipts Reserve £m	Capital Grants Unapplied £m	Major Repairs Reserve £m	
Adjustments to the Revenue Resources						
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements						
Pensions costs (transfers to or from the Pensions Reserve)	(27.6)	(0.2)				27.8
Council Tax and Non-Domestic Rates (transfers to or from the Collection Fund Adjustment Account)	(25.1)					25.1
Holiday pay (transfers to or from the Accumulated Absences Reserve)	0.1					(0.1)
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (transfers to or from the Capital Adjustment Account)	(175.2)	(7.2)				182.4
Transfer of capital grants & contributions from revenue to the Capital Grants Unapplied Account	19.9			(19.9)		0.0
Transfer of deferred non-current asset sale proceeds from revenue to the Deferred Capital Receipts Reserve						0.0
Other adjustments	(0.1)	0.1				0.0
Total Adjustments to Revenue Resources	(208.0)	(7.3)	0.0	(19.9)	0.0	235.2
Adjustments between Revenue and Capital Resources						
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	27.8	3.5	(31.3)			0.0
Administrative costs of non-current asset disposals (funded by a contribution from the Capital Receipts Reserve)	(0.1)		0.1			0.0
Payments to the government housing receipts pool (funded by a transfer from the Capital Receipts Reserve)	(0.3)		0.3			0.0
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	55.2					(55.2)
Posting of HRA resources from revenue to the Major Repairs Reserve		5.0			(5.0)	0.0
Total Adjustments between Revenue and Capital Resources	82.6	8.5	(30.9)	0.0	(5.0)	(55.2)
Adjustments to Capital Resources						
Use of the Capital Receipts Reserve to finance capital expenditure			144.5			(144.5)
Use of the Major Repairs Reserve to finance capital expenditure					4.7	(4.7)
Application of capital grants to finance capital expenditure (transferred to the Capital Adjustment Account)				0.1		(0.1)
Cash payments in relation to deferred capital receipts			(17.4)			17.4
Total Adjustments to Capital Resources	0.0	0.0	127.1	0.1	4.7	(131.9)
Total Adjustments	(125.4)	1.2	96.2	(19.8)	(0.3)	48.1

2015/16 Comparative Figures	Usable Reserves					Movement in Unusable Reserves £m
	City Fund Balance £m	Housing Revenue Account £m	Capital Receipts Reserve £m	Capital Grants Unapplied £m	Major Repairs Reserve £m	
Adjustments to the Revenue Resources						
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements						
Pensions costs (transfers to or from the Pensions Reserve)	(30.5)	0.1				30.4
Council Tax and Non-Domestic Rates (transfers to or from the Collection Fund Adjustment Account)	31.5					(31.5)
Holiday pay (transfers to or from the Accumulated Absences Reserve)	(0.2)	0.0				0.2
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (transfers to or from the Capital Adjustment Account)	146.4	1.0				(147.4)
Transfer of capital grants & contributions from revenue to the Capital Grants Unapplied Account	6.9			(6.9)		0.0
Transfer of deferred non-current asset sale proceeds from revenue to the Deferred Capital Receipts Reserve	2.7					(2.7)
Other adjustments	(0.1)	0.1				0.0
Total Adjustments to Revenue Resources	156.7	1.2	0.0	(6.9)	0.0	(151.0)
Adjustments between Revenue and Capital Resources						
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	41.1	1.0	(42.1)			0.0
Administrative costs of non-current asset disposals (funded by a contribution from the Capital Receipts Reserve)	0.0		0.0			0.0
Administrative costs of non-current asset disposals (funded by a contribution from the Capital Receipts Reserve)	(0.1)		0.1			0.0
Payments to the government housing receipts pool (funded by a transfer from the Capital Receipts Reserve)	(0.4)		0.4			0.0
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	10.0					(10.0)
Posting of HRA resources from revenue to the Major Repairs Reserve		2.6			(2.6)	0.0
Total Adjustments between Revenue and Capital Resources	50.6	3.6	(41.6)	0.0	(2.6)	(10.0)
Adjustments to Capital Resources						
Use of the Capital Receipts Reserve to finance capital expenditure			8.3			(8.3)
Use of the Major Repairs Reserve to finance capital expenditure					3.5	(3.5)
Application of capital grants to finance capital expenditure (transferred to the Capital Adjustment Account)				4.0		(4.0)
Cash payments in relation to deferred capital receipts			(0.6)			0.6
Total Adjustments to Capital Resources	0.0	0.0	7.7	4.0	3.5	(15.2)
Total Adjustments	207.3	4.8	(33.9)	(2.9)	0.9	(176.2)

11. Transfers (to)/from Earmarked Revenue Reserves

This note sets out the amounts set aside within the City Fund Balance in earmarked revenue reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet City Fund expenditure in 2016/17.

	Notes	Balance at 31 March 2015 £m	Transfers Out 2015/16 £m	Transfers In 2015/16 £m	Balance at 31 March 2016 £m	Transfers Out 2016/17 £m	Transfers In 2016/17 £m	Balance at 31 March 2017 £m
Highway Improvements	(i)	(15.0)	3.4	(5.6)	(17.2)	3.4	(6.3)	(20.1)
Police Future Expenditure	(ii)	(9.0)	4.9	0.0	(4.1)	0.6	0.0	(3.5)
Crime Reduction Initiatives	(iii)	(4.2)	0.6	0.0	(3.6)	0.0	(0.1)	(3.7)
Crossrail	(iv)	(22.9)	0.0	(2.6)	(25.5)	25.5	0.0	0.0
Other Earmarked Reserves	(v)	(19.7)	16.5	(1.1)	(4.3)	2.1	(8.0)	(10.2)
Total		(70.8)	25.4	(9.3)	(54.7)	31.6	(14.4)	(37.5)

- (i) Highway Improvements - Created from on-street car parking surpluses to finance future highways related expenditure and projects as provided by section 55 of the Road Traffic Regulation Act 1984, as amended by the Road Traffic Act 1991.
- (ii) Police Future Expenditure - Revenue expenditure for the City Police service is cash limited. Underspendings against this limit may be carried forward as a reserve to the following financial year and overspendings are required to be met from this reserve.
- (iii) Under the guidelines of the Proceeds of Crime scheme funds received by the City Police must be ring fenced for “crime reduction initiatives”.
- (iv) Crossrail - Funds set aside to contribute towards the City Fund’s £200m commitment towards the Crossrail project were fully spent in 2016/17 when the payment was made.
- (v) Other Earmarked Reserves – The total for a number of relatively small reserves including service projects, VAT, the School’s reserve, renewals and repairs and business rates equalisation.

12. Crossrail

In recognition of Crossrail's huge strategic importance to the City, the City Corporation agreed to make a £200m contribution from the City Fund towards the costs of the Crossrail project provided certain conditions were met. All the conditions were fulfilled by the end of 2016/17 and the payment was duly made in March 2017. The contribution is classed as revenue expenditure in the Comprehensive Income and Expenditure Statement as it does not result in the creation of a City Fund asset. However, under statutory provisions the City is able to capitalise this expenditure and this is included as one of the adjustments between the accounting basis and funding basis in the Movement in Reserves Statement.

13. Other Operating Income and Expenditure

2015/16 Net Expenditure/ (Income) £m		2016/17 Net Expenditure/ (Income) £m
(16.6)	Net Gain on Disposal of Fixed Assets	(9.5)
0.3	Inner and Middle Temple Precepts	0.3
0.1	Local levies	0.2
0.4	Payment to Government Housing Capital Receipts Pool	0.3
0.3	Pension Fund Administration Expenses	0.3
(15.5)	Total	(8.4)

14. Financing and Investment Income and Expenditure

2015/16 Net Expenditure/ (Income) £m		2016/17 Net Expenditure/ (Income) £m
	Investment Properties	
(39.5)	Operational	(39.8)
(180.3)	Gain on revaluation	(54.9)
(5.2)	Interest receivable and similar income	(5.1)
34.8	Pension Interest Cost	36.2
(0.7)	Contribution from Trading Services	(1.8)
(190.9)	Total	(65.4)

15. Taxation and Non-Specific Grant Income

2015/16 Income £m		2016/17 Income £m
(30.5)	Retained National Business Rates	(18.6)
(6.9)	City Fund Non Domestic Rates Premium	(8.0)
(10.9)	City Fund Offset	(11.0)
(6.6)	Council Tax Income	(6.5)
	Non Ringfenced Government Revenue Grants	
(12.1)	Revenue Support Grant	(10.6)
(52.4)	Police Core Grant	(52.1)
(2.7)	Other	(2.3)
(20.7)	Capital Grants & Contributions	(30.9)
(142.8)	Total	(140.0)

16. Property, Plant and Equipment

Movements on Balances 2016/17	Council Dwellings £m	Other Land & Buildings £m	Leasehold Improvements £m	Vehicles, Plant & Equipment £m	Infrastructure £m	Community Assets £m	Assets Under Construction £m	Surplus Assets £m	Total £m
Cost or valuation									
at 1 April 2016	338.1	440.0	60.5	38.4	79.5	0.7	18.9	0.9	977.0
Additions	3.9	4.2	0.7	1.6	7.0	0.2	6.5	0.0	24.1
Transfers	7.0	2.7	0.0	0.0	0.9	0.4	(14.2)	3.2	0.0
Revaluation increases/(decreases) recognised in the Revaluation Reserve	9.4	(5.8)	0.0	0.0	0.0	0.0	0.0	2.3	5.9
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(3.4)	0.2	0.0	0.0	0.0	0.0	0.0	0.0	(3.2)
Derecognition - disposals	(11.1)	(0.6)	0.0	(0.3)	0.0	0.0	0.0	0.0	(12.0)
at 31 March 2017	343.9	440.7	61.2	39.7	87.4	1.3	11.2	6.4	991.8
Accumulated Depreciation and Impairment									
at 1 April 2016	(0.1)	(4.1)	(18.4)	(29.1)	(38.7)	0.0	0.0	(0.7)	(91.1)
Depreciation Charge	(2.7)	(9.4)	(2.8)	(2.8)	(6.6)	0.0	0.0	0.0	(24.3)
Depreciation written out to the Revaluation Reserve	2.7	7.8	0.0	0.1	0.0	0.0	0.0	0.0	10.6
Depreciation written out to the Surplus/Deficit on the Provision of Services	0.0	0.9	0.0	0.0	0.0	0.0	0.0	0.0	0.9
Derecognition - disposals	0.0	0.0	0.0	0.3	0.0	0.0	0.0	0.0	0.3
at 31 March 2017	(0.1)	(4.8)	(21.2)	(31.5)	(45.3)	0.0	0.0	(0.7)	(103.6)
Net Book Value									
at 31 March 2016	338.0	435.9	42.1	9.3	40.8	0.7	18.9	0.2	885.9
at 31 March 2017	343.8	435.9	40.0	8.2	42.1	1.3	11.2	5.7	888.2

Property, Plant and Equipment (continued)

Movements on Balances Comparative for 2015/2016	Council Dwellings £m	Other Land & Buildings £m	Leasehold Improvements £m	Vehicles, Plant & Equipment £m	Infrastructure £m	Community Assets £m	Assets Under Construction £m	Surplus Assets £m	Total £m
Cost or valuation									
at 1 April 2015	318.2	390.7	60.4	36.2	70.9	0.7	5.0	7.2	889.3
Revaluation 1 April 2015*	0.0	0.0	0.0	0.0	0.0	0.0	0.0	23.2	23.2
Additions	0.5	0.2	0.1	2.4	8.6	0.0	13.9	0.0	25.7
Transfers	0.0	(1.6)	0.0	0.0	0.0	0.0	0.0	(28.8)	(30.4)
Revaluation increases/(decreases) recognised in the Revaluation Reserve	18.8	49.2	0.0	0.0	0.0	0.0	0.0	(0.7)	67.3
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	3.2	1.5	0.0	0.0	0.0	0.0	0.0	0.0	4.7
Derecognition - disposals	(2.6)	0.0	0.0	(0.2)	0.0	0.0	0.0	0.0	(2.8)
at 31 March 2016	338.1	440.0	60.5	38.4	79.5	0.7	18.9	0.9	977.0
Accumulated Depreciation and Impairment									
at 1 April 2015	(0.1)	(3.6)	(15.5)	(25.8)	(32.6)	0.0	0.0	0.0	(77.6)
Depreciation Charge	(2.5)	(8.6)	(2.9)	(3.5)	(6.1)	0.0	0.0	0.0	(23.6)
Depreciation written out to the Revaluation Reserve	2.4	7.2	0.0	0.0	0.0	0.0	0.0	0.0	9.6
Depreciation written out to the Surplus/Deficit on the Provision of Services	0.1	0.8	0.0	0.0	0.0	0.0	0.0	0.0	0.9
Impairment losses recognised in the Surplus/Deficit on the Provision of Services	0.0	0.1	0.0	0.0	0.0	0.0	0.0	(0.7)	(0.6)
Derecognition - disposals	0.0	0.0	0.0	0.2	0.0	0.0	0.0	0.0	0.2
at 31 March 2016	(0.1)	(4.1)	(18.4)	(29.1)	(38.7)	0.0	0.0	(0.7)	(91.1)
Net Book Value									
at 31 March 2015	318.1	387.1	44.9	10.4	38.3	0.7	5.0	7.2	811.7
at 31 March 2016	338.0	435.9	42.1	9.3	40.8	0.7	18.9	0.2	885.9

* Revaluations at 1 April 2015 for surplus assets reflects the adoption of IFRS 13 valuation at highest and best use. This measure is recognised in the revaluation reserve.

Depreciation

The following useful lives and depreciation rates have generally been used in the calculation of depreciation

- | | |
|------------------------------------------|----------------|
| • General operational buildings | 50 years |
| • Council Dwellings | 125 years |
| • Leasehold improvements | 10 – 30 years |
| • Certain “listed” operational buildings | 75 – 125 years |
| • Infrastructure | 10 – 25 years |
| • Heavy vehicles and plant | 7 years |
| • Equipment | 5 -12 years |
| • Cars and light vans | 5 years |
| • Assets under construction | None |
| • Community Assets | None. |

Where there is a material impact on depreciation and/or the carrying value, components are treated as separate assets and depreciated over their own useful economic lives. Indicative economic lives of typical asset components include:

- | | |
|-----------------------|--------------|
| • Internal fit-out | 10-25 years |
| • Plant and Machinery | 15-25 years. |

Commitments

Significant capital commitments of some £9.2m were outstanding at 31 March 2017, detailed as follows

- £2.6m outstanding in respect of the replacement of windows and cladding on a block of dwellings at the Golden Lane Estate
- £1.6m relating to the construction of a new pavilion in Aldgate Square
- £5m for Phase 2 of a scheme to replace the mechanical infrastructure of the Central Criminal Court.

Revaluations

The following have been revalued at 31 March 2017 in accordance with the Rolling Five Year Programme of Revaluation or to reflect material changes in value:

- Barbican Estate residential properties, baggage stores, and car bays
- Housing Dwellings (including guest flats)
- Islington Arts Factory and the service station on the Holloway Estate
- Other Housing Commercial Properties (shops, garages and parking spaces etc)
- Properties at the City of London Cemetery and Crematorium
- Animal Reception Centre, Heathrow
- Barbican Centre, including the Barbican lending library
- Central Criminal Court
- Cleansing Depot and Offices at Walbrook Wharf
- Police Stations
- New Estate Office and Community Centre on the Avondale Square Housing Estate
- Spitalfields Market
- Surplus Properties
 - public conveniences
 - various properties on the Woodredon and Warlies Park Estate
 - disused areas identified for development on the Barbican Residential Estate
- Investment Properties
- Assets Held for Sale - land adjacent to the City of London Cemetery.

The City Fund is not aware of any material change in value of any other assets and therefore the valuations have not been updated. The current asset values used in the accounts for the Barbican Centre, Central Criminal Court, Walbrook Wharf (depot and offices), Golden Lane Recreation Centre, Woodredon and Warlies Park, Cemetery and Crematorium, Police Stations and Section House, Barbican Hostel, Animal Reception Centre and the investment properties are based on assessments by external valuers. The firms of chartered surveyors who have prepared valuations for the City Fund are Jones Lang Lasalle Ltd, Cushman and Wakefield LLP, Gerald Eve and Savills.

All other asset values have been prepared by registered RICS valuers employed in the City of London Corporation's City Surveyor's Department.

17. Heritage Assets

The carrying value of heritage assets currently held in the Balance Sheet at historic cost is £8.9m (2015/16 £8.9m) which relates almost exclusively to one asset – the capital's only Roman Amphitheatre. The amphitheatre was discovered in Guildhall Yard during an archaeological dig taking place in preparation for a building project. In 2002, the doors to the amphitheatre opened for the first time in nearly 2,000 years.

The London Metropolitan Archives look after 105km of books, maps, films and photographs about London and Londoners dating from as far back as 1067. Guildhall Library also specialises in the history of London with a printing books collection from the 15th century onwards and many special collections including those devoted to Samuel Pepys, John Wilkes and Thomas More. Reliable valuations are not available for these assets and the cost of obtaining such valuations in order to recognise them on the balance sheet would outweigh the benefit of such recognition to the users of the financial statements.

Further information on the Roman Amphitheatre and the London Metropolitan Archives, including opening times and details of the collections held by the LMA, can be found on the City's website (www.cityoflondon.gov.uk).

18. Investment Properties

The following items of income and expense have been accounted for in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement:

2015/16		2016/17
£m		£m
(53.1)	Income from investment properties	(54.5)
13.6	Operating expenses arising from investment property	14.7
(39.5)	Net gain	(39.8)

There are no restrictions on the City Fund's ability to realise the value inherent in its investment property or on the City Fund's right to the remittance of income and the proceeds of disposal.

The following table summarises the movement in the fair value of investment properties over the year:

2015/16 £m		2016/17 £m
1,165.3	Balance at start of the year	1,366.7
30.4	Transfers	
	Additions:	
11.5	Purchases	33.2
1.1	Construction	0.0
3.4	Subsequent expenditure	0.1
(25.3)	Disposals	(10.1)
	Revaluations:	
180.3	Net gains from fair value adjustments	54.9
1,366.7	Balance at end of the year	1,444.8

The fair values of investment properties have been based on a combination of:

- The market approach having regard to current market conditions, recent sales prices and lettings and other relevant information for similar properties in the area
- The income approach, by means of the discounted cash flow method, where the expected cash flows are discounted at a market rate to establish the present value of the net income stream.

This is in the context of the active property market that exists in the City of London.

All of the investment property fair values as at 31 March 2016 and 31 March 2017 have been categorised within Level 2 of the fair value hierarchy by external valuers.

19. Capital Expenditure and Capital Financing

The total amount of capital expenditure incurred in the year is shown, in the table below, together with the resources that have been used to finance it. Where assets are acquired under finance leases (see note 44) the transactions are considered to be the same as if the City Fund had purchased the assets and financed this by taking out a loan. Liabilities are therefore recognised for the same amount as the assets acquired under finance leases.

A nil or negative Capital Financing Requirement (CFR) indicates that the City Fund's provision for debt is equal to or greater than the debt incurred. Where capital expenditure is to be financed in future years by charges to revenue the expenditure results in a positive CFR, a measure of the capital expenditure incurred historically that has yet to be financed.

The increase in the underlying need to borrow shown in the second part of the detail relates to the proportion of the £200m payment to Crossrail not funded in year from capital receipts or revenue contributions.

2015/16 £m		2016/17 £m
(1.9)	Opening Capital Financing Requirement	(1.3)
	Capital Investment	
25.7	Property, Plant and Equipment	24.1
14.4	Investment Properties	33.3
0.2	Non-property Investments	0.0
0.0	Intangible Assets	
1.3	Revenue Expenditure Funded from Capital Under Statute	203.7
	Sources of Finance	
(8.4)	Capital Receipts	(144.5)
(19.1)	Capital grants, contributions and donations	(14.8)
(13.5)	Direct revenue contributions	(59.9)
(1.3)	Closing Capital Financing Requirement	40.6

	Explanation of movement in year	
0.6	Assets acquired under finance leases	1.7
0.0	Increase in underlying need to borrow	40.2
0.6	Increase/(decrease) in Capital Financing Requirement	41.9

20. Financial Instruments

The financial instruments recognised in the City Fund financial statements include trade debtors and creditors, bank deposits and investments.

Categories of Financial Instruments

The financial instruments disclosed in the Balance Sheet are made up of the following categories:

Long Term	Current		Long Term	Current
31 March 2016	31 March 2016		31 March 2017	31 March 2017
£m	£m		£m	£m
0.2	0.0	Investments	0.2	0.0
0.0	712.4	Unquoted equity investment at cost	0.0	697.9
0.2	712.4	Loans and receivables	0.2	697.9
		Total Investments		
36.6	30.2	Debtors	16.1	31.5
36.6	30.2	Loans and receivables	16.1	31.5
		Total Debtors		
0.0	(39.3)	Creditors	0.0	(40.3)
0.0	(39.3)	Financial liabilities at amortised cost	0.0	(40.3)
		Total Creditors		
(2.4)	0.0	Long Term Liabilities	(4.1)	0.0
(2.4)	0.0	Finance Leases	(4.1)	0.0
		Total Long Term Liabilities		

Investments

The City Fund's investments comprise cash that is not required for day to day purposes invested in deposits of varying fixed lengths and fixed interest rates in the London money markets.

Income, Expense, Gains and Losses

The gains and losses recognised in the Income and Expenditure account in relation to financial instruments are made up as follows:

2015/16 Financial Assets Loans and Receivables £m		2016/17 Financial Assets Loans and Receivables £m
0.2	Impairment (gains)/losses	0.1
0.2	Total (Gains)/Losses in Surplus or Deficit on the Provision of Services	0.1
(5.2)	Interest Income	(5.1)
(5.2)	Total Income in Surplus or Deficit on the Provision of Services	(5.1)
(5.0)	Net gain for year	(5.0)

Fair Value of Assets and Liabilities

Financial liabilities, financial assets represented by investments (loans and receivables) and long term debtors are carried in the Balance Sheet at amortised cost. The fair value of trade and other receivables is taken to be the invoiced or billed amount. Short term debtors and creditors are carried at cost as this is a fair approximation of their value.

The City Fund's investments in the London money markets are predominately fixed rate and fixed length deposits. The carrying amount of the investments is assumed to be a reasonable approximation of fair value taking into account the period to maturity.

The fair value of long term debtors in relation to investment properties (comprising finance lease debtors and the final instalment of an operating lease premium) have been assessed based on the investment property fair values categorised within Level 2 of the fair value hierarchy (see accounting policy 1.21). Other long term debtors consist mainly of a loan to and finance lease debtor with the Museum of London. As there is no active market for these items the fair value is assumed to be the same as the carrying value (level 3 of the fair value hierarchy).

31 March 2016			31 March 2017	
Carrying Amount £m	Fair Value £m		Carrying Amount £m	Fair Value £m
712.4	712.4	Investments	697.9	697.9
23.8	25.1	Long Term Debtors - investment properties	7.1	8.0
12.8	12.8	Long Term Debtors - other	9.0	9.0
749.0	750.3		714.0	714.9

21. Nature and Extent of Risks arising from Financial Instruments

The City Fund's activities expose it to a variety of financial risks:

- Credit risk – the possibility that other parties might fail to pay amounts due
- Liquidity risk – the possibility that the City Fund might not have enough funds available to meet its commitments to make payments
- Market risk – the possibility that financial loss might arise as a result of factors that affect the overall performance of the financial markets in which it has exposure.
- Interest rate risk – the possibility that changes in the interest rate may reduce the fair value of City Fund's fixed term investments.

The City of London Corporation has adopted CIPFA's Treasury Management in the Public Services: Code of Practice and sets treasury management indicators to control key financial instrument risks in accordance with CIPFA's Prudential Code. The City Fund's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund services. Risk management is carried out by a central treasury team, under policies approved by the Court of Common Council in the annual treasury management strategy statement.

Credit Risk

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

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

The City Fund's maximum exposure to credit risk in relation to its investments in banks and money market funds cannot be assessed generally, as the risk of any institution failing to make interest payments or failing to repay the principal sum would be mainly specific to each individual institution. No credit limits were exceeded during the reporting period and the City Fund does not expect any losses from non-performance by any counterparty in relation to outstanding deposits. As at 31 March 2017 the City Fund had some £730m in cash, cash equivalents and investments.

The City Fund does not generally allow credit for customers. Therefore the potential maximum exposure to credit risk is with customers for which prudent provision for bad debts has been included within the accounts based on the length of time past due and progress on recovery action. The past due but not impaired amount is summarised below.

Amount as at 31 March 2016 £m		Amount as at 31 March 2017 £m
15.7	Less than three months	14.8
1.9	Three to six months	1.2
0.7	Six months to one year	0.7
1.0	More than one year	1.5
19.3	Total	18.2

Liquidity risk

As the authority has ready access to borrowings from the Public Works Loans Board, there is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments. At present, the City Fund has no borrowing exposure and has no plans to borrow to finance future capital expenditure. All trade creditors and other payables are due to be paid in less than one year.

Market risk

Interest rate risk

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

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

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

Changes in interest receivable on variable rate investments are posted to the Surplus or Deficit on the Provision of Services and affect the City Fund unallocated reserve. The Treasury Management Team has an active strategy for assessing interest rate exposure that feeds into the setting of the annual budget and which is used to update the budget quarterly during the year. According to this assessment strategy, if interest rates had been 1% higher with all other variables held constant, the financial effect at 31 March on investments with variable rates would be:

2015/16 £m		2016/17 £m
2.9	Increase in interest receivable on investments held at variable rates	2.9
0.1	City Fund	0.0
0.1	HRA	0.0
3.0	Total	2.9

The impact of a 1% fall in interest rates would be as above but with the movements being reversed.

Price risk

The authority does not invest in equity shares within the City Fund.

Foreign exchange risk

The authority has no financial assets or liabilities denominated in foreign currencies and therefore has no exposure to loss arising from movements in exchange rates.

22. Long Term Debtors

31 March 2016 £m		31 March 2017 £m
31.2	Net Investment in Finance Leases	13.8
2.1	Loans to Museum of London (repayable by 2032)	2.0
3.0	Rent	0.0
0.2	Museum in Docklands Loan	0.2
0.1	Service Charge Loans	0.1
36.6		16.1

23. Debtors and Payments in Advance falling due within a year

31 March 2016		31 March 2017	
£m		£m	£m
20.0	Central Government Bodies		27.5
5.1	Greater London Authority		5.6
13.9	Rents	14.6	
(1.0)	less impairment allowance for bad and doubtful debts	(0.8)	
12.9			13.8
18.5	Sundry	18.9	
(2.1)	less impairment allowance for bad and doubtful debts	(2.4)	
16.4			16.5
6.8	City Fund's share of national business rates arrears	5.4	
(3.2)	less impairment allowance for bad and doubtful debts	(3.0)	
3.6			2.4
0.0	Investment property sale proceeds		13.5
0.6	Net Investment in Finance Leases		0.6
0.7	Season Ticket and Loans to Employees		0.7
8.7	Prepayments		8.8
68.0			89.4

The Code specifies that, except where information is not material, debtors should be analysed between the following categories; central government bodies, other local authorities, NHS bodies, public corporations and trading funds, and bodies external to general government (i.e. all other bodies). With the exception of central government bodies and the Greater London Authority, there are no material amounts due from other general government bodies.

24. Cash and Cash Equivalents

The balance of Cash and Cash Equivalents is made up of the following elements:

31 March 2016		31 March 2017
£m		£m
57.7	Cash at bank	52.3
57.7		52.3

25. Creditors and Receipts in Advance

31 March 2016		31 March 2017
£m		£m
(143.7)	Central Government Bodies	(170.1)
(50.5)	Greater London Authority and Transport for London	(78.3)
(9.0)	City Fund's share of national business rates creditors and receipts in advance	(20.8)
(7.7)	Deposits	(8.4)
(36.3)	Sundry	(62.6)
(23.9)	Receipts in advance	(35.5)
(0.8)	Spitalfields Market Tenants Fund	(0.7)
(271.9)		(376.4)

The Code specifies that, except where information is not material, creditors should be analysed between the following categories; central government bodies, other local authorities, NHS bodies, public corporations and trading funds, and bodies external to general government (i.e. all other bodies). With the exception of central government bodies, the Greater London Authority and Transport for London there are no material amounts due to other general government bodies. The City Fund acts as an agent; on behalf of central government and the Greater London Authority in collecting sums due from business rates; and on behalf of Transport for London by collecting Mayoral Community Infrastructure Levy (CIL) and Section 106 agreements planning obligations. Sums collected, but not yet paid over, by the City Fund as an agent for these bodies are included as creditors.

26. Provisions

	National Business Rates £m	City Fund Premium on Business Rates £m	Total
Balance at 1 April 2016	(45.0)	(1.3)	(46.3)
Appeals settled in 2016/17	13.7	0.5	14.2
Provisions made in 2016/17	(48.8)	(1.6)	(50.4)
Balance at 31 March 2017	(80.1)	(2.4)	(82.5)

With the introduction of the Business Rates Retention Scheme from 1 April 2013, Local Authorities are liable for successful appeals against business rates in their proportionate share. The City Fund's proportionate share is 30%. A provision is recognised for the best estimate of the City Fund's liability at the year-end for known appeals. The estimate has been calculated using the Valuation Office (VAO) ratings list of appeals outstanding as at 31 March 2017 and an analysis of successful appeals in 2016/17.

27. Contingent Liabilities

There is a disagreement with a contractor as to whether or not certain work is inside or outside the scope of a contract. It is not known what the outcome of this dispute will be, but costs could be in the region of £2.6m.

28. Usable Reserves

Movements in the City Fund's usable reserves are detailed in the Movement in Reserves Statement on page 13 and Notes 10 and 11.

29. Unusable Reserves

31 March 2016 £m		Note	31 March 2017 £m
(301.9)	Revaluation Reserve	A	(305.6)
(1,959.7)	Capital Adjustment Account	B	(1,994.5)
1,018.9	Pensions Reserve	C	1,220.3
(25.9)	Collection Fund Adjustment Account	D	(0.7)
3.0	Accumulated Absences Account	E	2.9
(31.6)	Deferred Capital Receipts Reserve	F	(14.3)
(1,297.2)	Total Unusable Reserves		(1,091.9)

A. Revaluation Reserve

The Revaluation Reserve contains the gains arising from increases in the value of Property, Plant and Equipment. The balance is reduced when assets with accumulated gains are:

- revalued downwards or impaired and the gains are lost
- used in the provision of services and the gains are consumed through depreciation, or
- disposed of and the gains are realised.

The Reserve contains only revaluation gains accumulated since 1 April 2007, the date that the Reserve was created. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account (see note B).

2015/16 £m		2016/17	
		£m	£m
(232.3)	Balance at 1 April		(301.9)
(107.3)	Upward revaluation of assets	(26.8)	
7.0	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	10.3	
(100.3)	Surplus on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services		(16.5)
3.2	Difference between fair value depreciation and historical cost depreciation	4.2	
25.7	Assets reclassified as investments	8.6	
1.8	Accumulated gains on assets sold or scrapped	0.0	
30.7	Amount written off to the Capital Adjustment Account		12.8
(301.9)	Balance at 31 March		(305.6)

B. Capital Adjustment Account

The Capital Adjustment Account includes entries for the financing of capital expenditure and other capital transactions. The account contains the amount of capital expenditure financed from revenue, capital receipts and other sources. It is reduced by the amounts provided for depreciation and for the write-down of revenue expenditure funded from capital under statute and adjustments for disposals of long-term assets. The account contains accumulated gains and losses on Investment Properties. It also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains.

2015/16 £m		2016/17	
		£m	£m
(1,764.2)	Balance at 1 April		(1,959.7)
8.5	Reclassification to Deferred Capital Receipts Reserve		0.0
(1,755.7)	Restated Balance at 1 April		(1,959.7)
	Reversal of items relating to capital expenditure debited or credited to the CIES:		
24.3	Charges for depreciation and impairment of non-current assets	28.0	
(5.6)	Revaluation gains on Property, Plant and Equipment	(1.4)	
0.0	Amortisation of intangible assets	0.1	
1.3	Revenue expenditure funded from capital under statute	203.7	
28.0	Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	21.7	
48.0		252.1	
(30.7)	Adjusting amounts written out of the Revaluation Reserve	(12.8)	
17.3	Net written out amount of the cost of non-current assets consumed in the year		239.3
	Capital financing applied in the year:		
(8.4)	Use of the Capital Receipts Reserve to finance new capital expenditure	(144.5)	
(3.5)	Use of the Major Repairs Reserve to finance new capital expenditure	(4.7)	
(15.1)	Capital grants, contributions & donations credited to the CIES that have been applied to capital financing	(14.7)	
(4.0)	Application of grants to capital financing from the Capital Grants Unapplied Account	(0.1)	
(10.0)	Capital expenditure charged against the City Fund & HRA balances	(55.2)	
(41.0)			(219.2)
(180.3)	Movements in the market value of Investment Properties debited or credited to the CIES		(54.9)
(1,959.7)	Balance at 31 March		(1,994.5)

C. Pension Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding benefits in accordance with statutory provisions. Post-employment benefits in the Comprehensive Income and Expenditure Statement are recognised as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as employer's contributions are paid to pension funds. The debit balance on the Pensions Reserve therefore shows a substantial shortfall between the benefits earned by past and current employees and the resources set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid. The negative pension reserve matches the estimated liabilities on the City of London (City Fund share), Police and Judges Pension Schemes as determined by independent actuaries using the projected unit method and in accordance with IAS19 (see notes 45 to 48).

2015/16 £m		2016/17 £m
1,064.3	Balance at 1 April	1,018.9
(75.9)	Remeasurements of the net defined benefit liability	173.7
69.1	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	64.8
(38.6)	Employer's pension contributions less direct payments to pensioners payable in the year	(37.1)
1,018.9	Balance at 31 March	1,220.3

D. Collection Fund Adjustment Account

The Collection Fund Adjustment Account manages the differences arising from the recognition of national business rates and council tax income in the Comprehensive Income and Expenditure Statement as it falls due from business rate and council tax payers compared with the statutory arrangements for paying across amounts to the City Fund from the Collection Fund.

2015/16 £m		2016/17 £m
5.6	Balance at 1 April	(25.9)
(31.5)	Amount by which national business rates and council tax income credited to the Comprehensive Income and Expenditure Statement is different from national business rates and council tax income calculated for the year in accordance with statutory requirements	25.2
(25.9)	Balance at 31 March	(0.7)

E. Accumulated Absences Account

The Accumulated Absences Account absorbs the differences that would otherwise arise on the City Fund unallocated reserve from accruing for compensated absences earned but not taken in the year, e.g. annual leave entitlement carried forward at 31 March. Statutory arrangements require that the impact on the City Fund unallocated reserve is neutralised by transfers to or from the Account.

2015/16 £m		2016/17	
		£m	£m
2.8	Balance at 1 April		3.0
(2.8)	Settlement or cancellation of accrual made at the end of the preceding year	(3.0)	
3.0	Amounts accrued at the end of the current year	2.9	
0.2	Amount by which officer remuneration charged to the CIES on an accruals basis is different from the remuneration chargeable in the year in accordance with statutory requirements		(0.1)
3.0	Balance at 31 March		2.9

F. Deferred Capital Receipts Reserve

The Deferred Capital Receipts Reserve holds the gains recognised on the disposal of non-current assets but for which cash settlement has yet to take place. Under statutory arrangements, these gains are not treated as usable for financing new capital expenditure until they are backed by cash receipts. When the deferred cash settlement eventually takes place, amounts are transferred to the Capital Receipts Reserve.

2015/16 £m		2016/17 £m
(21.0)	Balance at 1 April	(31.6)
(8.5)	Reclassification from Capital Adjustment Account	0.0
(29.5)	Restated Balance at 1 April	(31.6)
0.6	Cash payments in relation to deferred capital receipts	17.3
(2.7)	Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the CIES	0.0
(31.6)	Balance at 31 March	(14.3)

30. Cash Flow Statement – Operating Activities

The cash flows for operating activities include the following item:

2015/16 £m		2016/17 £m
(5.2)	Interest received	(5.1)

The surplus on the provision of services has been adjusted for the following non-cash movements:

2015/16 £m		2016/17 £m
(18.7)	Depreciation, impairments and impairment reversal	(26.6)
0.0	Amortisation	(0.1)
(0.7)	(Increase)/decrease in creditors	(37.4)
2.0	Increase/(decrease) in debtors	6.4
0.2	Increase/(decrease) in inventories	0.1
(30.5)	Movement in pension liability	(27.8)
(28.0)	Carrying amount of non-current assets sold	(21.7)
126.8	Other non-cash items charged to the net surplus or deficit on the provision of services	18.0
51.1		(89.1)

The surplus on the provision of services has been adjusted for the following items that are investing and financing activities:

2015/16 £m		2016/17 £m
44.8	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	41.2
22.0	Capital grants credited to the net surplus or deficit on the provision of services	34.6
66.8		75.8

31. Cash Flow Statement – Investing Activities

2015/16 £m		2016/17 £m
38.1	Purchase of property, plant and equipment, investment property and intangible assets	56.3
197.3	Movement in short-term and long-term investments	(24.5)
(43.0)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(34.4)
(0.6)	Income from finance lease	0.0
(47.5)	Other receipts from investing activities	(57.0)
144.3	Net cash outflows/(inflows) from investing activities	(59.6)

32. Cash Flow Statement – Financing Activities

2015/16 £m		2016/17 £m
(55.4)	Billing Authorities - Council Tax and NNDR Adjustments	(55.9)
0.7	Difference between cash collected on behalf of the Mayor of London under the Community Infrastructure Levy and the amount paid to the Greater London Authority	(12.0)
0.1	Difference between cash collected on behalf of the Mayor of London under Crossrail planning obligations (Section 106 Agreements) and the amount paid to Transport for London	0.0
(54.6)	Net cash inflows from financing activities	(67.9)

33. Trading Operations

2015/16 £m		2016/17 £m
(6.3)	Spitalfields Market Turnover	(7.5)
5.6	Expenditure	5.7
(0.7)	Surplus	(1.8)

Spitalfields Market is a horticultural market serving wholesalers, retailers and caterers from London and a wide area in the Home Counties.

34. Agency Services

The City Fund carries out certain work on an agency basis for which it is fully reimbursed. Revenue and capital work costing £1.5m (2015/16: £1.7m) and £1.3m (2015/16: £2.7m) respectively was undertaken on behalf of Transport for London. These sums were fully reimbursed.

35. Members' Allowances

Members do not receive any remuneration from the City of London for undertaking their duties. However, Members may claim travelling expenses in respect of activities outside the City and receive allowances in accordance with a scale when attending a conference or activity on behalf of the City of London Corporation. These costs, totalling £3,874 (2015/16: £9,348) across all of the City's activities, were met from the endowment funds of the City of London Corporation and not charged to the City Fund.

36. Remuneration of Senior Employees

Tables 1 to 3 set out the information required in accordance with the Accounts and Audit Regulations 2015 for 2016/17 and 2015/16 respectively.

The number of officers whose remuneration, excluding employer's pension contributions, were £50,000 or more grouped in rising bands of £5,000 is set out in Table 1. Officers have been classified between those employees charged wholly to the City Fund, including Police officers, and those employees charged partly to the City Fund and partly to other funds of the City Corporation. The numbers include those officers required to be separately disclosed and set out in Tables 2 and 3.

The information in table 1 relates to those officers' full salary and not just the part charged to the City Fund.

Table 1 – Remuneration in bands - Where there are no officers in a band, that band has not been included in the table.

Salary Range £	Wholly charged to City Fund				Partially Charged to City Fund	
	2015/16	2016/17	2015/16	2016/17	2015/16	2016/17
	Police Officers		Other		Other	
50 - 54,999	116	127	83	51	68	99
55 - 59,999	60	55	39	34	41	44
60 - 64,999	52	60	24	18	36	50
65 - 69,999	21	30	13	10	16	25
70 - 74,999	8	7	7	5	10	10
75 - 79,999	7	2	5	6	8	9
80 - 84,999	3	7	2	2	6	7
85 - 89,999	1	2	3	3	1	1
90 - 94,999	2	3	1	1	0	3
95 - 99,999	2	1	3	3	3	1
100 - 104,999	0	0	3	1	3	1
105 - 109,999	0	0	2	1	4	6
110 - 114,999	0	1	1	0	6	3
115 - 119,999	0	0	0	1	0	1
120 - 124,999	1	0	0	0	1	3
125 - 129,999	0	1	0	0	1	1
130 - 134,999	0	0	1	0	2	2
135 - 139,999	0	0	0	0	0	1
140 - 144,999	0	1	1	2	0	0
150 - 154,999	1	0	0	0	1	0
155 - 159,999	0	0	0	0	0	1
160 - 164,999	0	0	0	0	1	0
165 - 169,999	0	0	0	0	0	1
185 - 189,999	0	1	0	0	0	0
190 - 194,999	1	0	0	0	0	0
195 - 199,999	0	0	1	0	0	0
200 - 204,999	0	0	0	1	0	0
205 - 209,999	0	0	0	0	0	1
235 - 239,999	0	0	0	0	1	0
255 - 259,999	0	0	0	0	0	1
Total	275	298	189	139	209	271

Table 2 - 2016/17 remuneration for those senior employees and relevant police officers required to be disclosed individually

	Proportion charged to Local or Police Authority Activities where less than 100% (see note i) %	Salary (including fees & allowances) £000	Bonus £000	Expenses £000	Benefits in Kind £000	Compensation for Loss of Office £000	Other Payments (Police Officers only) £000	Total Remuneration excluding pension contributions £000	Pension Contributions £000	Total Remuneration including Pension Contributions £000
Salary is £150,000 or more a year										
Town Clerk & Chief Executive - J. Barradell	55%	134	7	0	0	0	0	141	25	166
Chamberlain - P. Kane	60%	101	0	0	0	0	0	101	18	119
Police Commissioner - I. Dyson		179	0	0	0	0	8	187	0	187
Managing Director Barbican Centre - N. Kenyon		189	7	0	0	0	0	196	34	230
Salary is between £50,000 and £150,000										
Director of Built Environment		144	0	0	0	0	0	144	25	169
Director of Community & Children's Services (Left 30th Nov 2016)		92	6	0	0	0	0	98	16	114
Director of Community & Children's Services (Acting up from 1st Dec 2016)		35	0	0	0	0	0	35	6	41
Director of Culture, Heritage & Libraries (Retired 31st Jan 2017)	65%	61	1	0	0	15	0	77	11	88
Deputy Town Clerk (Retired 30th Sep 2016)	55%	38	0	0	0	38	0	76	6	82
Director of Markets & Consumer Protection	55%	63	0	0	0	0	0	63	11	74
Director of Open Spaces (Retired 28th Feb 2017)	30%	27	1	0	0	0	0	28	5	33
Director of Open Spaces (Started 1st March 2017)	30%	3	0	0	0	0	0	3	0	3
Comptroller & City Solicitor	65%	98	5	0	0	0	0	103	18	121
City Surveyor (Retired 31st Oct 2016)	40%	20	0	0	0	0	0	20	0	20
City Surveyor (Started 3rd Oct 2016)	40%	29	0	0	0	0	0	29	5	34

Table 3 - 2015/16 remuneration for those senior employees and relevant police officers required to be disclosed individually

	Proportion charged to Local or Police Authority Activities where less than 100% (see note i) %	Salary (including fees & allowances) £000	Bonus £000	Expenses £000	Benefits in Kind £000	Compensation for Loss of Office £000	Other Payments (Police Officers only) £000	Total Remuneration excluding pension contributions £000	Pension Contributions £000	Total Remuneration including Pension Contributions £000
Salary is £150,000 or more a year										
Town Clerk & Chief Executive - J. Barradell	55%	129	0	0	0	0	0	129	23	152
Chamberlain	60%	98	0	7	0	0	0	105	17	122
Police Commissioner - A. Leppard (retired 02 January 2016)		167	0	0	0	0	27	194	0	194
Police Commissioner - I. Dyson (started 03 January 2016)		43	0	0	0	0	0	43	0	43
Managing Director Barbican Centre - N. Kenyon		186	5	6	0	0	0	197	33	230
Salary is between £50,000 and £150,000										
Director of Built Environment (started 19 August 2015)		87	0	0	0	0	0	87	15	102
Director of Community & Children's Services		128	5	0	0	0	0	133	23	156
Director of Culture, Heritage & Libraries	65%	70	1	0	0	0	0	71	13	84
Deputy Town Clerk	55%	70	2	0	0	0	0	72	13	85
Director of Markets & Consumer Protection	55%	60	0	0	0	0	0	60	10	70
Director of Open Spaces	30%	29	1	0	1	0	0	31	6	37
Comptroller & City Solicitor	65%	95	3	0	0	0	0	98	17	115
City Surveyor (0.6 full time equivalent)	40%	44	2	0	0	0	0	46	0	46

Notes to Senior Officers and Relevant Police Officers Remuneration Disclosures

- (i) These officers provide services for the City of London Corporation's local authority and non-local authority activities. The remuneration included in tables 2 and 3 relates to the proportion charged to local authority and police activities. The total salary for each of these officers is as follows:

2015/16 Total Salary £000		2016/17 Total Salary £000
235	Town Clerk and Chief Executive	244
163	Chamberlain	168
108	Director of Culture, Heritage & Libraries (Retired 31 Jan 2017)	94
127	Deputy Town Clerk (Retired 30 Sep 2016)	69
109	Director of Markets & Consumer Protection	115
97	Director of Open Spaces (Retired 28 Feb 2017)	90
0	Director of Open Spaces (Started 01 March 2017)	10
146	Comptroller & City Solicitor	151
110	City Surveyor (Retired 31 Oct 2016)	50
0	City Surveyor (Started 03 Oct 2016)	73

37. Exit Packages**2016/17**

2016/17	Exit Package Cost Band							Total
	£0 - £20,000	£20,001 - £40,000	£40,001 - £60,000	£60,001 - £80,000	£80,001 - £100,000	£100,001 - £150,000	£150,001 - £200,000	
Number of compulsory redundancies (FTE No.)	6.0	2.0	2.0	0.0	0.0	1.0	0.0	11.0
Number of Other Departures Agreed (FTE No.)	1.0	0.0	0.0	0.0	0.0	0.0	1.0	2.0
Total Number of Exit Packages by Cost Band (FTE No.)	7.0	2.0	2.0	0.0	0.0	1.0	1.0	13.0
Total Cost of Exit Packages in Each Band (£'000)	96.4	47.4	110.0	0.0	0.0	100.6	175.6	530.0

2015/16

	Exit Package Cost Band							Total
	£0 - £20,000	£20,001 - £40,000	£40,001 - £60,000	£60,001 - £80,000	£80,001 - £100,000	£100,001 - £150,000	£150,001 - £200,000	
Number of compulsory redundancies (FTE No.)	2.0	0.0	2.0	1.0	3.0	1.0	0.0	9.0
Number of Other Departures Agreed (FTE No.)	1.0	0.0	0.0	0.0	0.0	1.0	0.0	2.0
Total Number of Exit Packages by Cost Band (FTE No.)	3.0	0.0	2.0	1.0	3.0	2.0	0.0	11.0
Total Cost of Exit Packages in Each Band (£'000)	35.5	0.0	95.0	67.1	281.9	279.5	0.0	759.0

38. Audit and Inspection Fees

Costs incurred in relation to the audit of the Statement of Accounts, certification of grant claims and statutory inspections provided by the City Fund's external auditor, BDO LLP are set out below. Audit Fees of £21,000 (2015/16: £21,000) in respect of the City of London Pension Fund are met by the Pension Fund and are not included in the table.

2015/16 £'000		2016/17 £'000
86.4	External audit services carried out by the appointed auditor under the National Audit Office Code of Audit Practice in accordance with the Local Audit and Accountability Act 2014.	86.4
22.7	Certification of grant claims and returns by the appointed auditor	22.5
0.0	Fees payable in respect of other services provided during the year	0.0
109.1		108.9

39. Dedicated Schools Grant

In 2016/17, the City Fund received a specific grant from the Department for Education, the Dedicated Schools Grant (DSG), of £2.41m (2015/16: £2.41m). DSG is ring-fenced and can only be applied to meet expenditure properly included in the Schools Budget as defined in the School Finance (England) Regulations 2011. The Schools Budget includes elements for a range of education services provided on an authority-wide basis and for the Individual School Budget for maintained schools.

Details of the deployment of DSG receivable for 2016/17 are as follows:

2016/17	Schools Budget Funded by DSG		
	Central Expenditure £m	Individual School Budget £m	Total £m
Final DSG for 2016/17 before Academy recoupment	0.71	1.70	2.41
Academy Figure recouped for 2016/17	0.00	0.00	0.00
Total DSG after Academy recoupment for 2016/17	0.71	1.70	2.41
Plus:Brought forward from 2015/16	0.73	0.00	0.73
Less: Carry forward to 2017/18 agreed in advance	0.00	0.00	0.00
Agreed initial budgeted distribution in 2016/17	1.44	1.70	3.14
In year adjustments	0.00	0.00	0.00
Final budgeted distribution for 2016/17	1.44	1.70	3.14
Less: Actual central expenditure	(1.05)	0.00	(1.05)
Less: Actual ISB deployed to schools	0.00	(1.70)	(1.70)
Plus:Local authority contribution for 2016/17	0.00	0.00	0.00
Carry forward to 2017/18	0.39	0.00	0.39

Details of the deployment of DSG receivable for 2015/16 are as follows:

2015/16	Schools Budget Funded by DSG		
	Central Expenditure £m	Individual School Budget £m	Total £m
Final DSG for 2015/16 before Academy recoupment	0.60	1.81	2.41
Academy Figure recouped for 2015/16	0.00	0.00	0.00
Total DSG after Academy recoupment for 2015/16	0.60	1.81	2.41
Plus: Brought forward from 2014/15	0.96	0.00	0.96
Less: Carry forward to 2016/17 agreed in advance	0.00	0.00	0.00
Agreed initial budgeted distribution in 2015/16	1.56	1.81	3.37
In year adjustments	(0.03)	0.00	(0.03)
Final budgeted distribution in 2015/16	1.53	1.81	3.34
Less :Actual central expenditure	(0.80)	0.00	(0.80)
Less :Actual ISB deployed to schools	0.00	(1.81)	(1.81)
Plus:Local authority contribution for 2015/16	0.00	0.00	0.00
Carry forward to 2016/17	0.73	0.00	0.73

40. Grant Income credited to the Comprehensive Income and Expenditure Statement

The following grants, contributions and donations have been credited to the Comprehensive Income and Expenditure Statement.

2015/16 £m		2016/17 £m
	Credited to Taxation and Non Specific Grant Income	
	<u>Revenue Grants</u>	
(10.9)	City Fund Offset	(11.0)
(12.1)	Revenue Support Grant	(10.6)
(52.4)	Police Grant	(52.1)
(2.7)	Other Non-Specific Grants	(2.3)
	<u>Capital Grants and contributions</u>	
(4.0)	Home Office	(1.2)
(1.8)	Transport for London	(1.3)
(1.0)	Ministry of Justice	(1.0)
(8.9)	Section 106/278 Contributions	(7.9)
(2.7)	Community Infrastructure Levy	(18.6)
(2.2)	Bridge House Estates	(0.4)
(0.1)	Other capital grants and contributions	(0.5)
(98.8)	Total	(106.9)

2015/16 £m		2016/17 £m
	Credited to Services	
	<u>Revenue Grants (Government)</u>	
	Home Office	
(19.6)	Police Pensions	(19.0)
(5.3)	Counter Terrorism	(5.1)
(7.0)	National Cyber Security Programme	(3.2)
(2.8)	National and International Capital City Grant	(4.5)
(2.7)	National Fraud Intelligence Bureau	(7.4)
(2.6)	National Lead Force for Fraud	(2.6)
	Regional Capability on Economic Crime	
(0.1)	Innovation Fund	(0.2)
(0.6)	Other	(1.1)
(0.2)	Cabinet Office	0.0
(0.3)	Ministry of Justice	(0.3)
	Department for Work and Pensions	
(6.1)	Housing and Council Tax Benefit	(5.5)
(5.0)	HM Courts and Tribunals Service	(5.0)
	Department for Education	
(2.6)	Dedicated Schools Grant	(2.7)
(0.2)	Other	(0.2)
	Department for Communities and Local Government	
(1.7)	Cost of Collection Allowance	(1.7)
(0.3)	Other	(0.8)

2015/16 £m		2016/17 £m
	Credited to Services continued	
	Department for Health	
(1.7)	Public Health	(1.7)
(0.3)	Other	(0.4)
(0.5)	Department of Culture, Media and Sport	0.0
(3.6)	Transport for London	(3.8)
(1.4)	Intellectual Property Office	(1.5)
(0.8)	Greater London Authority	(0.9)
(0.6)	Department for International Development	(0.4)
(0.5)	Arts Council England	(1.5)
(2.6)	Other revenue grants (Government)	(1.6)
	<u>Non Government revenue grants and contributions</u>	
(2.2)	S106/S278 and other developer contributions	(2.3)
(2.4)	UK Payments Administration Ltd	(2.5)
(3.6)	Association of British Insurers	(4.0)
(0.2)	European Commission	(0.1)
(4.5)	Other	(5.9)
	<u>Capital Grants and contributions (funding revenue expenditure under statute)</u>	
(0.1)	Section 106 contributions	(1.8)
(1.2)	Other	(1.9)
(83.3)	Total	(89.6)

41. Grants and Contributions Received in Advance

A number of grants and contributions have yet to be recognised as income as they have conditions attached to them which if they are not met will require the monies to be returned to the provider. The balances at the year-end are as follows:

Long Term

31 March 2016 £m		31 March 2017 £m
	Capital Grants and Contributions Receipts in Advance	
89.3	S106/S278 Capital Contributions	108.2
1.3	Department for Education	2.8
0.2	Other	0.3
90.8	Total	111.3

42. Deferred Credits

Premiums received at the commencement of operating leases for investment properties are effectively rents received in advance and are released to revenue on a straight line basis over the lease term.

31 March 2016 £m		31 March 2017 £m
	Deferred Credits	
(151.7)	Rents Received in Advance	(152.4)
(151.7)	Total	(152.4)

43. Related Party Transactions

The City Fund is required to disclose information on material “related party transactions” with bodies or individuals that have the potential to control or influence the authority or be controlled or influenced by the authority.

Disclosure

Members are required to disclose their interests and these can be viewed online at www.cityoflondon.gov.uk.

Members and Chief Officers have been requested to disclose related party transactions of £10,000 or more in 2016/17 including instances where their close family has made transactions with the City of London.

During 2016/17 the following transactions were disclosed;

- the City Corporation nominates six Members to the various committees of London Councils and another Member declared that he has an independent place on a number of Committees. London Councils was paid £218,000 for various subscriptions and services;
- the City Corporation nominates a Member to the Local Government Association which was paid £20,000 for subscriptions, conference fees and services;
- five Members and one Chief Officer are Directors of the ‘Lord Mayors Show Ltd’. The company paid the City Fund £12,000 for the provision of services. The City Fund paid the company £16,000 for artwork and participation fees;
- two Members declared interests in PwC LLP which was paid £933,000 for consultancy services. £33,000 was received from the company for the hire of an event space;
- a Member is a Director/Shareholder of Keepmoat Regeneration Ltd which provided services to the City Fund at a cost of £4,352,000;
- a Member is a Board Member of London and Partners which was paid £80,000 for participation in exhibitions and partnership fees;
- a Member declared that a member of their family worked for Knight Frank which was paid £81,000 for services;
- a Member declared that his accountants are RSM UK Group LLP who were paid £33,000 from the City Fund for consultancy services;
- two Members are Trustees of Guildhall School Trust which paid £13,000 to the City Fund for catering services;
- a Member is a Trustee of East London NHS Foundation Trust which received £58,000 from the City Fund for mental health reablement and Looked After Children services;
- a Member is a Governor of Prior Western Primary School which was paid £21,000 for children’s centre and administration services and received £42,000 for unused childcare places;
- a Member a Board Member of the International Dispute Resolution Centre Ltd which paid £343,000 in lease charges to the City Fund;
- a Member is a trustee of the Museum of London which received a grant of £5,292,000 and which paid £1,318,000 to the City Fund in finance lease and loan payments;
- a Member is CEO of AON UK Ltd which made a £30,000 contribution to Sculpture in the City;
- a Member declared that a member of their family is a partner in Simmons & Simmons LLP which paid £24,000 for a Barbican Corporate Membership.

During 2015/16 the following transactions were disclosed;

- the City Corporation nominates six Members to the various committees of London Councils and another Member declared that he has an independent place on a number of Committees. London Councils was paid £241,000 for various subscriptions and services;
- Five Members and one Chief Officer are Trustees of the City Arts Trust Limited. This charitable company received grants of £383,000 from the City Fund and paid £32,000 to the City Fund for event related services;
- two Members declared interests in PWC LLP which was paid £324,000 for consultancy services. £10,000 was received from the company for the hire of an event space;
- a Member is a Director/Shareholder of Keepmoat Regeneration Ltd which provided services to the City Fund at a cost of £1,193,000;
- six Members and one Chief Officer are Directors of the 'Lord Mayors Show Ltd'. The company paid the City Fund £11,000 for the provision of services;
- a Member is a Board Member of London and Partners which was paid £48,000 for participation in exhibitions and partnership fees;
- one Member declared that a member of their family worked for Knight Frank which was paid £29,000 for services;
- the City Corporation nominates a Member to the Local Government Association which was paid £19,000 for subscriptions, conference fees and services;
- a Member is a Trustee of Guildhall School Trust which paid £19,000 to the City Fund for catering services;
- a Member is a Trustee of East London NHS Foundation Trust which received £24,000 from the City Fund for mental health reablement services;
- a Member is a Governor of Prior Western Primary School which was paid £94,000 for childcare places and children's services;
- a Chief officer declared that his wife was a partner of Charles Russell Speechlys LLP for part of the year. The City Fund paid the company £67,000 for legal services in relation to property transactions.

All transactions complied with the City of London's procedures and there were no outstanding balances at year end.

Related Party Transactions with the Museum of London

The Museum of London is financed by the City of London and the Greater London Authority with the latter being the major funder and is subject to common control by central government. The City of London's contribution in 2016/17 was £5.3m (2015/16: £5.3m). Half of the appointments to the Board are made by the City of London. However, the City of London does not exercise control of the Museum. Amounts due from the Museum of London at 31 March 2017 are shown in notes 22 and 23.

Related Party Transactions with City's Cash and Bridge House Estates

During 2016/17 there were no significant transactions between the City Fund and the other main funds of the City Corporation.

During 2015/16, the City Fund received £2.2m from Bridge House Estates for the construction of a replacement staircase at London Bridge. The project is included within the City Fund Riverside Walk Enhancement Strategy but was assessed as falling within the objects of the Bridge House Estates Trust. There were no significant transactions between the City Fund and the other main funds of the City Corporation.

There were no outstanding balances at year end.

Entities Controlled or Significantly Influenced

Barbican Theatre Productions Limited is a company limited by guarantee engaged with the production of theatre events on behalf of the Barbican Centre. All directors of the company are officers of the City Corporation based at the Barbican Centre. The company falls within the group boundary of the City Fund on the grounds of control and significant influence. However, group accounts are not necessary as, due to the elimination of group transactions on consolidation, the interest is not deemed sufficiently material.

For 2016/17 the City Corporation paid £1.7m to the company and received £1.7m reimbursement from the company.

Related Party Transactions Disclosed Elsewhere in the Accounts

The UK government has significant influence over the general operations of the City Fund. It is responsible for providing the statutory framework within which the City Fund operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the City Fund has with other parties (e.g. council tax bills, housing benefits). Grants from government departments are shown in Note 40. Amounts due to and from central government departments at 31 March 2017 are shown in notes 23 and 25 respectively.

Disclosures are made in respect of other public bodies which are subject to common control by central government in other parts of the accounts as follows:

Precepts from other Authorities

Pension Fund

Amounts paid to HM Revenues and Customs in respect of employer's national insurance contributions of £11.1m (2016: £9.0m).

Amounts paid to Kent County Council for the procurement of goods and services (primarily energy) of £7.8m (2016: £6.1m).

44. LeasesFinance Leases*City Fund as Lessee*

Nine property agreements have been classified as finance leases – five relating to operational properties and four in respect of investment properties. In addition, as part of the City of London contract for its cleansing services, the vehicles owned by the contractor but which are used exclusively on the City of London contract have been classified as finance leases.

The assets acquired under these leases are carried as Property, Plant and Equipment and Investment Properties in the City Fund's Balance Sheet at the following net amounts:

31 March 2016 £m		31 March 2017 £m
2.6	Property, Plant and Equipment	2.5
0.6	Other Land and Buildings	0.4
20.2	Vehicles, Plant and Equipment	48.7
23.4	Investment Properties	51.6

The rental payments for most of the property leases are immaterial, the highest being £600 per annum. Consequently, no liabilities are recognised in the balance sheet for these leases and the rental payments are met in full from revenue over the terms of the leases rather than being apportioned between finance charges (interest) and reductions in the outstanding liabilities.

For two investment property leases and the vehicles the City Fund will make payments over the term of the leases to meet the costs of the long term liabilities and the finance costs payable.

The leases are carried under other long term liabilities on the balance sheet:

31 March 2016 £m		31 March 2017 £m
1.5	Investment Property	3.2
0.9	Cleansing Vehicles	0.9
2.4	Long Term Liabilities	4.1

The minimum lease payments in relation to the investment property are:

Total Future Minimum Lease Payments	Present Value of Future Lease Payments		Total Future Minimum Lease Payments	Present Value of Future Lease Payments
31 March 2016 £m	31 March 2016 £m		31 March 2017 £m	31 March 2017 £m
0.1	0.0	Not later than one year	0.1	0.0
0.2	0.0	Later than one year and not later than five years	0.5	0.0
6.0	1.5	Later than five years	13.9	3.7
6.3	1.5		14.5	3.7

There are no commitments in respect of finance leases entered into before the year end but whose term has yet to commence.

City Fund as Lessor

The City Fund has a gross investment in finance leases relating to the minimum lease payments expected to be received over the remaining terms. There is no residual value anticipated for the properties when the leases come to an end. The minimum lease payments comprise settlement of the long-term debtor for the interest in the properties acquired by the lessees and finance income that will be earned by the City Fund in future years whilst the debt remains outstanding. The gross investment is made up of the following amounts:

31 March 2016 £m		31 March 2017 £m
	Finance lease debtor (net present value of minimum lease payments)	
0.6	current	0.6
31.2	non-current	13.7
31.7	Unearned finance income	31.3
0.0	Unguaranteed residual value of property	0.0
63.5	Gross investment in the lease	45.6

The gross investment in the leases and the minimum lease payments receivable will be received over the following periods:

Gross Investment in Lease	Net Present Value of Minimum Lease Payments		Gross Investment in Lease	Net Present Value of Minimum Lease Payments
31 March 2016 £m	31 March 2016 £m		31 March 2017 £m	31 March 2017 £m
1.0	0.6	Not later than one year	1.0	0.6
20.4	19.0	Later than one year and not later than five years	3.5	2.0
42.1	12.1	Later than five years	41.2	11.8
63.5	31.7		45.7	14.4

The minimum lease payments receivable are not contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. Income from investment properties is set out in note 18.

Operating Leases

City Fund as Lessee

The future minimum lease payments due under non-cancellable leases in future years are:

31 March 2016 Restated £m		31 March 2017 £m
1.2	Not later than one year	2.3
3.0	Later than one year and not later than five years	8.0
11.6	Later than five years	11.3
15.8		21.6

The expenditure charged to the provision of services in the Comprehensive Income and Expenditure Statement during the year in relation to these leases was £1.6m (2015/16: £1.2m).

City Fund as Lessor

The City of London has granted leases in respect of a number of City Fund properties, principally Investment Properties, which are treated as operating leases. The future minimum lease payments receivable under non-cancellable leases in future years are:

31 March 2016 £m		31 March 2017 £m
48	Not later than one year	53
170	Later than one year and not later than five years	183
2,838	Later than five years	3,026
3,056		3,262

The minimum lease payments receivable do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews.

45. Pension Schemes

As part of the terms and conditions of employment of its employees, the City Fund makes contributions towards the cost of post-employment benefits. Employees are members of the following pension schemes:

- The City of London Pension Scheme
- The Police Pension Schemes (1987, 2006 and 2015)
- The Judges Pension Scheme
- The Teachers' Pension Scheme.

These schemes provide defined benefits to members (retirement lump sums and pensions), earned as employees working for the City of London Corporation. Notes 46 to 50 provide further information on each of the above schemes.

46. City of London Pension Scheme

The City of London Pension Scheme (the "Scheme") is operated under the regulatory framework for the Local Government Pension Scheme with policy determined in accordance with the Pension Fund Regulations. It is a funded defined benefit final salary scheme, meaning that the employers and employees pay contributions into a fund calculated at a level intended to balance the pension liabilities with investment assets.

The City of London Corporation administers the Scheme on behalf of its participating employers. The Corporation's Establishment Committee is responsible for personnel and administration matters, whilst its Financial Investment Board is responsible for appointing fund managers and monitoring performance. The principal risks to the authority of the scheme are the mortality rate assumptions, statutory changes to the scheme, structural changes to the scheme (i.e. large scale withdrawals from the scheme), changes to inflation, bond yields and the performance of the equity investments held by the scheme.

The estimated net deficit on the Scheme is the responsibility of the City of London Corporation as a whole, and therefore cannot be attributed precisely between its three funds (City Fund, City's Cash and Bridge House Estates). However, an apportionment of the deficit and inclusion in the respective balance sheets presents a fairer view of each of the funds' financial positions than if the net deficit were to be excluded. Accordingly an apportionment has been made which is based on employer's annual contributions to the funds.

Disclosures in relation to City of London Corporation and the City Fund's share of the overall scheme which satisfy the requirements of a defined benefit pension scheme are set out in this note. This information is not used to determine the employer's pension contribution rate. This is calculated at the triennial valuation and updated by any subsequent interim valuations. The most recent triennial valuation was as at 31 March 2016 and informed consideration of the level of employer's pension contribution to be charged from 1 April 2017 to 31 March 2020.

Assets and Liabilities in Relation to Retirement Benefits

a. Reconciliation of present value of the scheme liabilities

CITY OF LONDON CORPORATION	CITY FUND SHARE 50%		CITY OF LONDON CORPORATION	CITY FUND SHARE 51%
31 March 2016 £m	31 March 2016 £m		31 March 2017 £m	31 March 2017 £m
(1,250.5)	(625.2)	1 April	(1,211.2)	(605.6)
(33.0)	(16.5)	Current Service Cost	(28.3)	(14.4)
(40.9)	(20.4)	Interest Cost	(43.2)	(22.0)
		Remeasurement gains/losses:		
0.0	0.0	Actuarials Gains/losses arising from demographic assumptions	33.8	17.2
88.0	44.0	Actuarials gains/losses arising from changes in financial assumptions	(276.0)	(140.8)
0.5	0.2	Other Actuarial Gains/Losses	24.3	0.3
(1.8)	(0.9)	Past Service Cost, including curtailments	(0.8)	(0.4)
(0.6)	(0.3)	Liabilities extinguished on settlements	0.0	0.0
35.6	17.8	Benefits paid	33.0	16.8
(9.1)	(4.6)	Contributions from scheme participants	(8.9)	(4.5)
0.6	0.3	Unfunded Pension Payments	0.5	0.3
(1,211.2)	(605.6)	31 March	(1,476.8)	(753.1)

Liabilities are discounted to their value at current prices, using a discount rate of 2.7% (based on the annualised yield at the 19 year point on the Merrill Lynch AA rated corporate bond yield curve).

b. Reconciliation of fair value of the scheme assets

CITY OF LONDON CORPORATION	CITY FUND SHARE 50%		CITY OF LONDON CORPORATION	CITY FUND SHARE 51%
31 March 2016 £m	31 March 2016 £m		31 March 2017 £m	31 March 2017 £m
752.3	376.1	1 April	730.2	365.0
24.2	12.1	Interest on Assets	26.2	13.4
		Remeasurement gains/losses:		
(41.4)	(20.8)	Return on Assets less interest	122.3	69.7
0.0	0.0	Other actuarial gains/losses	5.1	2.6
(0.5)	(0.2)	Administration expenses	(0.5)	(0.3)
22.3	11.1	Contributions by Employer	20.3	10.4
9.1	4.6	Contributions by Scheme Participants	8.9	4.5
(36.2)	(18.1)	Benefits Paid	(33.6)	(17.1)
0.4	0.2	Settlement Prices Received/(Paid)	0.0	0.0
730.2	365.0	31 March	878.9	448.2

Scheme assets consist of the following categories, by proportion of the total assets held:

31 March 2016 %		31 March 2017 %
63	Equity Investments	65
n/a	Gilts	n/a
0	Cash	0
n/a	Bonds	n/a
4	Infrastructure	5
33	Absolute return portfolio	30
100		100

The analysis of investments held and valuations are included in the accompanying Pension Fund accounts.

c. Overall net deficit

CITY OF LONDON CORPORATION	CITY FUND SHARE 50%		CITY OF LONDON CORPORATION	CITY FUND SHARE 51%
31 March 2016 £m	31 March 2016 £m		31 March 2017 £m	31 March 2017 £m
(498.2)	(249.1)	1 April	(481.0)	(240.6)
39.3	19.6	change in liabilities	(265.6)	(147.5)
(22.1)	(11.1)	change in assets	148.7	83.2
(481.0)	(240.6)	31 March	(597.9)	(304.9)

Basis for Estimating Assets and Liabilities

The liabilities have been valued by the City of London's independent consulting actuaries (Barnett Waddingham) using the projected unit method, based upon the latest full valuation of the scheme as at 31 March 2016 and updated to the balance sheet date. The main assumptions used in the calculations are as follows:

2015/16		2016/17
	Mortality assumptions:	
	Life expectancy in years from age 65	
	Retiring today	
23.0	Men	23.8
25.4	Women	25.2
	Retiring in 20 years	
24.8	Men	25.2
27.3	Women	26.7
3.2%	Rate of Inflation - RPI	3.6%
2.3%	Rate of Inflation - CPI	2.6%
3.8%	Salary Increases	4.1%
2.3%	Pension Increases	2.6%
3.6%	Discount Rate	2.7%
75.0%	Take-up of option to convert annual pension into retirement lump sum	50.0%

Impact on defined benefit obligation from changes to actuarial assumptions

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out above. The following table, prepared on an actuarial projected unit basis, shows the impact on the defined benefit obligation from changes to various actuarial assumptions. The sensitivity analyses have been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all the other assumptions remain constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be interrelated.

Change in Assumptions at 31 March 2017

	CITY OF LONDON		CITY FUND	
	Increase £m	Decrease £m	Increase £m	Decrease £m
0.1% change in rate for discounting scheme liabilities	(26.6)	27.1	(13.6)	13.8
0.1% change in rate of increase in salaries	4.0	(3.9)	2.0	(2.0)
0.1% change in rate of increase in pensions	23.1	(22.7)	11.8	(11.6)
One year change in rate of mortality assumption	55.8	(53.7)	28.5	(27.4)

Impact on the City Fund's Cash Flows

The objectives of the scheme are to keep employers' contributions at as constant a rate as possible. The Corporation has agreed a deficit recovery period of 20 years from 2015/16 with the scheme's actuary. Funding levels are monitored on an annual basis.

The liabilities show the estimated underlying commitments that the City Fund has in the long run to pay post-employment (retirement) benefits. The net liability of £304.9m has a substantial impact on the net worth of the City Fund as recorded in the Balance Sheet. However, statutory arrangements for funding the deficit mean that the financial position of the City Fund remains sound. The deficit will be made good by increased contributions over the remaining working life of employees, as assessed by the scheme actuary.

The total employer contributions expected to be made to the scheme for the City of London Corporation across all its funds in the year to 31 March 2018 are £25.0m (estimated City Fund Share £12.75m).

The scheme actuary has estimated that the weighted average duration of the defined benefit obligation for scheme members is 18 years.

47. The Police Pension Scheme

There are three Police Pension Schemes - the 1987 Scheme, the 2006 Scheme and the 2015 Scheme. Except where otherwise stated, the "Police Pension Scheme" is used generically to cover all the schemes. The Police Pension Scheme is defined benefit and unfunded. It is administered by the City of London in accordance with Home Office regulations and is not a multi-employer scheme. The Scheme is funded on a pay as you go basis, with the employer contributing a percentage of police pay into the Pension Fund and the Home Office meeting the balance. At the year end the Police Pension Fund Account is balanced to nil by either receiving a contribution from the City Fund equal to the amount by which the amounts payable from the Pension Fund for the year exceed the amounts receivable or, by paying to the City Fund the amount by which sums receivable by the Fund for the year exceed the amounts payable. Where the City Fund makes a transfer in to the Pension Fund, the Home Office will pay an equivalent top-up grant to the City Fund. Where the City Fund receives a transfer from the Pension Fund, the City Fund must pay the amount to the Home Office. The Police Pension Scheme 2015 came into effect from 1 April 2015 and any benefits accrued from that date will be based on career average revalued salaries, with exceptions for those members that have transitional protection in their existing scheme. The last full valuation of the Police Pension Scheme was at 31 March 2012 by the Government Actuary's Department and set contributions for the period 1 April 2015 to 31 March 2019. The next combined actuarial valuation will be carried out as at 31 March 2016.

Liabilities in Relation to Retirement Benefits

As the scheme is unfunded, it has no assets.

Reconciliation of present value of the scheme liabilities

31 March 2016		31 March 2017
£m		£m
(813.2)	1 April	(776.3)
(16.4)	Current Service Cost	(13.3)
(26.4)	Interest Cost	(27.5)
	Remeasurement gains/losses:	
0.0	Actuarials Gains/losses arising from demographic assumptions	40.4
57.3	Actuarials gains/losses arising from changes in financial assumptions	(162.8)
(5.0)	Other Actuarial Gains/Losses	0.0
30.9	Benefits paid	29.9
(4.0)	Contributions from scheme participants	(3.8)
0.5	Injury Benefits Paid	0.5
(776.3)	31 March	(912.9)

Basis for Estimating Liabilities

The liabilities have been valued by the City of London's independent consulting actuaries (Barnett Waddingham) using the projected unit method, based upon the last full valuation of the scheme updated to the balance sheet date. The main assumptions used in the calculations are as follows:

2015/16	Mortality assumptions:	2016/17
	Life expectancy in years from age 65	
	Retiring today	
23.1	Men	21.7
25.5	Women	24.0
	Retiring in 20 years	
25.4	Men	23.1
27.8	Women	25.5
3.2%	Rate of Inflation - RPI	3.6%
2.3%	Rate of Inflation - CPI	2.6%
4.1%	Salary Increases	4.1%
2.3%	Pension Increases	2.6%
3.6%	Discount Rate	2.7%

Impact on defined benefit obligation from changes to actuarial assumptions

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out above. The following table, prepared on an actuarial projected unit basis, shows the impact on the City Fund's defined benefit obligation from changes to various actuarial assumptions. The sensitivity analyses have been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all the other assumptions remain constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be interrelated.

Change in Assumptions at 31 March 2017**Impact on the Defined Benefit Obligation in the Scheme**

	Increase £m	Decrease £m
0.1% change in rate for discounting scheme liabilities	(16.6)	17.0
0.1% change in rate of increase in salaries	1.6	(1.6)
0.1% change in rate of increase in pensions	15.4	(15.1)
One year change in rate of mortality assumption	37.1	(35.6)

Impact on the City Fund's Cash Flows

The liabilities show the estimated underlying commitments that the City Fund has in the long run to pay post-employment (retirement) benefits. The net liability of £912.8m has a substantial impact on the net worth of the City Fund as recorded in the Balance Sheet. However, statutory arrangements for funding the deficit mean that the financial position of the City Fund remains sound. Future contributions are expected to be met by an annually assessed grant from the Home Office.

The total employer contributions for the combined position of the Police Pension Schemes 1987, 2006 and 2015 for the year to 31 March 2018 are expected to be £5.9m and the expected top up grant from the Government is £20.2m.

The scheme actuary has estimated that the weighted average combined duration of the defined benefit obligation for the schemes is 18 years.

48. Judges Pension Scheme

The Judges Pension Scheme is defined benefit and unfunded. The scheme is subject to the provisions of the Judicial Pensions and Retirement Act 1993. The Treasury is responsible for payment of Judges' pensions and the City of London reimburses them in accordance with regulations made under the Act.

Liabilities in Relation to Retirement Benefits

As the scheme is unfunded, it has no assets.

Reconciliation of present value of the scheme liabilities

31 March 2016 £m		31 March 2017 £m
(2.0)	1 April	(2.0)
(0.2)	Current Service Cost	(0.2)
(0.1)	Interest Cost	(0.1)
	Actuarials Gains/losses arising from demographic assumptions	
	Remeasurement gains/losses:	
0.2	Actuarials gains/losses arising from changes in financial assumptions	(0.3)
0.1	Benefits paid	0.1
(2.0)	31 March	(2.5)

Impact on defined benefit obligation from changes to actuarial assumptions

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out on the previous page. The following table, prepared on an actuarial projected unit basis, shows the impact on the City Fund's defined benefit obligation from changes to various actuarial assumptions. The sensitivity analyses have been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all the other assumptions remain constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be interrelated.

Change in Assumptions at 31 March 2017

	Increase £m	Decrease £m
0.1% change in rate for discounting scheme liabilities	(0.03)	0.03
0.1% change in rate of increase in salaries	0.00	0.00
0.1% change in rate of increase in pensions	0.03	(0.03)
One year change in rate of mortality assumption	0.10	(0.10)

Impact on the City Fund's Cash Flows

The liabilities show the estimated underlying commitments that the City Fund has in the long run to pay post-employment (retirement) benefits. The net liability of £2.5m has an impact on the net worth of the City Fund as recorded in the Balance Sheet. However, the City Fund has set aside funds in an earmarked reserve to assist with meeting its share of liabilities.

The scheme actuary has estimated that the weighted average combined duration of the defined benefit obligation for the scheme is 13 years.

49. The Teachers' Pension Scheme

Teachers employed by the City of London Corporation are members of the Teachers' Pension Scheme administered by Capita Teachers' Pensions on behalf of the Department for Education (DfE) as a multi-employer defined benefit scheme. As it is not possible to identify the assets and liabilities at individual employer level, the pension arrangements are treated as a defined contribution scheme.

In 2016/17 the City Fund contribution to the Teachers' Pension Scheme was £0.1m (2015/16:£0.1m) and the employer's contribution rate set by the DfE was 16.4%, increased from 14.1% from 1 September 2016 following the last valuation of the Scheme as at 31 March 2015 by the Government Actuary's Department .

In addition, the Corporation is responsible for all pension payments relating to added years that it has awarded, together with the related increases. In 2016/17 and 2015/16 no material payments were made.

50. Transactions Relating to Post-employment Benefits within the Financial Statements

The Teachers' Pension Scheme is accounted for as if it is a defined contribution scheme and no liability for future payments of benefits is recognised in the Balance Sheet. The Children's and Education Services line in the Comprehensive Income and Expenditure Statement is charged with the employer's contributions payable to Teachers' Pension Scheme in the year.

Retirement benefits from schemes accounted for on a defined benefit basis (City of London, Police and Judges) are recognised in the Net Cost of Services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge against council tax is based on cash payable in the year, so the real cost of retirement benefits is reversed out of the City Fund and Housing Revenue Account via the Movement in Reserves Statement.

The cumulative amount of actuarial gains and losses recognised in Other Comprehensive Income and Expenditure in the actuarial gains or losses on pensions assets and liabilities line was at 31 March 2017 a loss of £173.7m and at 31 March 2016 was a gain of £75.9m.

The tables on the following pages summarise the entries in the financial statements for the City of London, Police and Judges Schemes.

2016/17 Transactions

	Police £m	Judges £m	City of London £m	Total £m
Comprehensive Income & Expenditure Statement (CIES)				
Cost of Services:				
Current service cost	13.3	0.2	14.4	27.9
Past service costs	0.0	0.0	0.4	0.4
(gain)/loss from settlements	0.0	0.0	0.0	0.0
Other Operating Income				
administration expenses	0.0	0.0	0.3	0.3
Financing & Investment Income & Expenditure				
Interest cost	27.5	0.1	8.6	36.2
Total Retirement Benefit Charged to the Surplus or Deficit on the Provision of Services	40.8	0.3	23.7	64.8
Other Comprehensive Income & Expenditure				
Remeasurement of the net defined benefit liability:				
Return on plan assets	0.0	0.0	(69.7)	(69.7)
Actuarial (gains) & losses - changes in demographic assumptions	(40.4)	0.0	(17.2)	(57.6)
Actuarial (gains) & losses - changes in financial assumptions	162.8	0.3	140.8	303.9
Actuarial (gains) & losses - Other	0.0	0.0	(2.9)	(2.9)
Total Other Comprehensive Income & Expenditure	122.4	0.3	51.0	173.7
Total Retirement Benefit Charged/(Credited) to the CIES	163.2	0.6	74.7	238.5
Movement in Reserves Statement				
Reversal of net charges/credits for retirement benefits in accordance with the Code	(163.2)	(0.6)	(74.7)	(238.5)
Actual amount charged against the City Fund and HRA Balances	26.6	0.1	10.4	37.1

2015/16 Transactions

	Police £m	Judges £m	City of London £m	Total £m
Comprehensive Income & Expenditure Statement (CIES)				
Cost of Services:				
Current service cost	16.4	0.2	16.5	33.1
Past service costs	0.0	0.0	0.9	0.9
(gain)/loss from settlements	0.0	0.0	0.1	0.1
Other Operating Income				
administration expenses	0.0	0.0	0.2	0.2
Financing & Investment Income & Expenditure				
Interest cost	26.4	0.1	8.3	34.8
Total Retirement Benefit Charged to the Surplus or Deficit on the Provision of Services	42.8	0.3	26.0	69.1
Other Comprehensive Income & Expenditure			52	
Remeasurement of the net defined benefit liability:				
Return on plan assets	0.0	0.0	20.8	20.8
Actuarial (gains) & losses - changes in financial assumptions	(57.3)	(0.2)	(44.0)	(101.5)
Actuarial (gains) & losses - Other	5.0	0.0	(0.2)	4.8
Total Other Comprehensive Income & Expenditure	(52.3)	(0.2)	(23.4)	(75.9)
Total Retirement Benefit Charged/(Credited) to the CIES	(9.5)	0.1	2.6	(6.8)
Movement in Reserves Statement				
Reversal of net charges/credits for retirement benefits in accordance with the Code	9.5	(0.1)	(2.6)	6.8
Actual amount charged against the City Fund and HRA Balances	27.4	0.1	11.1	38.6

The amount included in the Balance Sheet arising from the City Fund's estimated obligation in respect of the defined benefit plans is as follows:

31 March 2016 £m		31 March 2017 £m
	Present Value of the defined benefit obligation	
(602.6)	City of London Pension Scheme	(750.0)
(772.8)	Police Pension Schemes	(909.5)
(2.0)	Judges Pension Scheme	(2.5)
	Fair Value of plan assets	
365.0	City of London Pension Scheme	448.2
	Present value of unfunded obligation	
(3.0)	City of London Pension Scheme	(3.1)
(3.5)	Police Pension Schemes	(3.4)
(1,018.9)	Net liability on balance sheet	(1,220.3)

There are no outstanding or pre-paid employee contributions at the balance sheet date.

51. Trust Funds

In its capacity as a local authority, the City of London acts as a custodian trustee for two trust funds; the City of London Corporation Combined Education Charity and Keats House. In neither case do the funds represent assets to the City Fund and therefore they have not been included in the Balance Sheet.

Keats House (charity registration number 1053381)

Established in 1996, the objective of the Trust is "to preserve and maintain and restore for the education and benefit of the public Keats House as a museum and live memorial to John Keats and as a literary meeting place and centre". As at 31 March 2017 the Trust's net assets were £0.2m (2016: £0.3m).

The City of London Corporation Combined Education Charity (charity registration number 312836)

Established in 2011 through the amalgamation of the Higher Education Research and Special Expenses Fund, the Archibald Dawney Scholarships, the Robert Blair Fellowship and the Alan Partridge Smith Bequest, the objective of the Trust is to further the education of persons attending or proposing to attend secondary, further or higher educational institutions by the provision of grants or financial assistance. Also to provide grants for staff at maintained schools & Academies in the boroughs of London to undertake studies to further their development as teachers. As at 31 March 2017 the Trust's net assets were £1.1m (2016: £1.0m).

The HRA Income and Expenditure Statement shows the economic cost in the year of providing housing services in accordance with generally accepted accounting practices, rather than the amount to be funded from rents and government grants. Authorities charge rents to cover expenditure in accordance with regulations; this may be different from the accounting cost. The increase or decrease in the year, on the basis on which rents are raised, is shown in the Movement on the HRA Statement.

Income and Expenditure Statement

2015/16 £m		Notes	2016/17	
			£m	£m
	Expenditure			
4.7	Repairs and maintenance		5.3	
6.5	Supervision and management		7.1	
2.7	Depreciation of non-current assets		3.0	
(3.3)	Revaluation (gain)/loss on HRA dwellings		3.3	
(0.1)	Movement in the allowance for bad debts	1	0.0	
10.5	Total Expenditure			18.7
	Income			
(10.6)	Dwelling rents		(10.5)	
(1.5)	Non-dwelling rents		(1.5)	
(3.4)	Charges for services and facilities		(2.6)	
(0.2)	Contributions towards expenditure		(0.5)	
(15.7)	Total Income			(15.1)
(5.2)	Net Expenditure/(Income) of HRA Services as included in the City Fund CIES cost of services			3.6
	HRA share of other income and expenditure included in the City Fund CIES			
(0.5)	Net Gain on Disposal of Fixed Assets			(2.3)
(0.1)	Interest and investment income			(0.1)
(1.0)	Investment property gain on revaluation			(0.4)
(6.8)	Surplus for the year on HRA Services			0.8

Movement on the HRA Statement

2015/16 £m		Notes	2016/17	
			£m	£m
(8.1)	Balance on the HRA at the end of the previous year			(10.1)
(6.8)	Surplus for the year on the HRA Income and Expenditure Statement		0.8	
4.8	Adjustments between accounting basis and funding basis under statute	2	1.2	
(2.0)	Increase in year on the HRA			2.0
(10.1)	Balance on the HRA at the end of the current year			(8.1)

1. Provision for Bad and Doubtful Debts

2015/16 £m		2016/17 £m
0.50	Provision at 1 April	0.31
(0.01)	Bad Debts written off	(0.01)
(0.18)	Increase/(Decrease) in Provision	(0.09)
0.31	Provision at 31 March	0.21

2. Adjustments between Accounting Basis and Funding Basis under Statute

Note 10 to the City Fund Financial Statements (page 37) provides further analysis of the adjustments between the accounting basis and funding basis under statute.

3. Housing Stock

As at 31 March 2017 the City Corporation's HRA rental stock was 1,937 dwellings. The HRA also includes costs and service charge income relating to properties sold on long leases of which there were 910 as at 31 March 2017 (2016: 900).

31 March 2016 No.		31 March 2017 No.
27	Houses and Bungalows	27
1,903	Flats	1,910
1,930	Total	1,937

31 March 2016 No.		31 March 2017 No.
1,891	Stock at 1 April	1,930
0	Demolished Property	(1)
(6)	Sales	(10)
1	Buy Back	0
44	New Build	18
1,930	Stock at 31 March	1,937

Housing stock figures as at 31 March 2017 include 18 newly built flats at Avondale Square Estate (Twelve Acres House).

The demolished flat on the Avondale Square Estate was located in a building that housed the estate office and community centre. The building was demolished to make way for a new block of flats, estate office and Community Centre.

4. Arrears of Rent, Service and Other Charges

As at 31 March 2017 the total arrears for rent, service charges and other charges were £3.16m (31 March 2016: £1.38m) as follows:

31 March 2016 £m		31 March 2017 £m
0.12	Former residential tenants	0.13
0.23	Current residential tenants	0.20
0.11	Commercial tenants	0.28
0.84	Service charges	2.46
0.08	Other charges	0.08
1.38	Total arrears	3.15

5. HRA Property, Plant and Equipment

Movements on Balances 2016/17	Council Dwellings £m	Other Land & Buildings £m	Vehicles, Plant & Equipment £m	Assets under construction £m	Total £m
Cost or valuation					
at 1 April 2016	242.6	37.6	0.2	9.5	289.9
Additions	3.9	0.0	0.0	2.9	6.8
Transfers	7.0	0.7	0.0	(7.7)	0.0
Revaluation increases recognised in the Revaluation Reserve	4.7	1.6	0.0	0.0	6.3
Revaluation decreases recognised in the Surplus/Deficit on the Provision of Services	(3.4)	0.0	0.0	0.0	(3.4)
Derecognition - disposals	(1.2)	0.0	0.0	0.0	(1.2)
at 31 March 2017	253.6	39.9	0.2	4.7	298.4
Accumulated Depreciation and Impairment					
at 1 April 2016	(0.1)	(0.1)	0.2	0.0	(0.0)
Depreciation Charge	(2.7)	(0.3)	0.0	0.0	(3.0)
Depreciation written out to the Revaluation Reserve	2.6	0.3	0.0	0.0	2.9
Depreciation written out to the Surplus/Deficit on the Provision of Services	0.1	0.0	0.0	0.0	0.1
at 31 March 2017	(0.1)	(0.1)	0.2	0.0	(0.0)
Net Book Value					
at 1 April 2016	242.5	37.5	0.4	9.5	289.9
at 31 March 2017	253.5	39.8	0.4	4.7	298.4

The value of council dwellings within the HRA does not include all council dwellings owned by the City Fund (see note 16) as some council dwellings are held outside of the HRA.

HRA Property, Plant and Equipment - continued

Movements on Balances 2015/16	Council Dwellings £m	Other Land & Buildings £m	Vehicles, Plant & Equipment £m	Assets under construction £m	Total £m
Cost or valuation					
at 1 April 2015	216.6	23.2	0.2	1.5	241.5
Additions	0.5	0.0	0.0	8.0	8.5
Revaluation increases recognised in the Revaluation Reserve	22.7	14.4	0.0	0.0	37.1
Revaluation increases recognised in the Surplus/Deficit on the Provision of Services	3.3	0.0	0.0	0.0	3.3
Derecognition - disposals	(0.5)	0.0	0.0	0.0	(0.5)
at 31 March 2016	242.6	37.6	0.2	9.5	289.9
Accumulated Depreciation and Impairment					
at 1 April 2015	(0.1)	(0.6)	(0.2)	0.0	(0.9)
Depreciation Charge	(2.5)	(0.2)	0.0	0.0	(2.7)
Depreciation written out to the Revaluation Reserve	2.4	0.7	0.0	0.0	3.1
Depreciation written out to the Surplus/Deficit on the Provision of Services	0.1	0.0	0.0	0.0	0.1
at 31 March 2016	(0.1)	(0.1)	0.2	0.0	(0.4)
Net Book Value					
at 1 April 2015	216.5	22.6	0.0	1.5	240.6
at 31 March 2016	242.5	37.5	0.4	9.5	289.5

6. Housing Asset Valuation

Dwellings are valued at their 'existing use with vacant possession' and then reduced to reflect 'existing use for social housing'. The reduction is a measure of the economic cost of providing council housing at less than open market rents. Under Government guidance issued in 2010/11, the applicable social housing 'adjustment factor' is 75% +/- 5%. The estimated vacant possession value of HRA dwellings is £845m (prior year: £808.2m) which has been reduced by 70% to £253.5m (prior year: £242.5m) to reflect social housing use. Other land and buildings are assessed at existing use value.

7. Investment Property

2015/16 £m		2016/17 £m
4.2	Balance at start of the year	5.2
0.0	Transfers	0.0
0.0	Additions	0.0
0.0	Purchases	
0.0	Construction	
0.0	Subsequent expenditure	
0.0	Disposals	0.0
	Revaluations:	
1.0	Net gains from fair value adjustments	0.4
5.2	Balance at end of the year	5.6

8. Major Repairs Reserve

2015/16 £m		2016/17 £m
(7.1)	Balance 1 April	(6.2)
	Transfer from HRA equal to depreciation	
(2.4)	dwellings	(2.7)
(0.2)	non dwellings	(0.3)
0.0	Additional contribution from HRA	(2.0)
3.5	Capital expenditure (dwellings)	4.7
(6.2)	Balance 31 March	(6.5)

The reserve is used to finance capital expenditure and the balance is included with other capital reserves in the City Fund Balance Sheet.

9. HRA Capital Expenditure

Expenditure for capital purposes and methods of financing are set out below.

2015/16 £m		2016/17 £m
	Expenditure in year	
	Fixed assets	
8.0	Assets under construction	3.0
0.5	Dwellings	3.9
0.5	Revenue expenditure funded from capital under statute	1.9
9.0		8.8
	Methods of financing	
1.2	Capital Receipts	1.2
3.4	Major Repairs Reserve	4.7
4.4	Reimbursements and Donations	2.9
9.0		8.8

REVENUE ACCOUNT

2015/16				Notes	2016/17		
Council Tax £m	Business Rates £m	Total £m			Council Tax £m	Business Rates £m	Total £m
(7.0)		(7.0)	INCOME	1	(6.9)		(6.9)
(0.2)		(0.2)	Council Tax Receivable		(0.2)		(0.2)
	(871.2)	(871.2)	Transfer from City Fund (Reliefs)			(902.8)	(902.8)
	(32.5)	(32.5)	National Business Rates			(33.2)	(33.2)
	(7.0)	(7.0)	GLA Business Rate Supplement			(9.1)	(9.1)
			City Fund Business Rate Premium	2			
(7.2)	(910.7)	(917.9)	TOTAL INCOME		(7.1)	(945.1)	(952.2)
			EXPENDITURE				
5.4		5.4	Council Tax Precepts and Demands		6.0		6.0
0.5		0.5	City Fund		0.5		0.5
			GLA				
	223.5	223.5	National Business Rates Precepts and Demands			235.9	235.9
	149.0	149.0	City Fund			157.2	157.2
	372.6	372.6	GLA			393.1	393.1
	1.4	1.4	Central Government			0.0	0.0
	32.3	32.3	National Business Rates transitional protection payments			33.1	33.1
			Business Rate Supplement collected on behalf of GLA				

Continued on next page

2015/16			Collection Fund Revenue Account Continued	Notes	2016/17		
Council Tax £m	Business Rates £m	Total £m			Council Tax £m	Business Rates £m	Total £m
	6.9	6.9	City Fund Business Rate Premium	4		8.0	8.0
	10.9	10.9	City Fund Offset			11.0	11.0
			Impairment of debts for Business Rates				
	1.7	1.7	National			0.4	0.4
	0.1	0.1	GLA			0.0	0.0
			Impairment of appeals for Business Rates				
	7.5	7.5	National			117.1	117.1
	0.1	0.1	Premium			1.1	1.1
			Cost of Collection Allowance				
	1.7	1.7	National Business Rates			1.7	1.7
	0.1	0.1	GLA Business Rate Supplement			0.0	0.0
			Contributions towards previous year's estimated Collection Fund Surplus	5			
0.7	(0.1)	0.6	City Fund		1.4	20.2	21.6
0.1	(0.1)	0.0	GLA		0.2	13.5	13.7
	(0.2)	(0.2)	Central Government			33.7	33.7
6.7	807.4	814.1	Total Expenditure		8.1	1,026.0	1,034.1
(0.5)	(103.3)	(103.8)	(Surplus)/Deficit for Year		1.0	80.9	81.9
(1.4)	22.9	21.5	Balance 1 April		(1.9)	(80.4)	(82.3)
(1.9)	(80.4)	(82.3)	Balance 31 March		(0.9)	0.5	(0.4)

1. Income from Business Rates

The Local Government Finance Act 1988 replaced the Locally Determined Non-Domestic Rate with a National Non-Domestic Rate (NNDR) set by the Government. In addition to the NNDR, there is a discounted rate for small businesses known as the Small Business Non-Domestic Rate (SBNDR). In 2016/17 the City of London set a non-domestic rating multiplier of 0.502 (50.2p in the £) and a small business non-domestic rating multiplier of 0.489 (48.9p in the £). This comprises the NNDR and SBNDR multipliers of 0.497 and 0.484 respectively, plus a premium of 0.5p in the £ to provide additional funding to enable the City Corporation to continue to support Police, security, resilience and contingency planning at an enhanced level.

In addition, for those business premises which have a rateable value of more than £55,000, the Greater London Authority (GLA) is levying a business rate supplement (BRS) multiplier of 2p in the £ for the 2016/17 financial year to finance the Crossrail project. The City Corporation collects the BRS on an agency basis on behalf of the GLA.

2015/16 £m		2016/17 £m
(928.6)	National Business Rates	(960.7)
(1.4)	Government transition scheme	0.0
(930.0)	Non-domestic rates income after transition scheme	(960.7)
40.3	Less: Voids	42.8
13.7	Mandatory and discretionary relief	13.4
4.8	Partly occupied allowance	1.7
(871.2)	Net income from national business rates	(902.8)

The total rateable value of the City at 31 March 2017 was £2,004m (31 March 2016: £1,947m).

2. Calculation of Council Tax

The Local Government Finance Act 1992 introduced the Council Tax from 1 April 1993, replacing the Community Charge. The Act prescribes the detailed calculations that the City of London, as a billing authority, has to make to determine the Council Tax amounts. The City of London set a basic amount of £857.31 for a Band D property.

To this £857.31 is added £73.89 in respect of the precept from the Greater London Authority to arrive at the total Council Tax of £931.20 for a Band D property in 2016/17. Prescribed proportions are applied to this basic amount to determine the Council Tax amounts for each of the bands as follows:

BAND	Proportion	Council Tax £
A	6/9	620.80
B	7/9	724.27
C	8/9	827.73
D	9/9	931.20
E	11/9	1,138.13
F	13/9	1,345.07
G	15/9	1,552.00
H	18/9	1,862.40

3. Tax Bases 2016/17

The table below shows the number of chargeable dwellings in each valuation band converted to an equivalent number of Band D dwellings. The totals for each area are described as "aggregate relevant amounts". These amounts, multiplied by the collection rate of 95%, produce the tax base for each of the areas shown.

BAND	MIDDLE TEMPLE	INNER TEMPLE	CITY AREA EXCLUDING TEMPLES	TOTAL CITY AREA
A	0.00	0.00	3.57	3.57
B	0.00	0.00	127.72	127.72
C	0.00	0.00	406.35	406.35
D	0.00	0.00	739.23	739.23
E	8.25	3.67	2,718.06	2,729.98
F	37.92	22.39	1,420.78	1,481.09
G	24.17	56.25	1,536.23	1,616.65
H	0.00	4.00	304.00	308.00
AGGREGATE RELEVANT AMOUNTS	70.34	86.31	7,255.94	7,412.59
COLLECTION RATE	95%	95%	95%	95%
TAX BASES	66.82	81.99	6,893.14	7,041.95

4. City Fund Offset

To reflect the unique characteristics of the square mile, the Government allows the City Fund to retain an amount from the NNDR paid by City businesses.

5. Surplus for the Year

The deficit for the year on Business Rates of £80.9m (2015/16: surplus of £103.3m) relates solely to National Business Rates.

Police Pension Fund Account for the year ended 31 March 2017

2015/16 £m		2016/17	
		£m	£m
	Contributions receivable		
	- from employer		
(6.1)	normal	(5.9)	
(0.4)	early retirements	(0.1)	
(4.0)	- from members	(3.8)	
(10.5)			(9.8)
(0.2)	Transfers in from other Police Authorities		(0.2)
	Benefits payable		
21.8	- pensions	23.2	
9.0	- commutations and lump sums	6.6	
30.8			29.8
0.3	Payments to and on account of leavers		
	- Transfers out to other Police Authorities		0.0
20.4	Sub-total: Net amount payable for the year before transfer from Police Authority		19.8
(20.4)	Additional contribution from Police Authority		(19.8)
0.0	Net amount payable/receivable for the year		0.0

Net Assets Statement as at 31 March

2015/16 £m		2016/17 £m
0.1	Current assets	0.0
(0.1)	Current liabilities	0.0
0.0		0.0

-
- i. The Police Pension Fund was established under the Police Pension Fund Regulations 2007 (SI 2007 No. 1932).
 - ii. It is a defined benefits scheme, administered internally by the City of London and all City of London police officers are eligible for membership of the pension scheme.
 - iii. The fund's financial statements have been prepared using the accounting policies adopted for the City Fund financial statements set out on pages 16 to 29. The fund's financial statements do not take account of liabilities to pay pensions and other benefits after the period end. Information on the long-term pension obligations can be found in the City Fund financial statements (see notes 45 to 50).
 - iv. Under the rules of the scheme, members may elect to commute a proportion of their pension in favour of a lump sum. Where a member has taken a commutation option, these lump sums are accounted for on an accruals basis from the date the option is exercised.
 - v. Transfer values represent the capital sums in respect of members' pension rights either received from or paid to other pension schemes in respect of members who have joined or left the service.
 - vi. The scheme is unfunded and consequently has no investment assets. Benefits payable are funded by contributions from employers and employees and any difference between benefits payable and contributions receivable is met by a top-up grant from the Home Office.
 - vii. Employees' and employer's contribution levels are based on percentages of pensionable pay set nationally by the Home Office and are subject to triennial revaluation by the Government Actuary's Department.
 - viii. The account is prepared on an accruals basis and normal contributions, both from the members and the employer, are accounted for in the payroll month to which they relate.

Fund Account for the year ended 31 March 2017

2015/16 £m		Notes	2016/17 £m
	Contributions and benefits		
(30.9)	Contributions receivable	5	(32.3)
(3.7)	Transfers in		(8.7)
(1.5)	Augmentation contributions		(0.9)
(36.1)			(41.9)
39.9	Benefits Payable	7	40.2
1.8	Payments to and on account of leavers	8	1.8
0.6	Administrative Expenses	9	0.7
42.3			42.7
6.2	Net deductions		0.8
	Returns on investments		
(0.4)	Income from Investments	10	(0.6)
9.3	Change in market value of investment (realised and unrealised)	12	(170.8)
6.4	Investment Expenses	11	6.1
15.3	Net (Gain)/Loss on Investment		(165.3)
21.5	Net (increase)/decrease in the fund during the year		(164.5)
(823.7)	Opening net assets of the scheme		(802.2)
(802.2)	Closing net assets of the scheme		(966.7)

Net Assets Statement as at 31 March 2017

2015/16 £m		Notes	2016/17 £m
(801.0)	Investment assets	12-15	(965.0)
(0.2)	Long Term Investments		(0.2)
	Current Assets	16	
0.0	Debtors		(0.3)
(1.9)	Cash and cash equivalents		(2.3)
	Current liabilities	17	
0.9	Creditors		1.1
(802.2)	Net assets		(966.7)

1. Description of the City of London Pension Fund

This is an extract from a more detailed published statement, a copy of which is available on the City Corporation's website (www.cityoflondon.gov.uk/about-the-city/budgets-and-spending) or on request from the Chamberlain.

The City of London Pension Fund is a funded defined benefits scheme. With the exception of serving police officers, teachers and judges who have their own schemes, all City of London staff are eligible for membership of the Local Government Pension Scheme (LGPS).

The Fund is administered internally by the City of London. The Fund's investments are managed externally by several fund managers with differing mandates determined by the City of London.

2. Accounting Policies

- i. The pension fund statements have been prepared in accordance with the following Regulations: the LGPS Regulations 2013 (as amended), the LGPS (Transactional Provisions, Savings and Amendments) Regulations 2014 (as amended), the LGPS (Management and Investment of Funds) Regulations 2016; and with the guidelines set out in the Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 having regard to the Statement of Recommended Practice, Financial Reports of Pension Schemes (2015).
- ii. The pension fund accounts are accounted for on an accruals basis for income and expenditure, with the exception of transfer values in and out, which are accounted for on a cash basis.
- iii. The fund's financial statements do not take account of liabilities to pay pensions and other benefits after the period end.
- iv. Financial assets are included in the net assets statement on a fair value basis as at the reporting date. A financial asset is recognised in the net assets statement on the date the fund becomes party to the contractual acquisition of the asset. From this date any gains or losses arising from changes in the fair value of the asset are recognised in the fund account.
- v. The values of investments as shown in the net assets statement have been determined at fair value in accordance with the requirements of the Code and IFRS13 (see Note 13). For the purposes of disclosing levels of fair value hierarchy, the fund has adopted the classification guidelines recommended in Practical Guidance on Investment Disclosures (PRAG/Investment Association, 2016).
- vi. Acquisition costs are included in the purchase costs of investments.
- vii. Assets and liabilities in overseas currencies are translated into sterling at the exchange rates ruling at the balance sheet date. Transactions during the year are translated at rates applying at the transaction dates. Surpluses and deficits arising on conversion are dealt with as part of the change in market values of the investments.
- viii. The cost of administration is charged directly to the fund.
- ix. Income due from equities is accounted for on the date stocks are quoted ex-dividend.

- x. Income from overseas investments is recorded net of any withholding tax where this cannot be recovered.
- xi. Income from bonds and index-linked securities, cash and short-term deposits is accounted for on an accruals basis.
- xii. Income from other investments is accounted for on an accruals basis.
- xiii. The change in market value of investments during the year comprises all increases and decreases in the market value of investments held at any time during the year, including profit and losses realised on sales of investments and unrealised changes in market value.
- xiv. Normal contributions, both from members and employers, are accounted for in the payroll month to which they relate at rates as specified in the rates and adjustments certificate. Additional contributions from employers are accounted for in accordance with the agreement under which they are paid, or in the absence of such agreement, when received.
- xv. Under the rules of the Scheme, members may receive a lump sum retirement grant in addition to their annual pension. Lump sum retirement grants are accounted for from the date of retirement. Where a member can choose to take a greater retirement grant in return for a reduced pension these lump sums are accounted for on an accruals basis from the date the option is exercised.
- xvi. Transfer values represent the amounts received and paid during the year for members who have either joined or left the fund during the financial year and are calculated in accordance with the Local Government Pension Scheme Regulations 2013. Individual transfers in/out are accounted for when received/paid, which is normally when the member liability is accepted or discharged.
- xvii. Administration and investment management expenses are accounted for on an accruals basis. Expenses are recognised net of any recoverable VAT.

3. Critical Judgements in Applying Accounting Policies

The net pension fund liability is recalculated every three years by the appointed actuary, with annual updates in the intervening years. The methodology used is in line with accepted guidelines.

This estimate is subject to significant variances based on changes to the underlying assumptions which are agreed with the actuary and have been summarised in Note 22.

These actuarial revaluations are used to set future contribution rates and underpin the fund's most significant investment management policies, for example in terms of the balance struck between longer term investment growth and short-term yield/return.

4. Membership of the Fund

	2016/17				2015/16
	Current Contributors	Beneficiaries In Receipt of Pension	Deferred Benefits	Total	Total
	No.	No.	No.	No.	No.
CITY OF LONDON	4,008	3,638	3,854	11,500	11,229
SCHEDULED BODIES:					
Museum of London	226	224	584	1,034	1,026
Magistrates Court	0	20	17	37	37
	226	244	601	1,071	1,063
ADMITTED BODIES:					
Irish Society	4	11	2	17	17
City Arts Trust	0	1	0	1	1
Parking Committee for London	0	4	8	12	12
Guildhall Club	0	5	5	10	10
City Academy - Southwark	74	5	103	182	165
Sir John Cass (Brookwood)	1	0	1	2	2
AMEY (Enterprise)	7	4	3	14	15
Eville and Jones	0	0	1	1	1
London CIV	11	0	0	11	5
Westminster Drugs Project	3	0	0	3	3
Agilysis	15	0	10	25	26
Agilysis (police)	0	1	2	3	3
Bouygues (EDTE)	0	0	2	2	2
Cook & Butler	2	0	0	2	2
1SC Guarding Limited	0	0	1	1	1
	117	31	138	286	265
GRAND TOTAL	4,351	3,913	4,593	12,857	12,557

5. Contributions

2015/16			2016/17
£m			£m
	<u>Employers:</u>		
(20.0)	Administering Authority	City of London	(20.8)
(1.0)	Scheduled bodies	Museum of London	(1.1)
(0.2)	Admitted bodies	Agilysis	(0.1)
(0.3)		City Academy - Southwark	(0.3)
(0.1)		Other	(0.2)
(21.6)			(22.5)
	<u>Employees of:</u>		
(8.6)	Administering Authority	City of London	(9.0)
(0.5)	Scheduled bodies	Museum of London	(0.5)
(0.1)	Admitted bodies	Agilysis	(0.1)
(0.1)		City Academy - Southwark	(0.1)
0.0		Other	(0.1)
(9.3)			(9.8)
(30.9)	Total Contributions		(32.3)

6. Additional Voluntary Contributions

AVC's are Additional Voluntary Contributions and are managed externally and independently from the rest of the Pension Fund. They are paid by members to the Corporation and are then paid directly to the Fund Managers – Prudential, Equitable Life and Standard Life Investments. AVC's of £0.54m were paid in 2016/17 (2015/16: £0.67m).

In accordance with Regulation 4(1)(b) of the Pension Scheme (Management and Investment of Funds) Regulations 2016, the contributions paid and the assets of these investments are not included in the Fund's Accounts.

7. Benefits

2015/16 £m	Total Benefits Paid	2016/17 £m
29.5	Retired Employees pensions	30.6
6.7	lump sums	5.6
0.6	Lump sum on death	0.8
3.0	Widows' or Widowers' pensions	3.1
0.1	Children's pensions	0.1
39.9		40.2

2015/16 £m	Benefits Paid Comprises	2016/17 £m
39.6	Administering Authority	40.0
0.2	Scheduled Bodies	0.1
0.1	Admitted Bodies	0.1
39.9		40.2

8. Payments to and on account of leavers

2015/16 £m		2016/17 £m
1.8	Individual Transfers Out	1.8

9. Management expenses

2015/16 £m		2016/17 £m
0.5	Central administration*	0.5
0.1	ICT costs	0.1
0.0	Other expenses**	0.1
0.6		0.7

*Includes audit fees of £21,000 that have been charged to the Pension Fund (2015/16: £21,000).

** Other expenses of £0.1m are for tax liability annual allowances (2015/16: £nil).

10. Income from investments

2015/16 £m		2016/17 £m
(0.2)	Overseas equities	(0.3)
0.0	Private Equity	(0.1)
(0.1)	Infrastructure	(0.2)
(0.1)	Interest on Cash Instruments	0.0
(0.4)		(0.6)

Investment income of £0.6m (2015/16: £0.4m) represents legacy income associated with investments the Pension Fund had in principally segregated equity and bond funds, as well as income from Private Equities and Infrastructure funds.

The revised investment policies of the Pension Fund are focussed on capital accumulation in pooled vehicles and private equity investments. Dividends and interest are typically retained at pool level. Where any shortfall of the Net Deductions on Contributions and Benefits Paid was previously covered by investment income, it is intended that the Fund will sell holdings in the pooled vehicles, as necessary, to cover any shortfalls. There are no limitations imposed by the fund managers on the selling of these pooled vehicle funds.

11. Investment Expenses

In 2016/17, the City of London Pension Fund incurred investment management expenses of £6.1m (2015/16: £6.4m).

12. Investment Assets

The table below shows the movement in Market Values by asset type between 1 April 2016 and 31 March 2017.

	Market Value at 01/04/2016 £m	Purchases at Cost £m	Sales Proceeds £m	Net (gain)/loss £m	Market Value at 31/03/2017 £m
<u>Managed Investments</u>					
Pooled Units					
UK	(146.6)	(64.3)	70.2	(27.6)	(168.3)
Global	(605.3)	0.0	2.8	(124.4)	(726.9)
Long Term Investments	(0.2)	0.0	0.0	0.0	(0.2)
Private Equity	(15.3)	(5.2)	4.5	(4.9)	(20.9)
Infrastructure	(32.6)	(8.3)	1.4	(8.9)	(48.4)
Total Managed Investments	(800.0)	(77.8)	78.9	(165.8)	(964.7)
Fund Managers Cash	(0.0)	(64.3)	69.3	(5.0)	0.0
Accrued Income	(1.2)				(0.5)
Investment Receivable	(0.2)				0.0
Investment Liability	0.2				0.0
Total Investment assets	(801.2)				(965.2)

A comparison is provided in the table below for the Market Values between 1 April 2015 and 31 March 2016.

	Market Value at 01/04/2015 £m	Purchases at Cost £m	Sales Proceeds £m	Net (gain)/loss £m	Market Value at 31/03/2016 £m
<u>Managed Investments</u>					
Pooled Units					
UK	(162.7)	0.0	10.1	6.0	(146.6)
Global	(641.3)	(145.7)	172.3	9.4	(605.3)
Long Term Investments	(0.2)	0.0	0.0	0.0	(0.2)
Private Equity	(11.5)	(5.7)	3.4	(1.5)	(15.3)
Infrastructure	0.0	(29.6)	0.9	(3.9)	(32.6)
Total Managed Investments	(815.7)	(181.0)	186.7	10.0	(800.0)
Fund Managers Cash	(0.3)	145.6	(144.6)	(0.7)	(0.0)
Accrued Income	(1.2)				(1.2)
Interest Receivable	0.0				(0.2)
Investment Liability	0.2				0.2
Total Investment assets	(817.0)				(801.2)

13. Fair Value of Financial Instruments**a. Classification of Financial Instruments**

31 March 2016 £m				31 March 2017 £m		
Fair Value through profit and loss	Loans and receivables	Financial liabilities at amortised cost		Fair Value through profit and loss	Loans and receivables	Financial liabilities at amortised cost
(751.9)	(0.2)			(895.2)	(0.2)	
(15.3)				(20.9)		
(32.6)	(1.9)			(48.4)		
	(1.4)				(2.3)	
					(0.5)	
(799.8)	(3.5)	0.0		(964.5)	(3.3)	0.0
		0.2				0.0
		0.9				1.1
0.0	0.0	1.1		0.0	0.0	1.1
(799.8)	(3.5)	1.1		(964.5)	(3.3)	1.1
(802.2)				(966.7)		

b. Net (Gains) and Losses on Financial Instruments

31 March 2016		31 March 2017
£m		£m
9.3	<u>Financial Assets</u>	(170.8)
	Fair value through profit and loss	
0.0	<u>Financial Liabilities</u>	0.0
	Fair value through profit and loss	
9.3		(170.8)

Valuation of Financial Instruments Carried at Fair Value

The valuation of financial instruments has been classified into three levels, according to the quality and reliability of information used to determine fair values. There has been no change in the valuation techniques used during the year. All assets have been valued using fair value techniques which represent the highest and best price available at the reporting date.

Level 1

Financial instruments at level 1 are those where the fair values are derived from unadjusted quoted prices in active markets for identical assets or liabilities. Products classified as level 1 must be traded in active markets, this includes quoted equities, quoted fixed securities, quoted index linked securities and exchange traded unit trusts.

Level 2

Financial instruments at level 2 are those where quoted market prices are not available for example, where an instrument is traded in a market that is not considered to be active, or where valuation techniques are used to determine fair value.

Products classified as level 2 comprise open ended pooled investment vehicles which are not exchange traded, unquoted bonds and repurchase agreements.

Level 3

Financial instruments at level 3 are those where at least one input that could have a significant effect on the instrument's valuation is not based on observable market data.

Such instruments would include unquoted equity investments and hedge funds which are valued using various valuation techniques that require significant judgement in determining appropriate assumptions.

The values of the investment in private equity and infrastructure funds are based on valuations provided by the general partners to the private equity funds in which City of London Pension Fund has invested.

These valuations are prepared in accordance with the International Private Equity and Venture Capital Valuation Guidelines, which follow the valuation principles of IFRS and US GAAP. Valuations are usually undertaken annually at the end of December. Cash flow adjustments are used to roll forward the valuations to 31 March as appropriate.

The next table provides an analysis of the financial assets and liabilities of the pension fund grouped into Levels 1 to 3, based on the level at which the fair value is observable.

Subsequent to Guidance released by the Pensions Research Accountants Group (PRAG) in May 2016 provides further distinction on the classification on Pooled Investment Vehicles within the fair value hierarchy. Any pooled funds that are not quoted on an exchange should be classed as level two, as this would not meet the refined definition of level 1 investments: *The unadjusted quoted price in an active market for identical assets or liabilities that the entity can access at the measurement date.*

Values as at 31 March 2017

	Quoted Market Price Level 1 £m	Using Observable Inputs Level 2 £m	With Significant Unobservable Inputs Level 3 £m	Total £m
<u>Financial Assets</u>				
Fair value through profit and loss	0.0	(895.4)	(69.3)	(964.7)
Loans and receivables	(0.5)	0.0	0.0	(0.5)
Net Financial Assets	(0.5)	(895.4)	(69.3)	(965.2)

To provide a comparable fair valuation for the period ending 31 March 2016, pooled investment vehicles which were previously valued at level 1 have been restated to fall under level 2.

Values as at 31 March 2016

	Quoted Market Price Level 1 £m	Using Observable Inputs Level 2 £m	With Significant Unobservable Inputs Level 3 £m	Total £m
<u>Financial Assets</u>				
Fair value through profit and loss	0.0	(752.1)	(47.9)	(800.0)
Loans and receivables	(1.4)	0.0	0.0	(1.4)
	(1.4)	(752.1)	(47.9)	(801.4)
<u>Financial Liabilities</u>				
Payables	0.2	0.0	0.0	0.2
	0.2	0.0	0.0	0.2
Net Financial Assets	(1.2)	(752.1)	(47.9)	(801.2)

The table below shows the movements in Level 3 disclosures for 2016/17

Disclosures for Level 3	Market Value at 01/04/2016	Transfers into Level 3	Transfers out of Level 3	Purchases at Cost	Sales	Unrealised (Gains)/Losses	Realised (Gains)/Losses	Market Value at 31/03/2017
	£m	£m	£m	£m	£m	£m	£m	£m
Private Equity	(15.3)	0.0	0.0	(5.2)	4.5	(4.2)	(0.7)	(20.9)
Infrastructure	(32.6)	0.0	0.0	(8.3)	1.4	(8.9)	0.0	(48.4)
Total Level 3	(47.9)	0.0	0.0	(13.5)	5.9	(13.1)	(0.7)	(69.3)

Movements in Investment Assets

	Value at 01/04/2016 £m	Purchases at Cost £m	Sales Proceeds £m	Net (gain)/loss £m	Value at 31/03/2017 £m
<u>Managed Investments</u>					
Equity Pooled Vehicles :					
Artemis Pooled	(75.8)	0.0	0.6	(12.6)	(87.8)
C Worldwide Pooled*	(93.3)	0.0	0.1	(23.3)	(116.5)
GMO Pooled	(70.8)	0.0	69.4	1.4	0.0
Harris Pooled	(70.1)	0.0	0.6	(28.2)	(97.7)
Lindsell Train	0.0	(32.1)	0.2	(7.5)	(39.4)
Majedie	0.0	(32.2)	0.0	(8.9)	(41.1)
Veritas Pooled	(93.1)	0.0	0.6	(27.4)	(119.9)
Wellington Pooled	(81.9)	0.0	0.5	(26.7)	(108.1)
Multi-Asset Pooled Vehicles :					
Pyrford	(125.0)	0.0	5.5	(12.0)	(131.5)
Ruffer	(76.1)	0.0	0.5	(10.4)	(86.0)
Standard Life	(65.8)	0.0	0.0	(1.4)	(67.2)
<u>Long Term Investments</u>					
London CIV	(0.2)	0.0	0.0	0.0	(0.2)
Private Equity Funds :					
Ares	(0.6)	(0.1)	0.2	(0.5)	(1.0)
Coller	(0.3)	0.0	0.0	(0.3)	(0.6)
Crestview	(1.0)	(0.3)	0.1	(0.2)	(1.4)
Environmental Technologies	(0.8)	0.0	0.3	0.0	(0.5)
Exponent	(1.0)	(1.1)	0.4	(0.1)	(1.8)
Frontier	(1.3)	(0.6)	1.3	(1.4)	(2.0)
New Mountain	(1.8)	(1.1)	0.2	(0.9)	(3.6)
Standard Life	(6.7)	(0.7)	1.7	(1.4)	(7.1)
Warburg Pincus	(0.2)	(1.3)	0.1	(0.1)	(1.5)
Yorkshire Fund Managers	(1.6)	0.0	0.2	0.0	(1.4)
Infrastructure Funds:					0.0
DIF	(2.4)	(8.3)	0.5	(0.7)	(10.9)
IFM	(30.2)	0.0	0.9	(8.2)	(37.5)
Total Investments	(800.0)	(77.8)	83.9	(170.8)	(964.7)
Accrued Income	(1.2)				(0.5)
Investment Receivable	(0.2)				0.0
Investment Liability	0.2				0.0
Closing Balance	(801.2)				(965.2)

*On 8 March 2017 Carnegie Asset Management was renamed C WorldWide Asset Management.

14. Risk and Risk Management

The Pension Fund's primary long-term risk is that its assets will fall short of its liabilities (i.e. promised benefits payable to members). Therefore the aim of investment risk management is to minimise the risk of an overall reduction in the value of the Fund and to maximise the opportunity for gains across the whole Fund portfolio.

The fund's investments are actively managed by ten main external fund managers who are charged with the responsibility to increase asset values, whilst maintaining market risk to acceptable levels. They achieve this mainly through diversification of stock portfolios across several geographical locations and various industrial sectors and asset classes. The managers' investing practices are controlled by pre-defined levels of tolerance.

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

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

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

15. Sensitivity Analysis

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

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

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

Potential Market Movements (% Change)

Asset Type	31 March 2017	31 March 2016
Developed market global equities	17.05%	17.30%
Emerging market global equities	29.00%	29.40%
Hedge funds (proxy for Multi-asset funds)	7.60%	8.00%
Private Equity	24.30%	24.10%
Unlisted infrastructure	15.00%	15.50%

Price Risk (as at 31 March 2017)

Asset Type	Value £m	Change %	Value on Increase £m	Value on Decrease £m
Developed market global equities	606.5	17.05%	709.9	503.1
Emerging market global equities	4.1	29.00%	5.3	2.9
Hedge funds (proxy for Multi-asset funds)	284.8	7.60%	306.4	263.2
Private equity	20.9	24.30%	26.0	15.8
Unlisted infrastructure	48.4	15.00%	55.7	41.1
Total Assets	964.7		1,103.3	826.1

Price Risk (as at 31 March 2016)

Asset Type	Value £m	Change %	Value on Increase £m	Value on Decrease £m
Developed market global equities	442.2	17.30%	518.7	365.7
Emerging market global equities	43.0	29.40%	55.6	30.4
Hedge funds (proxy for Multi-asset funds)	266.9	8.00%	288.3	245.5
Private equity	15.3	24.10%	19.0	11.6
Unlisted infrastructure	32.6	15.50%	37.7	27.5
Total Assets	800.0		919.3	680.7

Currency Risk

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

Currency	Value £m	Change %	Value on Increase £m	Value on Decrease £m
Australian Dollars	12.1	3.34	12.5	11.7
Canadian Dollars	7.3	2.74	7.5	7.1
Danish Krona	0.1	2.66	0.1	0.1
Euros	35.1	2.65	36.0	34.2
Hong Kong Dollars	2.4	2.66	2.5	2.3
Israeli Shekels	0.4	2.49	0.4	0.4
Japanese Yen	6.7	4.46	7.0	6.4
Malaysian Ringgits	1.3	3.74	1.3	1.3
Norwegian Krona	1.2	3.17	1.2	1.2
Singapore Dollars	2.6	2.69	2.7	2.5
South Korean Won	1.2	3.18	1.2	1.2
Swedish Krona	3.0	2.62	3.1	2.9
Swiss Francs	16.1	3.60	16.7	15.5
Taiwanese Dollars	1.2	2.63	1.2	1.2
United States Dollars	220.3	2.67	226.2	214.4
Overseas Total	311.0		319.6	302.4
UK Investments & Cash	653.7			
Overall	964.7			

The following analyses show a comparison of the sensitivities as at 31 March 2016. The data was provided by State Street Analytics, who withdrew provision of performance statistics to the local authority Pension Funds in 2016 and was based on a currency basket grouping methodology. A precise breakdown by single currency using BNY approach was not achievable for 2015/16.

Currency	Value £m	Change %	Value on Increase £m	Value on Decrease £m
North America Investments	277.5	7.43	298.1	256.9
Europe Ex UK Investments	108.8	6.46	115.8	101.8
Asia Pacific Investments	57.8	8.06	62.5	53.1
Emerging Investments	21.5	6.79	23.0	20.0
Overseas Total	465.6		499.4	431.8
UK Investments & Cash	334.4			
Overall	800.0			

Liquidity Risk

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

Liquid assets are those that can be converted to cash within three months, subject to normal market conditions. As at 31 March 2017, liquid assets were £895m representing 93% of total fund assets (£752m at 31 March 2016 representing 94% of the Fund at that date). These investments can in fact be liquidated within a matter of days.

16. Current assets

Current assets include cash balances of £2.3m at 31 March 2017 (£1.9m at 31 March 2016), £0.2m lump sum benefits paid in advance and which relate to 2017/18 (2015/16 : £nil), and £0.1m year-end debtor for VAT (2015/16 : £nil).

17. Current liabilities

Current liabilities represent accruals for investment management expenses, custodian fees and pension payroll transactions.

18. Funded Obligation of the Overall Pension Fund

31 March 2016 £m		31 March 2017 £m
1,311.3	Present Value of the defined benefit obligation*	1,606.0
(800.8)	Fair Value of Fund Assets (bid value)	(963.5)
510.5	Net Liability	642.5

*The present value of the funded obligation consists of £1,546.2m in respect of vested obligations and £59.8m in respect of non-vested obligations (2015/16: £1,273.7m and £37.6m respectively).

The above figures show the total net liability of the Fund as at 31 March 2017 and have been prepared by the fund actuary (Barnett Waddingham LLP) in accordance with IAS26. In calculating the disclosed numbers, the actuary has adopted methods and assumptions that are consistent with IAS19. The figures presented are prepared only for the purposes of IAS19 and will therefore differ from the results of the 2016 triennial funding valuation.

at 31 March 2016		Assumptions	at 31 March 2017	
% pa	Real % pa		% pa	Real % pa
3.2	0.9	RPI increase	3.6	1.3
2.3	0.0	CPI increase	2.6	0.0
3.8	1.5	Salary increase	4.1	1.5
2.3	0.0	Pension increase	2.6	0.0
3.6	1.3	Discount Rate	2.7	0.1

* Consumer Price Inflation has been used as basis to reflect the actuarial assumption in real terms.

19. Contingent Liabilities and Contractual Commitments

Outstanding capital commitments (investments) at 31 March 2017 totalled £27.1m (31 March 2016: £40.6m). These commitments relate to outstanding call payments due on unquoted limited partnership funds held in the private equity and infrastructure parts of the portfolio. The amounts 'called' by these funds are irregular in both size and timing over a period of between four and six years from the date of each original commitment.

20. Related Party Transactions

The City of London Pension Fund is administered by the City of London Corporation. Consequently there is a strong relationship between the local authority and the pension fund.

The City of London Corporation is also the single largest employer of members of the pension fund and the employer contributions paid by it was £20.8m in 2016-17 (2015-16: £20.0m).

21. Post Balance Sheet Events

There are no major post balance sheet events.

22. Funding Arrangements

In accordance with statutory regulations a triennial valuation of the Pension Fund was completed by the City's independent consulting actuaries, Barnett Waddingham LLP, as at 31 March 2013 using the projected unit method.

A further triennial valuation as at 31 March 2016 has been completed by the independent consulting actuaries and the resulting employers' contribution will be effective for the next three financial years commencing 1 April 2017.

The main funding assumptions which follow were incorporated into the funding model used in the 2013 and 2016 valuations (Consumer Price Inflation has been used as basis to reflect the actuarial assumption in real terms):

	March 2013 % p.a.	Real % p.a.	March 2016 % p.a.	Real % p.a.
Financial Assumptions				
Discount Rate	6.0	3.3	5.7	3.3
Retail Price Inflation	3.5	0.8	3.3	0.9
Consumer Price Inflation	2.7	0.0	2.4	0.0
Pension Increases	2.7	0.0	2.4	0.0
Pay Increases (Short Term)	1.0	(1.7)	*	
Pay Increases (Long Term)	4.2	1.5	3.9	1.5

*CPI for the period 31/03/2016 to 31/03/2020. The discount rate reflects the asset allocation embedded in the fund's long-term strategy, the table overleaf outlines how these assumptions translate into an overall discount rate assumption.

Future assumed returns at 2016	Percentage of Fund %	Return Assumption %	Real (relative to CPI) %
Gilts	0	2.4	0.0
Cash	0	1.8	(0.6)
Bonds	0	3.3	0.9
Equities	55	7.4	5.0
Property	10	5.9	3.5
Absolute return fund - inflation plus 3.7%	15	6.1	3.7
Absolute return fund - LIBOR plus 4.5%	20	6.3	3.9
Expenses (deduction)		(0.2)	
Neutral estimate of discount rate based on long-term investment strategy		6.7	4.3
Prudence Allowance		(1.0)	
Discount Rate		5.7	3.3

Demographic assumptions

The demographic assumptions used are consistent with those used for the most recent Fund valuation, which was carried out as at 31 March 2016, hence they are different from those used for the 2015/16 statement of accounts. The post retirement mortality tables adopted are the S2PA tables with a multiplier of 80%, for males and 85% for females. These base tables are then projected using the CMI 2015 Model, allowing for a long-term rate of improvement of 1.5% p.a.:

The valuations at 31 March 2013 and 31 March 2016 revealed that the relationship between the values placed on the assets held by the fund and the liabilities accrued in respect of pensionable service at that date were as follows:

Life expectancy from age 65		31 March 2016	31 March 2013
Retiring today	Males	24.3	23
	Females	25.8	25.4
Retiring in 20 years	Males	26.5	24.8
	Females	28.1	27.3

Commutation assumption

As part of the 2016 valuation the actuary performed an analysis of retirement patterns using the new universal data extract. This analysis revealed that members on average exchanged pension to get approximately 50% of the maximum available cash on retirement.

50:50 membership

The actuary has assumed that existing members will continue to participate in their current section.

Funding Position at Valuation date

The valuations at 31 March 2013 and 31 March 2016 revealed that the relationship between the values placed on the assets held by the fund and the liabilities accrued in respect of pensionable service at that date were as follows:

Past Service Liabilities	March 2013 £m	March 2016 £m
Active Members	278.8	308.9
Deferred pensioners	158.1	185.1
Pensioners	392.7	451.6
Total	829.6	945.6
Assets	(701.8)	(796.3)
Deficit	127.8	149.3
Funding Level	85%	84%

Based on the above data the derivation of the basic rate of employer's contribution is set out below:

	March 2013 Contribution rate %	March 2016 Contribution rate %
Future service funding rate	11.5	12.8
Past service adjustment	5.5	8.2
Total contribution rate	17.0	21.0

The past service adjustment assumes that the deficit is recovered over a 20 year period in the March 2013 valuation and a 17 year period in the March 2016 valuation.

Having considered the basic rate of employer's contributions above, the City of London Corporation set contribution rates applicable to its employees of 21.0% for each of the financial years 2017/18 to 2019/20. Exceptions are City Academy who pay 17.1% p.a. and Museum of London which has certified stepped contributions of 15.1% in 2017/18, 15.6% in 2018/19 and 16.1% in 2019/20.

Of the employers' contributions receivable in 2016/17 amounting to £22.52m, the amounts attributable to "deficit funding" are as follows:

	Future Funding £m	Past-service Deficit Funding £m	Total Contributions £m
Administering Authority City of London	12.70	8.14	20.84
Scheduled Bodies Museum of London	0.64	0.41	1.05
Admitted Bodies Irish Society	0.01	0.01	0.02
Agilisys	0.08	0.05	0.13
City Academy -Southwark	0.17	0.11	0.28
Other	0.13	0.07	0.20
	13.73	8.79	22.52

Scope of Responsibility

1. The City of London Corporation is a diverse organisation with three main aims: to support and promote the City as the world leader in international finance and business services; to provide modern, efficient and high quality local services, including policing, within the Square Mile for workers, residents and visitors; and to provide valued services, such as education, employment, culture and leisure to London and the nation. Its unique franchise arrangements support the achievement of these aims.
2. Although this statement has been prepared to reflect the City of London Corporation in its capacity as a local authority and police authority, the governance arrangements are applied equally to its other funds – City’s Cash and Bridge House Estates.
3. The City of London Corporation (“the City”) is responsible for ensuring that its business is conducted in accordance with the law and proper standards; that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively; and that arrangements are made to secure continuous improvement in the way its functions are operated.
4. In discharging this overall responsibility, the City is responsible for putting in place proper arrangements for the governance of its affairs and facilitating the effective exercise of its functions, which includes arrangements for the management of risk.
5. The City has approved and adopted a code of corporate governance which is consistent with the principles of the CIPFA/SOLACE ⁶Framework *Delivering Good Governance in Local Government*. A copy of the code is on the City’s website at www.cityoflondon.gov.uk. This statement explains how the City has complied with the code and also meets the requirements of regulation 6(1) of the Accounts and Audit (England) Regulations 2015 which requires all relevant bodies to prepare an annual governance statement.

The Purpose of the Governance Framework

6. The governance framework comprises the systems and processes by which the City is directed and controlled and its activities through which it accounts to, engages with and leads its communities. It enables the City to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.
7. The system of internal control is a significant part of that framework and is designed to manage all risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable rather than absolute assurance of effectiveness. The City’s system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the City’s policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.
8. The governance framework has been in place at the City for the year ended 31 March 2017 and up to the date of approval of the statement of accounts.

⁶ CIPFA is the Chartered Institute of Public Finance and Accountancy
SOLACE is the Society of Local Authority Chief Executives

Key Elements of the Governance FrameworkCode of Corporate Governance

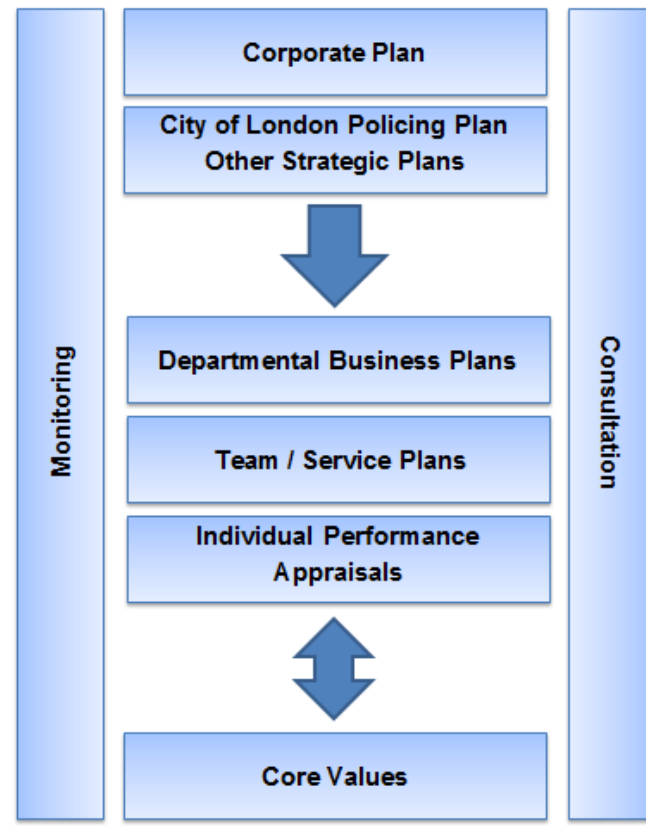
9. The principles of good governance are embedded within a comprehensive published Code of Corporate Governance. This code covers both the local authority and police authority roles, and links together a framework of policies and procedures, including:
- Standing Orders, which govern the conduct of the City's affairs, particularly the operation of Committees and the relationship between Members and officers;
 - Financial Regulations, which lay down rules that aim to ensure the proper management and safeguarding of the City's financial and other resources;
 - Terms of reference for each Committee;
 - A Scheme of Delegations, which defines the responsibility for decision-making and the exercise of authority;
 - A Members' Code of Conduct, which defines standards of personal behaviour;
 - A Standards Committee whose role is to promote high standards of member behaviour and to deal with complaints made against Members, and register of interests, gifts and hospitality;
 - A Code of Conduct for employees;
 - A corporate complaints procedure, operated through the Town Clerk's Department, with a separate procedure in Community and Children's Services, to comply with the relevant regulations;
 - A corporate Project Toolkit and other detailed guidance for officers, including procedures and manuals for business critical systems;
 - An anti-fraud and corruption strategy, including: anti-bribery arrangements; a social housing tenancy fraud, anti-fraud and prosecution policy; and a whistleblowing policy;
 - A Risk Management Strategy;
 - Job and person specifications for senior elected Members and the Court of Aldermen; and
 - A protocol for Member/officer relations.
10. The City's main decision making body is the Court of Common Council, which brings together all of the City's elected members. Members sit on a variety of committees which manage the organisation's different functions, and report to the Court of Common Council on progress and issues as appropriate. The Town Clerk and Chief Executive is the City's statutory head of paid service, and chairs the Chief Officers' Group, and the Summit Group, which is the primary officer decision-making body. In 2015/16 a new officer governance framework was introduced, now comprising four Chief Officer Strategic Steering Groups, reporting to the Summit Group. The Comptroller and City Solicitor discharges the role of monitoring officer under the Local Government and Housing Act 1989.
11. The Court of Common Council is defined as the police authority for the City of London Police area in accordance with the provisions of the City of London Police Act 1839 and the Police Act 1996.

-
12. The role of police authority is to ensure that the City of London Police runs an effective and efficient service by holding the Commissioner to account; to ensure value for money in the way the police is run; and set policing priorities taking into account the views of the community. These, and other key duties, are specifically delegated to the Police Committee. The Police Committee has the following Sub Committees and Boards to provide enhanced oversight in specific areas of police work:
- The Professional Standards and Integrity Sub Committee has responsibility for providing detailed oversight over professional standards and integrity within the Force, and examines the casework of every single complaint recorded by the Force;
 - The Performance and Resource Management Sub Committee monitors performance against the Policing Plan and oversees management of risk, human and financial resources; and
 - The Economic Crime Board considers matters relating to the Force's national responsibilities for economic crime and fraud investigation.
 - The Police Pensions Board assists the City of London Police in securing compliance with pension scheme regulations and other legislation relating to the governance and administration of the scheme.
13. Under the Localism Act 2011, the City is under a duty to promote and maintain high standards of conduct by Members and co-opted Members. In particular, the Court of Common Council must adopt and publicise a code dealing with the conduct that is expected of Members when they are acting in that capacity, and have in place a mechanism for the making and investigation of complaints. The Court approved the current Code of Conduct in October 2014, following a review by the Standards Committee.
14. The City has appropriate arrangements in place under which written allegations of a breach of the Member Code of Conduct can be investigated and decisions on those allegations taken. The Standards Committee has approved a Complaints Procedure. A Dispensations Sub Committee exists for the purposes of considering requests from Members for a dispensation to speak or vote on certain matters (where they have a disclosable pecuniary interest and are otherwise prevented from participation) being considered at Committee meetings. Elected and co-opted Members are invited to review and update their Member Declarations on an annual basis (although there is no statutory requirement to do so).
15. Under section 28 of the Localism Act, the City is required to appoint at least one Independent Person to support the new standards arrangements. In June 2012, the Court of Common Council gave support to three appointments to the position of Independent Person, and also agreed a revised constitution and terms of reference for the Standards Committee, to be adopted under section 28 of the Act.
16. The Localism Act also requires the City to prepare and publish a Pay Policy Statement each year, setting out its approach to pay for the most senior and junior members of staff. The Pay Policy Statement for 2016/17 was agreed by the Court of Common Council in March 2016 and published on the City's website.
17. To assist in meeting the City's obligations under the Bribery Act 2010, officers with decision-making powers in relation to higher risk activities are required to make an annual declaration to confirm that they have met the requirements relating to potential conflicts of interest, as set out in the Employee Code of Conduct, and to confirm that they have not engaged in any conduct which might give rise to an offence under the Act.

18. As a result of the Protection of Freedoms Act 2011-12, revisions were agreed to the City's policy and procedures in respect of the Regulation of Investigatory Powers Act 2000 (RIPA), which regulates surveillance carried out by public authorities in the conduct of their business. A report is made six monthly to the Policy and Resources Committee on the City's use of RIPA powers. In September 2015, the Office of the Surveillance Commissioners conducted an inspection of the City's arrangements. The inspector concluded that the City is keen to set and maintain standards and has a sound RIPA structure, with good policies and procedures.

Standards Committee

19. The Standards Committee oversees the conduct of Members in all areas of the City of London Corporation's activities be it local authority, police authority or non-local authority functions. Its main responsibility is to promote and maintain high standards of conduct by elected Members and Members co-opted on to City of London Committees.
20. Its functions include:
- monitoring and regularly reviewing the operation of the Code of Conduct for Members and related procedures;
 - considering any alleged breaches of the Code;
 - monitoring Members' declarations to ensure compliance with both the statutory and local registration requirements;
 - regularly reviewing the complaints procedure and dispensations arrangements, and
 - submitting an annual report to the Court of Common Council.
21. During 2016/17 the Standards Committee commissioned an independent, broadly-based review of the arrangements in place for addressing matters connected with the conduct of Members (including co-opted Members) under the Localism Act 2011, with particular focus on the Complaints Procedure (relating to alleged breaches of the Members' Code of Conduct). A Member Working Party has been formed to review the resulting report and how the recommendations in the report might be progressed and implemented. In October 2016, the Committee undertook its annual review of the Protocol on Member/Officer Relations, and approved changes including the inclusion of specific reference to equality, diversity and inclusion, and appending the Protocol to both the Employee Code of Conduct and the guidance to Members on the Members' Code of Conduct. No allegations of breaches of the Members' Code of Conduct were made to the Committee during 2016/17.

Business Strategy and Planning Process

22. The City has a clear hierarchy of plans, setting out its ambitions and priorities:

- The Corporate Plan shows how the City Corporation will fulfil its role as a provider of services both inside and outside of the City boundaries. The current Corporate Plan (2015-19) includes a statement of the City's Vision, Strategic Aims, Key Policy Priorities, Core Values and Behaviours.
- The City of London Policing Plan details the policing priorities and shows how these will be delivered over the coming year. It also contains all the measures and targets against which the Police Committee hold the City of London Police to account.
- Other corporate plans and strategies are mentioned elsewhere in this document.

23. Plans and strategies are informed by a range of consultation arrangements, such as City-wide residents' meetings, representative user groups and surveys of stakeholders. The City has a unique franchise, giving businesses (our key constituency) a direct say in the running of the City, and a range of engagement activities,

including through the Lord Mayor, Chairman of Policy and Resources Committee and the Economic Development Office. An annual consultation meeting is held for business rates and council tax payers.

24. The Health and Social Care Act 2012 transferred responsibility for health improvement of local populations to local authorities in England, with effect from 1st April 2013. The new duties included the establishment of a Health and Wellbeing Board, which provides collective leadership to improve health and wellbeing for the local area.

Information Management Strategy

25. The Information Management Strategy (approved October 2009) sets out the headline approach to information management in the City. It summarises the current position, gives a vision of where we want to be and proposes a set of actions to start us on the path to that vision. The Strategy defines our approach to the other key elements for information management, in particular data security and data sharing.
26. Overall responsibility for Information Management Governance is vested in the Information Technology (IT) Sub Committee. The Information Management Governance Steering Group reports to the Strategic Resources Group and the IT Steering Group, both chaired by the Chamberlain. Both groups report to the Summit Group and the IT Sub Committee. The Comptroller and City Solicitor is now the Senior Information Risk Owner (SIRO) and work continues to identify Information Asset Owners (IAO) within departments and build an information asset register.

Financial Management Arrangements

27. The Chamberlain of London is the officer with statutory responsibility for the proper administration of the City's financial affairs. In 2010 CIPFA issued a "*Statement on the Role of the Chief Financial Officer in Local Government*"⁷ which codifies the key responsibilities of this role and sets out how the requirements of legislation and professional standards should be met. The City's financial management arrangements conform to the governance requirements of the Statement. The Chamberlain also fulfils the role of Treasurer of the Police Authority.
28. The system of internal control is based on a framework of regular management information, financial regulations, administrative procedures (including segregation of duties), management supervision, a system of delegation and accountability, and independent scrutiny. In particular the system includes:
- a rolling in depth survey of the City's forecast position over a five year period;
 - comprehensive budget setting processes;
 - monthly, quarterly and annual financial reports which indicate performance against budgets and forecasts;
 - access by all departmental and central finance staff to systems providing a suite of enquiries and reports to facilitate effective financial management on an ongoing basis;
 - ongoing contact and communication between central finance officers and departmental finance officers;
 - clearly defined capital expenditure guidelines;
 - formal project management disciplines;

⁷ Updated in 2016

-
- the provision of high quality advice across the organisation;
 - an internal audit service combining in-house staff with external knowledge and expertise;
 - insuring against specific risks;
 - scrutiny by Members, OFSTED, CQC, HMIC, other inspectorates, External Audit and other stakeholders, and
 - requests for Members and Chief Officers to disclose related party transactions including instances where their close family have completed transactions with the City of London Corporation.
29. The City has a long-standing and in-built culture of maximising returns from its resources and seeking value for money. It assesses the scope for improvements in efficiency /value for money at a corporate and service level by a variety of means, including improvement priorities set by the Policy and Resources Committee through the annual resource allocation process, and internal examination and review by the Efficiency and Performance Sub Committee.
30. For non-Police services, the local government settlement in autumn 2016 was challenging but fell within the prudent assumptions included with the City's financial forecast. Agreed actions from a service based review will deliver efficiencies, savings and opportunities for additional income totalling some £11m a year by 2018/19. Subject to there being no significant adverse changes in financial planning assumptions across the period, forecasts indicate a surplus across the period to 2020/21. However, the economic outlook and public finances remain uncertain following 'Brexit' and the national election and there is no guarantee that government funding will be not be revised further downwards in future years. The position is being monitored on an ongoing basis.
31. Following approval by the Court of Common Council in October 2016, an Efficiency and Sustainability Plan for the City was submitted to and accepted by the Department for Communities and Local Government. This establishes a framework for continuous efficiency improvement beyond 2017/18 when the current service based review programme will be substantially complete, including a 2% per annum budget reduction target that will deliver sufficient efficiencies across the City's funds from 2018/19 to sustain these budgets over the medium term and allow for planned investment in services. In addition, further corporate efficiency and effectiveness reviews are planned for when the current cross-cutting programmes are completed.
32. The Efficiency and Performance Sub Committee has responsibility for monitoring and oversight of the delivery of the service based review savings and increased income, and the cross-cutting efficiency reviews, and continues to challenge the achievement of value for money, helping to embed further a value for money culture within the City's business and planning processes.
33. The City of London Police manages its budget on a ring-fenced basis. The Court of Common Council agreed to increase the Business Rates Premium from April 2016 with the additional income, estimated at £1.6m a year, being allocated to the Police to cover emerging cost pressures relating to security. Nevertheless, the underlying financial position remains challenging with deficits forecast across the period and reserves exhausted during 2017/18. This is despite implementing a challenging savings plan and previous budget reductions.
34. The Force has a robust financial strategy in place to balance the budget over the period to 2018/19, which includes provision for a minimum general reserve balance for unforeseen or exceptional operational requirements. The Force and the City Corporation are also investigating areas for greater collaboration, including the development of a Joint Contact and Control Room as part of the Secure City programme.
35. The Police Performance and Resource Management Sub Committee's responsibilities include overseeing the Force's resource management in order to maximise the efficient and effective use of resources to deliver its strategic priorities; monitoring government and other external agencies' policies and actions relating to

police performance; overseeing the Force's risk management arrangements, and ensuring that the Force delivers value for money. The Sub Committee also receives regular updates on the work of internal audit in relation to the Force.

36. The Policy and Resources Committee determines the level of the City's own resources to be made available to finance capital projects on the basis of a recommendation from the Resource Allocation Sub Committee. Ordinarily, such projects are financed from capital rather than revenue resources, and major projects from provisions set aside in financial forecasts.
37. The City has a number of procedures in place to ensure that its policies and the principles that underpin them are implemented economically, efficiently and effectively. This framework includes:
- Financial Strategy. This provides a common base for guiding the City's approach to managing financial resources and includes the pursuit of budget policies that seek to achieve a sustainable level of revenue spending and create headroom for capital investment and policy initiatives;
 - Budget policy. The key policy is to balance current expenditure and current income over the medium term. Both blanket pressure and targeted reviews are applied to encourage Chief Officers to continuously seek improved efficiency;
 - Annual resource allocation process. This is the framework within which the City makes judgements on adjustments to resource levels and ensures that these are properly implemented;
 - Corporate Property Asset Management Strategy. This aims to ensure that the City's operational assets are managed effectively, efficiently and sustainably, in support of the organisation's strategic priorities and business needs;
 - Capital project evaluation, management and monitoring. The City has a comprehensive system of controls covering the entire life cycle of capital and major revenue projects; and
 - Treasury Management and Investment Strategies. Setting out the arrangements for the management of the City's investments, cash flows, banking and money market transactions; the effective control of risks associated with those activities; and the pursuit of optimum performance consistent with those risks.
38. Consideration is given to efficiency during the development and approval stages of all major projects, with expected efficiency gains quantified within reports to Members.
39. The performance of the City's financial and property investments are monitored and benchmarked regularly, both in-house and independently, through experts in the field.
40. The City's project management and procurement arrangements provide a consistent approach to project management and co-ordination of the portfolio of projects across the organisation. The Projects Sub Committee meets monthly to ensure that projects align with corporate objectives and strategy, and provide value for money.

Risk Management

41. In May 2014, the Audit and Risk Management Committee approved a new Risk Management Strategy which set out a new policy statement and a revised framework, which aligns with the key principles of ISO 31000: Risk Management Principles and Guidelines, and BS 31100: Risk Management Code of Practice, and defines clearly the roles and responsibilities of officers, senior management and Members. The Strategy emphasises risk management as a key element within the City's systems of corporate governance and establishes a clear system for the evaluation of risk and escalation of emerging issues to the appropriate scrutiny level. The Strategy assists in ensuring that risk management continues to be integrated by Chief Officers within their business and service planning and aligned to departmental objectives.
42. The Risk Management Group, consisting of senior managers representing all departments, including the City of London Police, meets twice annually. The group is a considerable driver in promoting the application of consistent, systematic risk management practices across the organisation. Strategic decisions on risk management are made by the Summit Group on a quarterly basis. Oversight of corporate risk is provided by the Chief Officers' Group and the Audit and Risk Management Committee. These arrangements have been strengthened with the establishment of a Chief Officer Risk Management Group. This meets quarterly to review, in depth, the corporate risk register and report their findings to the Summit Group when they consider the quarterly risk update report. In addition to receiving quarterly risk update reports, the Audit and Risk Management Committee has adopted a cycle of regular departmental risk challenge sessions, with Chief Officers and their respective Committee Chairmen, which take place prior to their meetings. The Committee has also introduced the regular reporting of top departmental risks to every Service Committee.
43. The corporate risk register contains eleven risks, including two new risks which have been added during the last year.
44. During 2016/17 an external review was undertaken of the City's risk management arrangements. The report's key finding was that systems and processes that support the risk management framework had significantly improved over the last two years and six areas that should be considered for improvement were suggested. An improvement plan is now being implemented.
45. The external risk management review also provided evidence to support a risk maturity assessment of the City as a strong "working" (level 3 out of 5) based upon the National Performance Model for Risk Management in the Public Services (used by CIPFA/Alarm for benchmarking purposes).

Health & Safety

46. The Health & Safety at Work Act 1974 (the Act) requires the City as an employer to ensure that it implements systems for the protection of its staff and visitors. The City's health and safety management system is aligned to HSG65, the Health and Safety Executive's guidance document on the essential philosophy of good health and safety. The City's systems will remain aligned with this guidance, to ensure that safety becomes part of normal business by applying a practical, sensible and common sense approach.
47. Corporate Risk 9 concerns the City's Health and Safety Management System and its application. Effective health and safety management enables innovation, growth and enhances productivity, as well as helping the City Corporation to achieve its strategic objectives.
48. Driving is the one of the most hazardous work activities, contributing to far more accidental deaths and serious injuries than all other work-related tasks. The City has introduced a *Corporate Transport Policy* along with associated procedures and guidance to manage occupational road risk. Embedding of the policy continues, with a focus during 2017 on assuring compliance across the organisation.

-
49. There is an established annual inspection and audit programme for property and people health and safety - for example audit, inspections and compliance checks have focused on water hygiene (legionella), fire safety, asbestos management, workplace transport and lone working/preventing violence. These are currently considered to be the City's areas of higher risk profile.
50. Like many large organisations the City may become aware of credible risk information through external contact, such as liaison with clients and service users. At present the majority of this type of risk information resides at the departmental level. The Personal Safety Visiting Tool (PSVT) is a new initiative being rolled out in 2017 by Corporate Health and Safety (People). It aims to provide departments' access to a corporate register of issues they and other visiting officers have encountered at various residential properties. The PSVT should enable all necessary departments to appropriately share their data, creating a seamless source of information to aid in the safety of all staff, recognising the interconnectedness of risk.
51. The Covalent Risk Management Information System is used to manage significant health and safety risks. Covalent enables departments to highlight their safety risks as a 'Top X' risk, emphasising any activities with considerable implications that are un-mitigated, or where there is a lack of clarity.
52. The City has established key performance indicators for health and safety including accident/incident reporting and investigation. The health and safety professionals have supported departments with their more challenging and/or significant health and safety investigations. This has helped to ensure that lessons are learned and are fed back into the development of the health and safety management system.

Business Continuity

53. The Civil Contingencies Act 2004 requires the City, as a Category 1 responder, to maintain plans to ensure that it can continue to exercise its functions in the event of an emergency. The City is required to train its staff responsible for business continuity, to exercise and test its plans, and to review these plans on a regular basis.
54. The City has an overarching Business Continuity Strategy and Framework and each department has their own business continuity arrangements. Both corporate and departmental arrangements are regularly reviewed to ensure they align with the relevant risk registers and business objectives. Officers from the different departments share best practice and validate their arrangements through the Emergency Planning and Business Continuity Steering Group, which sits on a quarterly basis. New arrangements that seek to increase the resilience of the City's technology infrastructure have been introduced and technical tests are being carried out to ensure their robustness. These arrangements seek to replace the Guildhall as a single point of failure for the City's IT provision. The move to a more resilient backbone should enhance the continuity of service for remote workers, and at other sites, even if the Guildhall is affected.
55. Programme management of the City's business continuity management system (BCMS) lies with the Resilience Planning Team, and all departments play a role in it. In 2014, the City's resilience arrangements (including its BCMS) were reviewed by peers from other Central London local authorities. This review was part of a regular assurance process linked to the Minimum Standards for London (which set out London's core resilience capabilities). The Team continues its on-going work with the IT service provider Agilisys to ensure robust business continuity plans dovetail between IT functions and critical services.
56. The City continues to experience an array of protest and demonstration, as it is a desirable location for protest groups to maximise publicity both nationally and globally. However, by working with business and emergency service partners to ensure robust Business Continuity and emergency response plans are in place, the City maintains 'business as usual', and thus its reputation of working with and supporting local communities.

Role of Internal Audit

57. Internal Audit plays a central role in providing the required assurance on internal controls through its comprehensive risk-based audit programme, with key risk areas being reviewed annually. This is reinforced by consultation with Chief Officers and departmental heads on perceived risk and by a rigorous follow-up audit and spot checks regime.
58. The internal audit process is supported, monitored and managed by the Audit and Risk Management Committee in accordance with the Public Sector Internal Audit Standards. An Audit Charter established in 2013 was updated and agreed by the Audit and Risk Management Committee in May 2017. This defines the role of internal audit, and codifies accountability, reporting lines and relationships that internal audit has with the Audit and Risk Management Committee, Town Clerk and Chief Executive, Chamberlain and Chief Officers.
59. The Internal Audit Section operates under the requirements of the Public Sector Internal Audit Standards (PSIAS). The City of London's internal audit function was subject to an External Quality Assessment by Mazars LLP in February 2017, and assessed as "generally conforms" to the new standard. A number of recommendations identified during the review are currently being addressed to ensure that the Internal Audit Section fully conforms to the new Standards.
60. The anti-fraud and investigation function continues to be effective in identifying and investigating allegations of fraud and corruption, with mature processes in place to tackle fraud across the City's social housing estates; along with conducting a wide range of risk based anti-fraud and awareness activities. The Audit and Risk Management Committee is provided with six-monthly anti-fraud and investigation up-date reports which detail the anti-fraud and investigation activity undertaken by the Anti-Fraud Team and provides progress against the strategic pro-active anti-fraud plan.

Performance Management

61. The corporate business planning framework sets out the planning cycle with clear linkages between the different levels of policy, strategy, target setting, planning and action (the "Golden Thread").
- All departments are required to produce annual departmental business plans for approval by the relevant service committee(s). These are all clearly linked to the overall Corporate Plan and show key objectives aligned with financial and staffing resources.
 - All departmental business plans are reviewed for compliance with the corporate business planning framework, and regular meetings are held between the Corporate Strategy and Performance Team and business planners.
 - All departments are required to report regularly to their service committees with progress against their business plan objectives and with financial monitoring information.
 - Performance and Development Appraisals are carried out for all staff, using a standard set of core behaviours. The appraisals are used to set individual objectives and targets and to identify learning and development needs that are linked to business needs. Pay progression is linked to performance assessments under the appraisal process.
62. Performance is communicated to Council Tax and Business Rate payers through the City-wide residents' meetings, the annual business ratepayers' consultation meeting and regular electronic and written publications, including an annual overview of the accounts.
63. During 2016/17 a review of the existing business planning process was undertaken, as a precursor to a broader review of corporate and departmental planning and performance management, to be completed during 2017/18.

Audit and Risk Management Committee

64. The Audit and Risk Management Committee is an enhanced source of scrutiny and assurance over the City's governance arrangements. It considers and approves internal and external audit plans, receives reports from the Head of Audit and Risk Management, external audit and other relevant external inspectorates, including HMIC, as to the extent that the City can rely on its system of internal control. The Committee reviews the financial statements of the City prior to recommending approval by the Finance Committee and considers the formal reports, letters and recommendations of the City's external auditors. The Committee also monitors and oversees the City's Risk Management Strategy. The Committee undertakes a systematic programme of detailed reviews of each of the risks on the City's Strategic Risk Register.
65. During 2016/17, the Committee continued its schedule of departmental risk challenge sessions. The Committee reviews the risks and risk management process for each department, on a rota basis, with one or two departments being invited to each meeting. These reviews are attended by the relevant Chairman and Chief Officer, with support and challenge applied so that risks are fully understood, and clear mitigation plans are in place. The Committee has also actively promoted a process for the regular reporting of top departmental risks to Service Committees, to encourage all Members to engage with the management of risk.
66. The Committee has strongly supported the internal audit function by setting clear performance expectations for Chief Officers in the timely implementation of audit recommendations, as well as ensuring internal audit's independence is fully recognised. It has reviewed the outcome of the Service Based Review of the internal audit function, and is overseeing the adoption of a more efficient approach to the targeting of internal audit resources.
67. The Committee has supported the management of the Information Security corporate risk, highlighting the mandatory awareness training for all staff, resulting in a significant increase in the percentage of staff fully completing this training.
68. The Committee has taken a keen interest in cyber-security risks and remains committed to supporting the continuous development of cyber security across the City of London Corporation.

Review of Effectiveness

69. The City has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the internal auditors and managers within the authority who have responsibility for the development and maintenance of the governance environment and also by comments made by the external auditors and other review agencies and inspectorates.
70. Processes that have applied in maintaining and reviewing the effectiveness of the governance framework include scrutiny primarily by the Policy and Resources, Finance, Police, Audit and Risk Management, Investment, and Standards Committees; and the Resource Allocation, Police Performance and Resource Management, and Efficiency and Performance Sub Committees.
71. This review of the main elements of the City's governance framework has not identified any significant issues for reporting to senior management.

Head of Internal Audit's Opinion

72. The Public Sector Internal Audit Standards require the Head of Internal Audit to deliver an annual internal audit opinion and report that can be used by the City of London Corporation to inform its Annual Governance Statement. The Head of Internal Audit is satisfied that sufficient quantity and coverage of internal audit work and other independent assurance work has been undertaken to allow him to draw a reasonable conclusion as to the adequacy and effectiveness of the City's risk management, control and governance processes. In his opinion, the City has adequate and effective systems of internal control in place to manage the

achievement of its objectives. In giving this opinion he has noted that assurance can never be absolute and, therefore, only reasonable assurance can be provided that there are no major weaknesses in these processes.

73. Notwithstanding this overall opinion, internal audit's work identified a number of opportunities for improving controls and procedures, which management has accepted and are documented in each individual audit report. Four areas reviewed in 2016/17 resulted in 'red' (limited) assurance opinions. These relate to internal audit reviews undertaken of: the City of London Police use of fuel cards; IT asset management; IT network infrastructure; and IT Wi-fi security and operations. All reports and recommendations have been accepted and are being addressed by management.

Future Developments

74. The governance framework is constantly evolving due to service and regulatory developments and assessments. Improvement plans have been compiled in response to the reports and assessments summarised above. Controls to manage principal risks are constantly monitored, in particular for services with statutory responsibilities for the safety of vulnerable people. The City proposes over the coming year to take the following steps to maintain, develop and strengthen the existing governance framework:
- Review the City Corporation's governance arrangements against the requirements of the CIPFA/Solace framework *Delivering Good Governance in Local Government*.
 - Develop a refreshed Corporate Plan, for the period 2018-23, setting out a set of overarching goals for the organisation which will prioritise activity over the medium term and thereby achieve more in the context of reducing budgets.
 - Review the framework for departmental business planning and performance management to ensure that all work carried out contributes to delivery of the outcomes in the refreshed Corporate Plan.
 - Introduce a programme of Chief Officer peer reviews, to assist in developing a culture of innovation, agility, collaboration and continuous improvement.
 - Undertake an annual update for the registration and publication of declarations of interest by the City's Members and Co-opted Members following the March 2017 Ward elections.
 - Deliver the benefits from the programme of cross-cutting efficiency and effectiveness reviews resulting from the service based review.
 - Complete the review of information security and management, leading to: the identification of Information Asset Owners; the production of an information asset register; the development of an Information Management Policy, and the implementation of an appropriate Data Classification Scheme.
 - Develop a risk appetite for the City Corporation, linked to the City's objectives and the external environment, which reflects the City's capacity to manage risk and willingness to take risk in order to meet the strategic objectives.
 - Review project and programme governance arrangements, to improve the handling of corporate and departmental projects, including reviewing the terms of reference of relevant governance groups and a process for escalating risks to the appropriate levels.

This annual governance statement will be presented to the City's Audit and Risk Management Committee on 24 July 2017.

Accruals	The accounting treatment, where income and expenditure is recorded when it is earned or incurred, not when money is paid or received.
Actuarial gains and losses	For a defined benefit pension, changes in actuarial deficits or surpluses that arise because: <ul style="list-style-type: none">• events have not coincided with the actuarial assumptions made for the last valuation (known as experience gains and losses) or• the actuarial assumptions have changed.
Accruals	The accounting treatment, where income and expenditure is recorded when it is earned or incurred, not when money is paid or received.
Actuary	A person who assesses risks and costs, in particular those relating to life assurance and investment policies, using a combination of statistical and mathematical techniques.
Bid Price	The price a buyer is willing to pay.
Bridge House Estates	A charitable trust relating to the maintenance and support of five City of London owned bridges and the making of grants for the benefit of Greater London, particularly for the provision of transport, and access to it, for the elderly and disabled. The trust is accounted for separately and does not form part of the City Fund statements although references are made to Bridge House Estates in certain parts of the statements.
Capital adjustment account	Records the resources set aside to finance capital expenditure partly offset by the consumption of long-term assets based on historic costs (e.g. historic cost depreciation, historic cost impairment losses caused by consumption of economic benefits and revenue expenditure funded from capital under statute over the period that the City benefits from the expenditure).
Capital charge	A charge to service revenue accounts to reflect the cost of property, plant and equipment used in the provision of services.
Capital expenditure	Expenditure on the acquisition of a long-term asset or expenditure that adds to and not merely maintains the value of an existing long-term asset.
Capital receipts	The proceeds from the sale of a long-term asset such as land or council houses. Capital receipts can only be used for capital purposes e.g. funding capital expenditure or repaying debt.

City's Cash	The existence of City's Cash can be traced back to the fifteenth century and it has built up from a combination of properties, lands, bequests and transfers under statute since that time. It is accounted for separately and does not form part of the City Fund statements, although references are made to City's Cash in certain parts of the statements. The fund is now used to finance activities mainly for the benefit of London as a whole but also of relevance nationwide. These services include the work of the Lord Mayor in promoting UK trade overseas, numerous green spaces and work in surrounding boroughs supporting education, training and employment opportunities.
Creditors	Individuals or organisations to which the City Fund owes money at the end of the financial year.
Collection Fund	Statutory account showing transactions in relation to the collection of Council Tax, payments to the Greater London Authority and the administration of the National Non-Domestic Rate.
Community assets	Assets that the City of London intends to hold in perpetuity, that have no determinable useful life, and that may have restrictions on their disposal. Examples of community assets are parks and gardens or historic buildings.
Current asset	An asset which will be consumed or cease to have value within the next accounting period; examples are stock and debtors.
Current liability	An amount which will become payable or could be called in within the next accounting period; examples are creditors and cash overdrawn.
Current service cost (pensions)	The increase in the present value of a defined benefit scheme's liabilities expected to arise from employee service in the current period.
Curtailment (pensions)	<p>For a defined benefit scheme, an event that reduces the expected years of future service of present employees or reduces for a number of employees the accrual of defined benefits for some or all of their future service. Curtailments include:</p> <ul style="list-style-type: none"> • termination of employees' services earlier than expected, for example as a result of discontinuing an activity, and • termination of, or amendment to, the terms of a defined benefit scheme so that some or all future service by current employees will no longer qualify for benefits or will qualify only for reduced benefits.
Debtors	Individuals or organisations that owe the City Fund money at the end of the financial year.

Deferred capital receipts	These result mainly from loans to the Museum of London plus outstanding loans in respect of past sales of council dwellings to tenants who were unable to obtain a building society loan or other external means of financing. Their indebtedness is reflected in the balance sheet under long term debtors. This account shows the amount to be paid on deferred terms and is reduced each year by repayments made.
Defined benefit scheme	A pension or other retirement benefit scheme other than a defined contribution scheme. Usually, the scheme rules define the benefits independently of the contributions payable, and the benefits are not directly related to the investments of the scheme. The scheme may be funded or unfunded.
Defined contribution scheme	A pension or other retirement benefit scheme into which an employer pays regular contributions fixed as an amount or as a percentage of pay and has no legal or constructive obligation to pay further contributions if the scheme does not have sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.
Depreciation	The loss in value of an asset due to age, wear and tear, deterioration or obsolescence.
Direct revenue financing	Expenditure on the provision or improvement of capital assets met directly from revenue account.
Donated assets	Assets transferred at nil value or acquired at less than fair value.
Expected rate of return on pensions assets	For a funded defined benefit scheme, the average rate of return, including both income and changes in fair value but net of scheme expenses, expected over the remaining life of the related obligation on the actual assets held by the scheme.
Experience gains or losses	In pensions accounting, the element of actuarial gains and losses that relates to differences between the actual events as they have turned out and the assumptions that were made as at the date of the earlier actuarial valuation.
Fair value	Fair value is generally defined as the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's-length transaction.
Heritage assets	A tangible asset with historical, artistic, scientific, technological, geophysical or environmental qualities that is held and maintained principally for its contribution to knowledge and culture.
Impairment	A reduction in the value of an asset below its carrying amount on the balance sheet.
Infrastructure assets	Long-term assets that are inalienable, expenditure on which is recoverable only by continued use of the asset created. Examples are highways, footpaths, bridges and sewers.

Intangible assets	A non-physical item where access to future economic benefits is controlled by the local authority. An example is computer software.
Pensions interest cost	For a defined benefit scheme, the expected increase during the period in the present value of the scheme liabilities because the benefits are one period closer to settlement.
Investment properties	Interest in land or buildings that are held for investment potential.
Levies	These are charges incurred by the City of London to meet London-wide services. They include payments to the London Boroughs Grants Committee, the Environment Agency and the London Planning Advisory Committee.
National Non-Domestic Rate (NNDR)	A flat rate in the pound set by the Government and levied on businesses who occupy offices and buildings within the City. The income is collected by the City of London and is passed on to Central Government.
Net current replacement cost	The cost of replacing a particular asset in its existing condition and in its existing use.
Net realisable value	The open market value of an asset in its existing use (or open market value in the case of non-operational assets) less the expenses to be incurred in realising the asset.
Non-operational assets	Long-term assets held but not directly occupied, used or consumed in the delivery of service. Examples are investment properties.
Past service cost (pensions)	For a defined benefit scheme, the increase in the present value of the scheme liabilities related to employee service in prior periods arising in the current period as a result of the introduction of, or improvement to, retirement benefits.
Projected unit method	<p>An accrued benefits valuation method in which the scheme liabilities make allowance for projected earnings. An accrued benefits valuation method is a valuation method in which the scheme liabilities at the valuation date relate to:</p> <ul style="list-style-type: none"> the benefits for pensioners and deferred pensioners (i.e. individuals who have ceased to be active members but are entitled to benefits payable at a later date) and their dependants, allowing where appropriate for future increases; and the accrued benefits for members in service on the valuation date. The accrued benefits are the benefits for service up to a given point in time, whether vested rights or not. Guidance on the projected unit method is given in the Guidance Note GN26 issued by the Faculty and Institute of Actuaries.

Provision	<p>An amount set aside in the accounts for liabilities of uncertain timing or amount that have been incurred. Provisions are made when:</p> <ul style="list-style-type: none"> • the City of London has a present obligation (legal or constructive) as a result of a past event; • it is probable that a transfer of economic benefits will be required to settle the obligation; and • a reliable estimate can be made of the amount of the obligation.
Reserves	<p>Reserves are reported in two categories in the Balance Sheet of local authorities:</p> <ul style="list-style-type: none"> • Usable reserves - surpluses of income over expenditure and amounts set aside outside the definition of a provision and which can be applied to the provision of services. Certain reserves are allocated for specific purposes and are described as earmarked reserves. • Unusable reserves - those that cannot be used to provide services. This category of reserves include adjustment accounts which deal with situations where statutory requirements result in income and expenditure being recognised against the City Fund or HRA balance on a different basis from that expected by accounting standards.
Revaluation Reserve	<p>Represents increases in valuations of assets since 1 April less amounts written off due to the 'additional depreciation' (including impairment due to consumption of economic benefit) arising because property, plant and equipment are carried at a revalued amount rather than historic cost. It can also include reductions in values to investment properties where the reductions are not considered to be permanent.</p>
Revenue expenditure	<p>The day to day running costs relating to the accounting period irrespective of whether or not the amounts due have been paid. Examples are salaries, wages, repairs, maintenance and supplies.</p>
Revenue expenditure funded from capital under statute	<p>Legislation allows some expenditure to be classified as capital for funding purposes when it does not result in the expenditure being carried on the Balance Sheet as a long-term asset. The purpose of this is to enable it to be funded from capital resources rather than be charged to revenue and impact on council tax. These items are generally grant payments and expenditure on property not owned by the authority.</p>
Scheme liabilities	<p>The liabilities of a defined benefits pension scheme for outgoings due after the valuation date. Scheme liabilities measured using the projected unit method reflect the benefits that the employer is committed to provide for service up to the valuation date.</p>

AVC	Additional Voluntary Contributions
BCMS	Business Continuity Management System
BRS	Business Rate Supplement
CIPFA	Chartered Institute of Public Finance & Accounting
CIL	Community Infrastructure Levy
CPI	Consumer Price Index
DSG	Dedicated Schools Grant
DfE	Department for Education
FTE	Full Term Equivalent
GAAP	Generally Accepted Accounting Practice
GLA	Greater London Authority
HRA	Housing Revenue Account
IAS	International Accounting Standards
IFRS	International Financial Reporting Standards
LASAAC	Local Authority (Scotland) Accounts Advisory Committee
LIBOR	London Interbank Offered Rate
LGPS	Local Government Pension Scheme
MRP	Minimum Revenue Provision
NNDR	National Non-Domestic Rate
OFSTED	Office for Standards in Education, Children's Services and Skills
RPI	Retail Price Index
SeRCOP	Service Reporting Code of Practice
SOLACE	Society of Local Authority Chief Executives
SBNDR	Small Business Non-Domestic Rate
SI	Statutory Instruments
SETS	Stock Exchange Electronic Trading Service
VAO	Valuation Office
VAT	Value-Added Tax

NOTES TO THE CITY FUND CORE FINANCIAL STATEMENTS

1.	Accounting Policies	16
1.1.	General Principles	16
1.2.	Accruals of Expenditure and Income	16
1.3.	Cash and Cash Equivalents	16
1.4.	Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors	17
1.5.	Charges to Revenue for Non-current Assets	17
1.6.	Employee Benefits	17
1.7.	Events After the Reporting Period	20
1.8.	Financial Instruments	20
1.9.	Interest Income	21
1.10.	Government Grants and Other Contributions	21
1.11.	Business Improvement Districts	22
1.12.	Community Infrastructure Levy	22
1.13.	Heritage Assets	22
1.14.	Investment Property	22
1.15.	Contingent Assets	23
1.16.	Contingent Liabilities	23
1.17.	Provisions	23
1.18.	Leases	24
1.19.	Overheads	25
1.20.	Property, Plant and Equipment	25
1.21.	Fair value measurement	28
1.22.	Reserves	28
1.23.	Revenue expenditure funded from capital under statute	28
1.24.	Value Added Tax	29
1.25.	Schools	29
2.	Prior Year Restatement	29
3.	Expenditure and Funding Analysis	30
4.	Note to the Expenditure and Funding Analysis	31
5.	Expenditure and Income Analysed by Nature	34
6.	Accounting Standards That Have Been Issued but Not Yet Adopted	34
7.	Critical Judgements in Applying Accounting Policies	35

8.	Assumptions Made About the Future and Other Major Sources of Estimation Uncertainty	35
9.	Events after the Balance Sheet Date	36
10.	Adjustments between Accounting Basis and Funding Basis under Regulations	37
11.	Transfers (to)/from Earmarked Revenue Reserves	40
12.	Crossrail	41
13.	Other Operating Income and Expenditure	41
14.	Financing and Investment Income and Expenditure	41
15.	Taxation and Non-Specific Grant Income	42
16.	Property, Plant and Equipment	43
17.	Heritage Assets	47
18.	Investment Properties	47
19.	Capital Expenditure and Capital Financing	49
20.	Financial Instruments	50
21.	Nature and Extent of Risks arising from Financial Instruments	52
22.	Long Term Debtors	54
23.	Debtors and Payments in Advance falling due within a year	55
24.	Cash and Cash Equivalents	56
25.	Creditors and Receipts in Advance	56
26.	Provisions	57
27.	Contingent Liabilities	57
28.	Usable Reserves	57
29.	Unusable Reserves	57
30.	Cash Flow Statement – Operating Activities	63
31.	Cash Flow Statement – Investing Activities	64
32.	Cash Flow Statement – Financing Activities	64
33.	Trading Operations	65
34.	Agency Services	65
35.	Members’ Allowances	65
36.	Remuneration of Senior Employees	65
37.	Exit Packages	70
38.	Audit and Inspection Fees	70
39.	Dedicated Schools Grant	71
40.	Grant Income credited to the Comprehensive Income and Expenditure Statement	73
41.	Grants and Contributions Received in Advance	75

Index to Explanatory Notes**Page 156**

42.	Deferred Credits	75
43.	Related Party Transactions	76
44.	Leases	79
45.	Pension Schemes	83
46.	City of London Pension Scheme	83
47.	The Police Pension Scheme	88
48.	Judges Pension Scheme	92
49.	The Teachers' Pension Scheme	93
50.	Transactions Relating to Post-employment Benefits within the Financial Statements	94
51.	Trust Funds	98

NOTES TO THE HOUSING REVENUE ACCOUNT

1.	Provision for Bad and Doubtful Debts	100
2.	Adjustments between Accounting Basis and Funding Basis under Statute	100
3.	Housing Stock	100
4.	Arrears of Rent, Service and Other Charges	101
5.	HRA Property, Plant and Equipment	102
6.	Housing Asset Valuation	103
7.	Investment Property	104
8.	Major Repairs Reserve	104
9.	HRA Capital Expenditure	105

NOTES TO THE COLLECTION FUND

1.	Income from Business Rates	108
2.	Calculation of Council Tax	109
3.	Tax Bases 2016/17	110
4.	City Fund Offset	110
5.	Surplus for the Year	110

NOTES TO THE POLICE PENSION FUND 111

NOTES TO THE CITY OF LONDON PENSION FUND

1.	Description of the City of London Pension Fund	114
2.	Accounting Policies	114
3.	Critical Judgements in Applying Accounting Policies.....	115
4.	Membership of the Fund	116
5.	Contributions	117
6.	Additional Voluntary Contributions.....	117
7.	Benefits	118
8.	Payments to and on account of leavers	118
9.	Management expenses.....	118
10.	Income from investments.....	119
11.	Investment Expenses	119
12.	Investment Assets.....	120
13.	Fair Value of Financial Instruments	121
14.	Risk and Risk Management.....	126
15.	Sensitivity Analysis.....	126
16.	Current assets	129
17.	Current liabilities.....	129
18.	Funded Obligation of the Overall Pension Fund.....	130
19.	Contingent Liabilities and Contractual Commitments.....	130
20.	Related Party Transactions	131
21.	Post Balance Sheet Events	131
22.	Funding Arrangements	131