

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

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Annual Report

1. Introduction

City's Cash is a fund of the City of London Corporation that can be traced back to the 15th century and has built up from a combination of properties, land, bequests and transfers under statute since that time. Investments in properties, stocks and shares are managed to provide a total return that:

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

The financial statements have been prepared in accordance with Financial Reporting Standard 102 as issued by the Financial Reporting Council. The City of London Corporation publishes the City's Cash Annual Report and Financial Statements and a 'City's Cash Overview' every year to provide further transparency on its activities.

2. Administrative Details

| | |
|--|---|
| <i>Registered Address</i> | Guildhall, London, EC2P 2EJ. |
| <i>Chief Executive</i> | The Town Clerk of the City of London. |
| <i>Treasurer</i> | The Chamberlain of London. |
| <i>Solicitor</i> | The Comptroller and City Solicitor. |
| <i>Bank</i> | Lloyds Bank plc. |
| <i>Discretionary Fund Managers</i> | Artemis Investment Management Ltd; Carnegie Financial Services SA; Lindsell Train Ltd; M&G Investment Management Ltd; Majedie Asset Management; Natixis International Funds (Harris Associates); Pyrford International Plc; Ruffer LLP; Standard Life Investments Ltd; Veritas Asset Management LLP; and Wellington Management International. |
| <i>Chartered Accountants and Statutory Auditor</i> | Moore Stephens LLP. |

3. Other City of London Corporation Funds

This annual report and the financial statements only cover City's Cash: this is one of three funds from which the City Corporation pays for its services. The others are City Fund and Bridge House Estates

City Fund covers the City's activities as a local authority, police authority, and port health authority. The financial statements are published separately.

Bridge House Estates is a registered charity. It was originally set up from bridge taxes, rents and private bequests to deal with the upkeep of London Bridge. The charity now funds the maintenance of Tower, London, Southwark, Millennium and Blackfriars Bridges. As the funds have been managed effectively over the centuries, BHE now also helps charitable causes across London through the City Bridge Trust with grants amounting to around £20m every year. The annual report and financial statements for this fund are also published separately including a list of grants awarded.

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

4. Activities of City's Cash

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

- are of national benefit through its strategic aim to support and promote The City as the world leader in international financial and business services; and
- are of importance to Greater London and its environs as well as to the City itself, for example: work in surrounding boroughs supporting education, training and employment opportunities; numerous green spaces; wholesale markets providing fish (Billingsgate) and meat (Smithfield); independent schools (City of London School, City of London School for Girls, and City of London Freeman's School); Academies across London, and the Guildhall School of Music & Drama.

Education

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

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

The Guildhall School of Music & Drama is owned, funded and managed by the City Corporation. It is an internationally renowned conservatoire; based in the Barbican, it has over 900 students in higher education, drawn from nearly 60 countries around the world, and is currently regulated by the Higher Education Funding Council for England in line with other higher education institutions.

The City of London Corporation's Education Board is responsible for reviewing the Education Strategy and making recommendations to committees and the Court of Common Council (the City Corporation's main decision-making body) as appropriate on the delivery of the City Corporation's vision and strategic objectives in this area. The Board has responsibility for distributing funds allocated to it for educational purposes. In addition, it is responsible for the City Corporation's role as an Academy school sponsor.

Markets

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

The City Corporation runs three wholesale food markets two of which, Billingsgate and Smithfield, are funded by City's Cash. New Spitalfields Market is accounted for in the City Fund. Market tenants pay rent and service charges, which are calculated on a commercial basis. These charges cover the costs of operation, administration and those repairs which are attributable to the tenants. At Billingsgate, buyers can choose from the largest selection of fish in the UK, and the market has an annual turnover of more than 25,000 tonnes. Meat has been bought and sold at Smithfield for over 800 years; around 120,000 tonnes of meat pass through its magnificent Grade II* listed surroundings each year.

Open Spaces

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

The City Corporation looks after 11,000 acres of open spaces across London and beyond, including Hampstead Heath and Epping Forest. Some of the sites have been owned and managed since as far back as 1870, protecting them from development and preserving them as a natural resource. They include important wildlife habitats, Sites of Special Scientific Interest, National Nature Reserves and outdoor space for sport, recreation and enjoyment for the public. Annual visits by members of the public to the open spaces are estimated at 23 million.

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

City Representation

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

This expenditure supports the City Corporation's core objective to promote UK-based financial services, and related professional services, at home and abroad. The Lord Mayor's overseas visits programme, amounting to around 90 days abroad each year, fosters trade and develops relationships at the highest levels of government and industry. The Chairman of the Policy and Resources Committee also visits a number of major global financial centres each year. High profile government and industry delegations are welcomed to Mansion House and Guildhall, often on behalf of the UK government. Events hosted range from small receptions to major national occasions, such as State or Guest of Government visits. The City's diplomatic relationships are also strengthened through the London Diplomatic Corps.

Mansion House is the official residence of the Lord Mayor as the head of the City Corporation and the base for Mayoral activities. City's Cash funds official receptions, banquets, meetings and general hospitality carried out by the City Corporation (as well as the overall running costs of Mansion House and the team based there).

Other important responsibilities include: support for the City Corporation's many and varied civic activities; maintaining the Mayoralty's close ties with livery companies and supporting corporate social responsibility and charitable organisations. The Sheriffs support Lord Mayors during their year of office, and Her Majesty's Judges sitting at the Central Criminal Court.

The Remembrancer is one of the City Corporation's four Law Officers and the Remembrancer's Office is responsible for the maintenance and protection of the City's constitution. He is the City's Parliamentary Agent and the Parliamentary Agent for the Honourable the Irish Society, and the City Corporation's Chief of Protocol. The Office acts as a channel of communication between Parliament and the City. In the contemporary context, this means day to day examination of Parliamentary business including examination of and briefing on proposed legislation and amendments to it, regular liaison with the Select Committees of both Houses and contact with officials in Government departments dealing with Parliamentary Bills. Liaison is also maintained with the City Office in Brussels and other Member States' permanent representations in relation to draft EU legislation.

The Remembrancer's Office also organises much of the hospitality referred to above including responsibility for the Lord Mayor's Banquet and elements of the Lord Mayor's Show Day at Guildhall and the Royal Courts of Justice.

Income is generated from lettings at the Mansion House and Guildhall and charges by the Remembrancer to other City Corporation funds for parliamentary work.

Economic Development

Gross Expenditure £5.2m, Gross Income £0.3m, Net Expenditure £4.9m

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

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

Offices in Brussels, Mumbai, Shanghai and Beijing allow us to maintain close relationships with government, regulators and industry in these key jurisdictions. The City Corporation leads business delegations on overseas visits and high level inward visits are hosted by the Lord Mayor and Chairman of the Policy and Resources Committee.

Management and Administration

Gross Expenditure £8.6m, Gross Income £nil, Net Expenditure £8.6m

These costs primarily relate to support provided to Members by both central and service departments including an apportionment of Guildhall Complex premises expenses; City's Cash external audit fees; treasury management; and depreciation charges in respect of the City's Cash share of capital projects relating to the Guildhall Complex, information systems and other corporate priorities.

Grants and Other Activities

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

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

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

In addition grants are made to emergency organisations to assist with the relief of national and international disasters.

The City Corporation owns and maintains the Monument. This 202ft high building attracts over 230,000 visitors a year, braving its 311 steps to enjoy breath-taking views of the City and beyond. It was built in 1671-7 and was designed by Sir Christopher Wren and Robert Hooke to commemorate the Great Fire of London in 1666.

5. Governance Arrangements

City's Cash is managed by committees of the City of London Corporation, with Membership of the committees drawn from the Court of Aldermen and the Court of Common Council. Members of the Court of Aldermen and Court of Common Council are elected by registered voters (both residents and workers) within the City of London. In determining appointments to committees, the Court of Aldermen and Court of Common Council will take into consideration any particular expertise and knowledge of the Aldermen and Members.

The decision making processes and financial stewardship of the City of London Corporation are set out in Standing Orders and Financial Regulations respectively. The Standing Orders are available on the City Corporation's website at: <https://www.cityoflondon.gov.uk/about-the-city/how-we-make-decisions/Documents/standing-orders-court-common-council-2017.pdf>.

An Audit Review Panel of senior representatives from medium to large audit firms reviews the processes adopted by the incumbent auditor and provides independent confirmation that the audit has been conducted in accordance with International Standards on Auditing (UK and Ireland).

The City of London has established a robust programme of risk management as a key element of its strategy to preserve its assets, enhance efficiency for service users and members of the public and protect its employees.

The Audit and Risk Management Committee monitors and oversees the City's Risk Management Strategy which aligns the key principles of ISO31000: Risk Management Principles and Guidelines, and BS 31100: Risk Management Code of Practice, and defines clearly the roles and responsibilities of officers, senior management and Members. The Strategy emphasises risk management as a key element within the City Corporation's systems of corporate governance and establishes a clear system for the evaluation of risk and escalation of emerging issues to the appropriate scrutiny level.

The Corporate Risk Register codifies key strategic risks and assigns responsibility for taking action to mitigate each risk to a named Chief Officer.

The Chief Officer Risk Management Group has a remit to ensure that risk management policies are applied, that there is an on-going review of risk management activity and that appropriate advice and support is provided to Members and officers.

6. Financial Review

As set out in the following table, the Consolidated Statement of Comprehensive Income records a surplus for the year of £225.6m (2015/16: surplus of £184.9m) on expenditure of £167.8m (2015/16: £160.2). This surplus is after benefitting from gains in fair value of property investments of £122.2m, gains in fair value of non-property investments of £121.8m and a £4.7m profit on the sale of fixed assets. Without these items the underlying position would have been a deficit of £14.8m (2015/16: underlying deficit of £28.4m).

Income and Expenditure for the year ended 31 March 2017:

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

* volatility in operating surplus for the financial year – FRS102 requires the gain or loss in fair value of property and non-property investments to be included in the Consolidated Statement of Comprehensive Income (page 15). This means that even relatively small movements in the markets from one year to the next produce large volatility in the operating surplus or deficit in the Consolidated Statement of Comprehensive Income. However, both the Consolidated Statement of Comprehensive Income and the above table show the operating position before the gain or loss in fair value of property and non-property investments, which reduces the movement (volatility) between the years from £43.5m (operating surplus of £229.2m in 2016/17 compared to the

operating surplus of £185.7m in 2015/16) to £13.6m (£14.8m deficit in 2016/17 compared to the deficit of £28.4m in 2015/16) and is more reflective of the underlying position on operations.

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

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

Partly offset by:

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

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

City of London Pension Scheme

The estimated share of the net liability in the City of London Pension Scheme is included in the City's Cash accounts. The City's Cash share of the deficit is 47% which equates to £281.0m at 31 March 2017 (£231.7m at 31 March 2016).

City's Cash does not have an exclusive relationship with the City of London Pension Fund and the proportion of the Pension Fund relating to City of London employee members engaged on City's Cash activities is not separately identifiable.

However, although the Pension Fund net deficit cannot be attributed precisely between the City of London's three main funds, an apportionment of that deficit and inclusion in the respective balance sheets presents a fairer view of the funds' financial positions than if the deficit were to continue to be excluded. Accordingly, an apportionment has been made which is based on employer's annual contributions to the fund.

Further details of the City of London Pension Scheme can be found in note 16 to the financial statements.

Teachers' Pension Scheme

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

Going Concern

The City of London Corporation considers City's Cash to be a going concern as set out in note b) of the Statement of Significant Accounting Policies.

Financial Commitment

The City of London Corporation has agreed a £50.0m contribution to Crossrail from City's Cash upon completion of the project. Subject to completion of the works, the contribution will be made in equal instalments during 2018/19 and 2019/20.

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

Events after the reporting date

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

7. Explanation of the Financial Statements

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

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

- Consolidated Statement of Changes in Equity which includes the profit or loss for the period together with other recognised gains and losses and reconciles to the total movement in reserves,
- Consolidated Statement of Cash Flows showing the movement of cash for the year, and
- Notes to the financial statements explaining the accounting policies adopted and explanations of figures contained in the financial statements.

The following separate entities have been consolidated with City's Cash accounts:

- Registered charities which are managed and funded by the City Corporation:
 - Ashted Common,
 - Burnham Beeches,
 - Epping Forest,
 - Hampstead Heath
 - Hampstead Heath Trust,
 - Highgate Wood and Queen's Park Kilburn,
 - West Ham Park,
 - West Wickham Common, Spring Park Wood and Coulsdon and other Commons, and
 - Sir Thomas Gresham Charity.
- City Re Limited - a wholly owned subsidiary company whose principal activity is to provide re-insurance protection. The company is a limited company, limited by shares and is incorporated in Guernsey, registration number 52816. The Directors' Report and Financial Statements have been prepared in accordance with The Insurance Business (Bailiwick of Guernsey) Law, 2002, FRS102 and FRS103 "Insurance Contracts" and are available at www.cityoflondon.gov.uk. The company allows the City to share in underwriting profits with a known capped downside financial risk of £250,000 per claim.

8. Disclosure of Information to Moore Stephens

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

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

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

The City of London Corporation is responsible for preparing the Annual Report and Financial Statements for each financial year in accordance with applicable law and regulations. The City of London Corporation has elected to prepare the financial statements in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102). The financial statements would not be approved by the City of London Corporation unless it is satisfied that they give a true and fair view of the state of affairs of the organisation and of the surplus or deficit of the organisation for that period. In preparing these financial statements, the City of London Corporation has:

- selected suitable accounting policies and then applied them consistently;
- made judgements and accounting estimates that are reasonable and prudent;

- stated whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepared the financial statements on the going concern basis.

The City of London Corporation is responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the organisation and enable it to ensure that the financial statements comply with applicable law and regulations. It is also responsible for safeguarding the assets of the organisation and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The City of London Corporation is responsible for the maintenance and integrity of the corporate and financial information included in its website.

Approval of the Annual Report and Financial Statements

At a meeting of the Finance Committee held at Guildhall on 21 November 2017, the financial statements of City's Cash were approved on behalf of the Court of Common Council.

Jeremy Paul Mayhew MA MBA
Chairman of Finance Committee

Jamie Ingham Clark FCA
Deputy Chairman of Finance Committee

Guildhall, London.
21 November 2017

Independent Auditor's Report to the City of London Corporation

We have audited the financial statements of the portion of the City of London Corporation called City's Cash for the year ended 31 March 2017 which are set out on pages 15 to 59. The financial reporting framework that has been applied in their preparation is United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the City of London Corporation in accordance with our terms of engagement. Our audit work has been undertaken so that we might state to the City of London Corporation those matters we are required to state to it in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than City's Cash and the City of London Corporation as a body for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the City of London Corporation and auditor

As explained more fully in the Statement of Responsibilities of the City of London Corporation set out on pages 10 to 11, the City of London Corporation is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements:

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

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

Date:

Moore Stephens LLP
Chartered Accountants and Registered Auditor
150 Aldersgate Street
London
EC1A 4AB

Report of the Audit Review Panel to the Right Honourable the Lord Mayor, Aldermen and Livery of the several Companies of the City of London in Common Hall assembled

We, whose names are hereunto subscribed, the Audit Review Panel of the Chamberlain's and Bridgemasters' Accounts, elected by the Livery of London in Common Hall assembled on 25 June 2015, 24 June 2016 and 26 June 2017 pursuant to Act 11, George 1, Cap 18, an Act for regulating elections within the City of London, etc., do report as follows:

We have reviewed the processes adopted by Moore Stephens LLP for the audit of City's Cash for the period from 1 April 2016 to 31 March 2017.

In our view the audit of the financial statements has been conducted in accordance with auditing procedures as stated on page 13.

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

.....

A. Francis

.....

L. Lloyd-Thomas

.....

P. Watts

Dated:

The Moore Stephens LLP Public Sector Partner, Nicholas Bennett, is also a member of the Audit Review Panel. However, as the role of the Panel is to provide independent confirmation that the processes adopted by Moore Stephens LLP have been conducted in accordance with auditing procedures, it is not appropriate for Nicholas Bennett to sign the report.

Consolidated Statement of Comprehensive Income

For the year ended 31 March 2017

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

All amounts relate to continuing operations.

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

Consolidated Statement of Financial Position

At 31 March 2017

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

Approved for issue 21 November 2017

Dr Peter Kane, Chamberlain of London

Consolidated Statement of Changes in Equity

For the year ended 31 March 2017

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

Consolidated Statement of Cash Flows

For the year ended 31 March 2017

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

Statement of Significant Accounting Policies

The principal accounting policies applied in the preparation of these financial statements are summarised below. They have all been applied consistently throughout the year and to the comparative figures in dealing with items which are considered material in relation to the City's Cash financial statements.

a) **Basis of preparation**

The City of London Corporation has chosen to prepare the City's Cash consolidated financial statements in accordance with Financial Reporting Standard 102 (FRS102) as issued by the Financial Reporting Council.

b) **Going Concern**

In the opinion of the Corporation, City's Cash is a going concern for the foreseeable future as it annually receives considerable income from its property and non-property investments. This income is considered in the context of a rolling medium term financial forecast to ensure that services are affordable and sustainable. Cash and liquid investments are monitored and maintained at a level to ensure that sufficient resources are available to finance any in-year deficits.

c) **Consolidation**

The City's Cash financial statements consolidate the financial results of the services provided directly, including ceremonial, schools and markets; City Re Ltd. a wholly-owned subsidiary whose principal activity is to provide re-insurance protection; trust funds in respect of seven open spaces; and the Sir Thomas Gresham Charity. In the case of charities and trusts, the overriding rationale for consolidation of the trusts is that the City of London Corporation is the Trustee and thereby effectively exercises control over the trusts' activities.

d) **Income and expenditure**

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

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

be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

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

e) **Deferred income**

Lease premiums relating to operating leases are treated as deferred income and released to revenue over the life of the lease.

f) **Government Grants and Other Contributions**

Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations for purposes other than capital expenditure (see note e above) are recognised as income at the date that the conditions of entitlement to the grant/contribution are satisfied, when there is reasonable assurance that the monies will be received and the expenditure for which the grant is given has been incurred. Where a grant or contribution has been received but the conditions of entitlement have not been satisfied, the grant or contribution is treated as a receipt in advance.

g) **Tangible fixed assets – operational properties, infrastructure, vehicles, plant and equipment**

These are assets held and used for the direct delivery of services. They are carried at historic cost* less depreciation on a straight-line basis to write off their costs over their estimated useful lives. Depreciation is charged from the year following that of acquisition. Land is not depreciated.

Typical asset lives are as follows:

| | Years |
|---|----------|
| Buildings - freehold | 10 to 50 |
| Plant and Machinery (including the following components): | |
| Plant | 10 to 20 |
| Furniture and Equipment | 3 to 15 |
| Vehicles | 3 to 10 |

Assets costing less than £50,000 are generally charged to the Consolidated Income and Expenditure Account in full in the year of purchase, although assets which cost less than £50,000 individually may be grouped together and capitalised.

h) **Tangible fixed assets – Freehold investment properties**

These are assets held to earn rental income and/or for capital appreciation which are revalued annually to fair value as at 31 March. Gains or losses arising from changes in the fair value of investment property are included in the Consolidated Statement of Comprehensive Income.

Depreciation is not provided in respect of freehold investment properties.

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

i) **Assets under construction**

Payments made to contractors for works completed to date are included within fixed assets pending the asset being recognised as operational. No depreciation is charged on such assets.

j) **Impairments**

An impairment loss arises if the carrying amount of an asset exceeds its recoverable amount. This could be caused by such factors as a significant decline in an asset's value during the period (i.e. more than expected as a result of the passage of time, normal use or general revaluation), evidence of obsolescence or physical damage of an asset, a commitment to undertake a significant reorganisation, or a significant adverse change in the statutory or other regulatory environment. An annual assessment takes place as to whether there is any indication that property assets may be impaired.

An impairment loss on investment property is treated as a revaluation movement which is included in the Consolidated Statement of Comprehensive Income.

An impairment loss on operational assets or heritage assets would be recognised in the Consolidated Statement of Comprehensive Income. The reversal of an impairment loss on operational or heritage property, previously recognised in the Consolidated Statement of Comprehensive Income, will not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years.

k) **De-recognition**

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

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

The gain or loss arising from de-recognition of an asset is the difference between the net disposal proceeds, if any, and the carrying amount of the asset. The gain or loss arising from de-recognition of an asset is included in the Consolidated Statement of Comprehensive Income.

l) **Heritage Assets**

City's Cash heritage assets largely comprise art and sculpture treasures valued, in accordance with FRS102, at cost, or where cost cannot be readily identified, on the basis of available information, as a proxy for cost.

As heritage assets have indeterminate lives and potentially high residual values, no depreciation is charged. All expenditure on subsequent preservation, conservation, accessibility, etc. is charged directly to the Consolidated Statement of Comprehensive Income.

m) **Financial Assets and Liabilities**

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

n) **Non-property Investment Assets**

Non-property investment assets are held in accordance with the investment policy set by the City of London Corporation. FTSE 100 Company investments are valued at the Stock Exchange Trading System (SETS) price at close on 31 March. Other quoted investments are valued at the

middle market price at the close of business on 31 March. Unquoted investments are included at a valuation advised by the Fund Managers for that day.

Non-property investment assets have been accounted for at 'fair value through profit and loss'.

Income generated by non-property investment assets remains within the fund to be reinvested, with City's Cash drawing down income (realising gains or losses) as required. As a consequence, the operating surplus or loss within the Consolidated Statement of Comprehensive Income includes the gain or loss in fair value on all non-property investments.

o) Intangible Assets

Intangible assets comprise computer systems and software licences which are capitalised at cost and reflected within the financial statements at amortised historic cost.

Amortisation is calculated by allocation of the balance sheet value of the asset, less any residual value, to the periods expected to benefit from its use on a straight line basis over 3 to 7 years.

Amortisation charges are charged to service revenue accounts.

p) Leases

Leases are classified as finance leases when substantially all the risks and rewards of ownership are transferred to the lessee. City's Cash did not have any finance leases as at 31 March 2017. All other leases are classified as operating leases.

Operating leases

City's Cash as lessee

Rentals payable are charged to revenue on a straight-line basis even if the payments are not made on such a basis unless another systematic and rational basis is more representative of the benefits received.

City's Cash as lessor

Assets subject to operating leases are included in the Consolidated Statement of Financial Position according to the nature of the assets. Rental income from operating leases, excluding charges for services such as insurance and maintenance, are recognised on a straight-line basis over the period of the lease, even if the payments are not received on this basis (e.g. due to lease incentives, premiums, etc), unless another systematic and rational basis is more representative of the time pattern in which the benefits derived from the leased asset are diminished.

Lease Incentives

Benefits received and receivable as an incentive to sign a lease are spread on a straight-line basis over the lease term in accordance with FRS102.

q) Contingent Assets

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

circumstances occurs. Where an inflow of economic benefits or service potential is probable (rather than virtually certain) and can be reliably measured, contingent assets are disclosed as notes to the accounts.

r) **Contingent Liabilities**

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

s) **Provisions**

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

t) **Cash**

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

u) **Stocks of Finished Goods**

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

v) **Pension Costs**

Non-Teaching Staff

The City of London Corporation operates a funded defined benefit pension scheme for its staff employed on activities relating to its three funds (i.e. City Fund, City's Cash and Bridge House Estates). The scheme is based on final salary and length of service on retirement. Changes to the Scheme came into effect from 1 April 2014 and any benefits accrued from this date will be based on career average revalued earnings, with various protections in place for those members in the Scheme before the changes took effect.

The Pension Fund is the responsibility of the City of London as a whole, which is one employer, and not the responsibility of any of its three funds. City's Cash does not have an exclusive relationship with the City of London Pension Fund. Although the proportion of the Pension Fund that relates to City of London employee members engaged on City's Cash is not separately identifiable, a share of the total Pension Fund has been allocated to City's Cash based on employer's pension contributions paid into the Fund by City's Cash as a proportion of total employer's contributions paid.

For the defined benefit scheme the amounts charged in resources expended are the current service costs and gains and losses on settlements and curtailments. They are included as part of staff costs. Past service costs are recognised immediately in the Consolidated Statement of Comprehensive Income if the benefits have vested. If the benefits have not vested immediately, the costs are recognised over the period until vesting occurs. The interest cost and expected return on the assets are shown as a net amount of other finance costs or credits adjacent to interest. Actuarial gains and losses are recognised immediately in other recognised gains and losses.

The assets of the scheme are held separately from those in City's Cash, and are invested by independent fund managers appointed by the Corporation of London. Pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis by a qualified actuary using the projected unit method and discounted at a rate equivalent to the current rate of return on a high quality corporate bond of equivalent currency and term to the scheme liabilities. The resulting defined benefit asset or liability is presented separately after net assets on the face of the Consolidated Statement of Financial Position.

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

Pension Costs – Teachers

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

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

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

w) **Statutory Deductions from Pay**

The City of London Corporation accounts centrally for salary and wage deductions. Consequently, the City's Cash accounts treat all sums due to the HMRC as having been paid.

x) **Foreign Currencies**

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the Consolidated Statement of Financial Position date and the gains or losses on translation are written on / off to revenue account.

y) **Tax**

The City of London Corporation is a single legal entity and legislation treats it as a local authority for tax purposes. VAT is recovered from HMRC on supplies received, and paid to HMRC on supplies made. All transactions are therefore included without VAT. The City of London Corporation is exempt from income and corporation tax.

City Re Limited, a wholly-owned subsidiary of the City of London Corporation in its City's Cash capacity, conforms to the tax requirements for Guernsey companies.

z) **Overheads**

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

aa) **Reserves**

A number of reserves are held as endowment funds or restricted funds received by the City Corporation for specified purposes as set out in note 17.

bb) **Critical Judgements in Applying Accounting Policies**

In applying accounting policies the City Corporation has to make certain judgements about complex transactions or those involving uncertainty about future events. Apart from those disclosed in this Statement of Significant Accounting Policies and those involving estimations (see note cc), there are no critical judgements that management has made in the process of applying the City's accounting policies that will have a material effect on the amounts recognised in the financial statements.

cc) **Assumptions Made About the Future and Other Major Sources of Estimation Uncertainty**

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

(i) ***Pension Benefits***

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

The effect of changes in individual assumptions on the net pension's liability can be measured, but are complex and interact in a complex manner. For example, the actuary determines the appropriate discount rate at the end of each year after taking account of the yield from a high quality bond of appropriate duration, a 0.1% decrease in the discount rate assumption would result in an increase in the pension liabilities of £12.7m. Other key assumptions for pension obligations are based in part on current market conditions and demographic data. Additional information on pension schemes is given in note 16 on pages 45 to 52.

(ii) ***Property Valuations***

The carrying values of investment properties and heritage assets are primarily dependent on judgements of such variables as the state of the markets, location, condition of the properties/assets, indices etc. Valuation is an inexact science with assessments provided by different surveyors/experts rarely agreeing and with prices subsequently realised diverging from valuations. A reduction in estimated valuations would result in reductions to the Revaluation Reserve and/or a loss recorded as appropriate in the Comprehensive Income and Expenditure Statement. For example, a 1% reduction in the value of investment properties and heritage assets would result in a reduction to reserves of £17.2m and £1.8m respectively. Conversely, a 1% increase in value would have the opposite effect.

However, the risk of material adjustments is mitigated by using the experience and knowledge of professional chartered surveyors/experts, both in-house staff and external firms. In addition, tests are undertaken to ensure that variations between the valuations of different surveyors, and between valuations and actual prices, are within reasonable tolerances.

Notes to the Consolidated Financial Statements

1. Income

Investment Income

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

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

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

Education Income

Includes tuition fees, grants, donations and charges for the use of facilities.

Markets Income

Markets income includes rent and service charges from tenants and charges for the use of facilities.

Open Spaces Income

Income from government grants, other grants and donations and fees for the use of facilities.

2. Expenditure

Investment Management Costs

Expenses relating to property and non-property investments comprise:

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

Property investment expenses comprise staff costs, repairs and maintenance costs, property running costs and professional fees relating to the management of the investment property portfolio.

Depreciation

The operating deficit is stated after charging depreciation amounting to £7.3m (2015/16: £7.5m).

Operating Lease Rentals

During the year of account City's Cash spent £0.7m on operating lease rentals in respect of premises (2015/16: £0.6m).

Auditor's remuneration

Remuneration to the external auditor (Moore Stephens LLP) for audit services relating to the year of account amounted to £88,200 (2015/16: £88,200). No other fees were payable to Moore Stephens LLP for non-audit services during the year (2015/16: nil).

Members expenses

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

3. Staff numbers and costs

Officers employed by the City of London Corporation work on a number of the City of London Corporation's activities. The table below sets out the number of full-time equivalent staff charged directly to City's Cash and their remuneration costs.

| The number of employees was: | 2017 FTE | 2016 FTE |
|------------------------------|----------------|----------------|
| Investment properties | 17.7 | 17.7 |
| Education | 650.0 | 624.9 |
| Markets | 88.4 | 89.9 |
| Open spaces | 279.6 | 293.3 |
| City representation | 65.1 | 65.1 |
| Grants and other activities | 9.2 | 9.2 |
| Support Services | 197.0 | 208.5 |
| Total | 1,307.0 | 1,308.6 |

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

Equality and inclusion

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

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

Establishment Committee:

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

Equality and Inclusion:

www.cityoflondon.gov.uk/about-the-city/how-we-make-decisions/Pages/equality-inclusion.aspx

Workforce

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

Gender:

Male: 55.21%

Female: 44.79%

Age:

Under 25: 4.16%

25-34: 22.12%

35-44: 24.05%

45-54: 28.72%

55-64: 18.27%

65 and over: 2.67%

Declared disability:

Yes: 2.73%

Ethnicity:

White: 72.19%

BAME: 16.48%

Not Stated: 11.33%

4. Remuneration of senior employees

The number of staff earning more than £60,000 in bands of £10,000 is set out in table 1 below.

Table 1 - Remuneration in Bands

| Salary Range | Wholly charged to City's Cash | | Partially Charged to City's Cash | |
|---------------------|--------------------------------------|----------------|---|----------------|
| | 2016/17 | 2015/16 | 2016/17 | 2015/16 |
| £ | | | | |
| 60,000 - 69,999 | 79 | 76 | 59 | 48 |
| 70,000 - 79,999 | 17 | 17 | 18 | 18 |
| 80,000 - 89,999 | 7 | 9 | 8 | 7 |
| 90,000 - 99,999 | 3 | 2 | 2 | 3 |
| 100,000 - 109,999 | 0 | 3 | 7 | 6 |
| 110,000 - 119,999 | 2 | 2 | 3 | 6 |
| 120,000 - 129,999 | 4 | 1 | 4 | 2 |
| 130,000 - 139,999 | 1 | 3 | 3 | 1 |
| 140,000 - 149,999 | 0 | 1 | 0 | 0 |
| 150,000 - 159,999 | 2 | 0 | 1 | 1 |
| 160,000 - 169,999 | 1 | 2 | 1 | 1 |
| 200,000 - 209,999 | 0 | 0 | 1 | 0 |
| 240,000 - 249,999 | 0 | 0 | 0 | 1 |
| 250,000 - 259,000 | 0 | 0 | 1 | 0 |

Where there are no officers in a band, that band has not been included in the table.

To provide consistency with the disclosure in the City Fund Financial Statements, tables 2 and 3 set out information for 2016/17 and 2015/16 respectively in accordance with Regulation 7 of the Accounts and Audit Regulations 2012.

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

| Post Title | Name | Notes | Proportion charged to City's Cash activities where less than 100% | Salary (including fees and allowances) | Bonus | Expenses | Benefits in kind | Compensation for loss of office | Total Remuneration excluding pension contributions 2016/17 | Pension Contributions | Total Remuneration including Pension Contributions 2016/17 |
|---|--------------|-------|---|--|-------|----------|------------------|---------------------------------|--|-----------------------|--|
| | | | % | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 |
| Salary is £150,000 or more a year | | | | | | | | | | | |
| Town Clerk and Chief Executive | J. Barradell | i | 40 | 98 | 5 | 0 | 0 | 0 | 103 | 18 | 121 |
| Chamberlain | P. Kane | i | 35 | 59 | 0 | 0 | 0 | 0 | 59 | 10 | 69 |
| Salary is between £50,000 and £150,000 | | | | | | | | | | | |
| Deputy Town Clerk - retired 30/09/2016 | - | i | 40 | 28 | 0 | 0 | 0 | 28 | 56 | 5 | 61 |
| Director of Culture, Heritage & Libraries - retired 31/01/2017 | - | i | 5 | 5 | 0 | 0 | 0 | 1 | 6 | 1 | 7 |
| Comptroller & City Solicitor | - | i | 25 | 37 | 2 | 0 | 0 | 0 | 39 | 7 | 46 |
| City Surveyor - retired 31/10/2016 | - | i | 45 | 23 | 0 | 0 | 0 | 0 | 23 | 0 | 23 |
| City Surveyor - started 03/10/2017 | - | i | 45 | 33 | 0 | 0 | 0 | 0 | 33 | 6 | 39 |
| Head City of London School | - | | | 154 | 0 | 0 | 39 | 0 | 193 | 20 | 213 |
| Headmaster City of London Freeman's School | - | | | 124 | 0 | 0 | 0 | 0 | 124 | 23 | 147 |
| Headmistress City of London School for Girls | - | | | 121 | 0 | 0 | 25 | 0 | 146 | 22 | 168 |
| Remembrancer | - | | | 131 | 0 | 0 | 0 | 0 | 131 | 23 | 154 |
| Principal of the Guildhall School of Music & Drama - retired 31/01/2017 | - | | | 89 | 4 | 0 | 10 | 0 | 103 | 0 | 103 |
| Principal of the Guildhall School of Music & Drama - started 30/01/2017 | - | | | 29 | 0 | 0 | 0 | 0 | 29 | 5 | 34 |
| Private Secretary & Chief of Staff to the Lord Mayor | - | | | 113 | 3 | 0 | 0 | 0 | 116 | 12 | 128 |
| Director of Markets & Consumer Protection | - | i | 45 | 51 | 0 | 0 | 0 | 0 | 51 | 9 | 60 |
| Director of Open Spaces - retired 28/02/2017 | - | i | 70 | 63 | 3 | 0 | 0 | 0 | 66 | 13 | 79 |
| Director of Open Spaces - started 01/03/2017 | - | i | 70 | 6 | 0 | 0 | 0 | 0 | 6 | 1 | 7 |
| | | | | 1,164 | 17 | 0 | 74 | 29 | 1,284 | 175 | 1,459 |

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

| Post Title | Name | Notes | Proportion charged to City's Cash activities where less than 100% | Salary (including fees and allowances) | Bonus | Expenses | Benefits in kind | Compensation for loss of office | Total Remuneration excluding pension contributions 2015/16 | Pension Contributions | Total Remuneration including Pension Contributions 2015/16 |
|---|--------------|-------|---|--|-------|----------|------------------|---------------------------------|--|-----------------------|--|
| | | | % | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 |
| Salary is £150,000 or more a year | | | | | | | | | | | |
| Town Clerk and Chief Executive | J. Barradell | i | 40 | 94 | 0 | 0 | 0 | 0 | 94 | 16 | 110 |
| Chamberlain | P. Kane | i | 35 | 57 | 0 | 0 | 0 | 0 | 57 | 10 | 67 |
| Salary is between £50,000 and £150,000 | | | | | | | | | | | |
| Deputy Town Clerk | - | i | 40 | 51 | 1 | 0 | 0 | 0 | 52 | 9 | 61 |
| Director of Culture, Heritage & Libraries | - | i | 5 | 5 | 0 | 0 | 0 | 0 | 5 | 1 | 6 |
| Comptroller & City Solicitor | - | i | 25 | 37 | 1 | 0 | 0 | 0 | 38 | 7 | 45 |
| City Surveyor (w.e.f 5 October 2015 works 3 days per week) | - | i | 45 | 49 | 2 | 0 | 0 | 0 | 51 | 0 | 51 |
| Head City of London School | - | | | 148 | 0 | 0 | 40 | 0 | 188 | 27 | 215 |
| Headmaster City of London Freeman's School - retired 31/08/2015 | - | | | 54 | 0 | 0 | 0 | 0 | 54 | 9 | 63 |
| Headmaster City of London Freeman's School - started 01/09/2015 | - | | | 70 | 0 | 0 | 0 | 0 | 70 | 13 | 83 |
| Headmistress City of London School for Girls | - | | | 109 | 0 | 0 | 47 | 0 | 156 | 20 | 176 |
| Remembrancer | - | | | 131 | 0 | 0 | 0 | 0 | 131 | 23 | 154 |
| Principal of the Guildhall School of Music & Drama | - | | | 129 | 2 | 0 | 11 | 0 | 142 | 0 | 142 |
| Private Secretary & Chief of Staff to the Lord Mayor | - | | | 111 | 3 | 0 | 0 | 0 | 114 | 0 | 114 |
| Director of Markets & Consumer Protection | - | i | 45 | 49 | 0 | 0 | 0 | 0 | 49 | 9 | 58 |
| Director of Open Spaces | - | i | 70 | 67 | 2 | 1 | 3 | 0 | 73 | 13 | 86 |
| | | | | 1,161 | 11 | 1 | 101 | 0 | 1,274 | 157 | 1,431 |

Note to remuneration for senior employees disclosures:

- i. These officers provide services for the City of London Corporation's local authority and non-local authority activities. The remuneration included in tables 2 and 3 above relates to the proportion charged to City's Cash activities. The annualised salary for each of these officers is shown in table 4 below.

Table 4 - Annualised Salaries

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

5. Tax Status

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

6. Investment Properties and other tangible fixed assets

Consolidated

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

Notes:

- a) Royal Institution of Chartered Surveyors (RICS) registered internal valuers undertake investment property revaluations annually as at 31 March at market values determined in accordance with the "RICS Valuation –Professional Standards January 2014 edition" issued by the RICS. Valuations are also provided by two external firms of chartered surveyors – Cushman and Wakefield and Jones Lang Lasalle Limited, with the externally valued properties representing some 60% of the Estates' value as at 31 March 2017 (36% as at 31 March 2016). As detailed in accounting policies note g, all other tangible fixed assets are valued at historic cost less depreciation on a straight-line basis to write off their costs over their estimated useful lives and less any provision for impairment.

- b) Freehold land and buildings includes items acquired since April 2000 on the basis of depreciated historic cost. Consequently, some of the significant City's Cash operational assets (e.g. Mansion House, Guildhall Complex, Schools and Markets) are included at nil cost as they were generally acquired well before April 2000 and their original acquisition costs are no longer available. Subsequent expenditure on these assets is capitalised in line with accounting policies.
- c) During the year, proceeds from asset disposals were derived from sales of interests in operational land and buildings, including highway land, and payments from developers as compensation for potential diminution in property values arising from loss of light from adjoining construction. However, since the operational assets in question were all acquired before 1st April 2000, the carrying values were zero and, therefore, no disposal value is shown in the table.
- d) During the year the Smithfield General Market and Annex was re-classified from being an investment property (£34.4m), to operational land and buildings. This follows the decision to use the site for the relocation of the Museum of London.
- e) City's Cash did not incur any finance costs during the year ended 31 March 2017 (2015/16: nil) and no finance costs have been capitalised.

7. Heritage assets

Heritage assets are those with historical, artistic, scientific, technological, geophysical or environmental qualities which are maintained principally for their contribution to knowledge and culture. They are mainly held in trust for future generations.

Arising from its status and history, within its City's Cash fund, the City holds numerous heritage assets primarily open spaces, art and sculpture, prints, drawings and statues.

The City Corporation looks after almost 11,000 acres of open spaces across London and beyond, including Hampstead Heath and Epping Forest. Some of the sites have been owned and managed since as far back as 1870, protecting them from development and preserving them as a natural resource. They include important wildlife habitats, Sites of Special Scientific Interest, National Nature Reserves and outdoor space for sport, recreation and enjoyment for the public.

The art and sculpture collection is maintained as "a Collection of Art Treasures worthy of the capital" and includes a range of paintings documenting London's history. In addition, the City owns two heritage property assets, the Monument and Temple Bar, and two copies of the Magna Carta.

For some of the heritage assets the cost of obtaining reliable valuations in order to recognise them on the Balance Sheet outweighs the benefit of such recognition to the users of the financial statements. Furthermore, many of the assets are irreplaceable and/or there is often no active market for their sale, for example, valuations are not readily available for the original acquisition of open spaces land and their associated buildings, Monument, Temple Bar or the copies of the Magna Carta.

Nevertheless, the City's art and sculpture treasures, which represent the vast majority of the heritage assets, and recently acquired open space land are recognised for inclusion on the Consolidated Statement of Financial Position at a value of £182.1m (2015/16: £182.1m) as shown in the table below. Due to policy, budgetary and legal constraints there have been no significant acquisitions or disposals in the last five years.

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

Notes:

- a) The art works are included at cost, or where cost cannot be readily identified, on the basis of available information as a proxy for cost. Such information includes art market intelligence in relation to similar works, insurance requirements and some individual valuations from independent experts; and
- b) Sculptures were valued at replacement cost by independent experts Gurr Johns.
- c) Recent additions to forest land were recognised at cost.

All expenditure on preservation and conservation is recognised in the Consolidated Statement of Comprehensive Income when it is incurred.

Catalogues are maintained for the heritage assets and most of them are available for public viewing. The statues and properties (the Monument and Temple Bar) can be seen and experienced from the public highway, treasures on display at the Guildhall Art Gallery can be visited by anyone free of charge and most of the other assets, sometimes held within restricted areas such as the Mansion House, can be viewed by publicly available organised tours or by appointment.

8. Non-property investment assets

Analysis of movement in non-property investment assets:

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

9. Intangible assets

During 2014/15 the City Corporation invested in an updated Oracle Business Intelligence system. This is recognised in these financial statements as an intangible asset on the basis of amortised historic cost at a value of £0.5m (2015/16: £1.0m).

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

10. Nature and extent of Risks arising from Financial Instruments

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

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

Cash Investments

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

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

- Credit risk – the possibility that other parties might fail to pay amounts due
- Liquidity risk – the possibility that the Fund might not have enough funds available to meet its commitments to make payments
- Market risk – the possibility that financial loss might arise as a result of changes in such measures as interest rates and stock market movements.

The City of London Corporation has adopted CIPFA's Treasury Management in the Public Services: Code of Practice. The Fund's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund services. Risk management is carried out by a central treasury team, under policies approved annually by the Court of Common Council in the Treasury Management Strategy Statement.

Credit Risk

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

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

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

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

Liquidity risk

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

Market risk (Interest rate risk)

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

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

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

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

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

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

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

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

Sensitivity Analysis

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

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

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

Potential Market Movements

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

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

Currency Risk

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

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

11. Stocks of Finished Goods

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

12. Debtors

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

13. Creditors – amounts falling due within one year

| | Consolidated | |
|------------------------------------|-------------------------|------------------|
| | 2017 | 2016 |
| | £m | £m |
| Sundry creditors | 34.9 | 32.7 |
| Rental income received in advance | 15.1 | 13.8 |
| Other receipts received in advance | 8.2 | 7.8 |
| VAT | 1.6 | 2.4 |
| | <hr/> 59.8 <hr/> | <hr/> 56.7 <hr/> |

14. Deferred income

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

Note:

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

15. Provisions

City Re Limited has set aside £1.9m (2015/16: £1.8m) for the settlement of known insurance claims at the balance sheet date. The estimate is based on a case by case assessment of each claim and takes into account previous claims experience.

16. Pensions

City of London Corporation defined benefit pension scheme

The City of London Corporation operates a funded defined benefit pension scheme, The City of London Pension Fund, for its staff employed on activities relating to its three funds (i.e. City Fund, City's Cash and Bridge House Estates).

The assets of the scheme are held in a specific trust separately from those of the Corporation and contributions are paid to the scheme as agreed with the scheme's Trustees. As the proportion of the Pension Fund that relates to City's Cash is not separately identifiable, the share of pension contributions paid to the scheme by the Trust is calculated pro-rata to employer's contributions paid by each of the City of London Corporation contributors to the scheme.

Teachers' Pension Scheme

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

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

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

Accounting for The City of London Pension Fund under IAS19

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

The expected rate of return on the scheme's assets for the financial year ending 31 March 2017 was 7.0% p.a. (2016: 7.0% p.a.). This rate is based on the long-term future expected investment return for each asset class at the beginning of the period (i.e. as at 1 April 2017) for the year to 31 March 2018. The returns on gilts and other bonds are assumed to be the gilt yield and corporate bond yield respectively at the relevant date. The return on equities is then assumed to be a margin above gilt yields.

At 31 March 2017, the actuarial deficit on City's Cash's share of the Scheme was £281.0m (2016: £231.7m). City's Cash's share of the market value of the Schemes' assets was £413.1m (2016: £349.7m).

The estimated amount of total employer contributions expected to be paid to the scheme by City's Cash during the year to 31 March 2018 is £11.7m (actual for year to 31 March 2017: £10.3m). This figure is calculated pro-rata to total contributions that will be payable by the City of London Corporation in accordance with the Schedule of Contributions towards the scheme's deficit.

(a) **Major assumptions by the actuary**

Financial

The financial assumptions used for the purposes of the IAS19 calculations are as follows:

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

Life expectancy

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

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

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

The amounts included in the City's Cash Consolidated Statement of Financial Position (CSoFP) arising from the City of London Corporation Pension Fund's liabilities in respect of the defined benefit scheme for the current and previous two periods are as follows:

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

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

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

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

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

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

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

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

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

(e) **Asset allocation**

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

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

(f) Movement in the present value of scheme liabilities

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

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

(g) Movement in the scheme net liability

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

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

(h) **Movement in the present value of scheme assets**

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

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

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

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

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

The cumulative gains and losses in the table above start from 1 April 2005.

j) Sensitivity analysis

Below is listed the impact on the Scheme liabilities of changing key assumptions whilst holding other assumptions constant.

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

(k) Projected pension expense for the year to 31 March 2018

No allowance has been made for the costs of any early retirements or augmentations which may occur over the year and whose additional capitalised costs would be included in the liabilities. As it is only an estimate, actual experience over the year may differ. No balance sheet projections have been provided on the basis that they will depend upon market conditions and the asset value of the scheme at the end of the following year.

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

17. Capital and Reserves

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

Notes to capital and reserves:

- a) Operational Capital – reflects the balance sheet amount for operational assets.
- b) Heritage Asset Reserve – reflects the balance sheet amount for heritage assets.
- c) Income Generating Fund – comprises the asset values of investment properties and non-property investment assets, which generate the income to fund City’s Cash activities and services.
- d) Working capital Fund – reflects the balance sheet amount for net current assets and provisions for liabilities.
- e) The City of London Corporation manages and funds nine registered charities (listed on page 9) which are consolidated within City’s Cash accounts. The total equity of these charities amounts to £61.603m (2015/16: £51.520m), comprising unrestricted funds of £29.176m (2015/16: £22.599m), restricted funds of £0.048m (2015/16: 0.012m) and endowment funds of £32.379m (2015/16: £28.909m). Restricted and endowed funds include income that is subject to specific restrictions imposed by the donor. Further details can be found in the separately published accounts of each charity, which are filed with the Charity Commission and can be viewed at:
<https://www.gov.uk/government/organisations/charity-commission>.

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

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

19. Financial commitments

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

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

Notes:

- i. The contractual commitment of £5.1m relates to a replacement swimming pool at the City of London Freemen's School.
- ii. City's Cash has no material commitments under operating leases.
- iii. The City of London Corporation has agreed a £50m contribution to Crossrail from City's Cash subject to completion of the works. It is anticipated that the contribution will be made in equal instalments during 2018/19 and 2019/20. The agreement with Crossrail is considered to be an executory contract and therefore outside the scope of FRS102.

20. Related party transactions

All Members of the Committees governing City's Cash are appointed by the City of London Corporation to act on its behalf. The City of London Corporation also employs all staff. The costs of those staff employed directly on City's Cash activities are allocated to those activities accordingly.

The City of London Corporation provides support services for the activities undertaken by each of its funds. These support services include management, surveying, financial, banking, legal and administrative services. Where possible support service costs are allocated directly to the funds concerned. For those costs that cannot be directly allocated, apportionments are made between the City Corporation's funds on the basis of time spent. Premises costs are apportioned on the basis of areas occupied by services.

With regard to banking services, the City of London Corporation allocates all transactions to City's Cash at cost and credits or charges interest at a commercial rate.

The City of London Corporation also provides the above services to a number of charities. The cost of these services is borne by City's Cash in relation to most of these charities. A list of charities managed by the City of London Corporation is available on request from the Chamberlain.

City's Cash initially bears the full costs of corporate capital projects with the City's other funds, City Fund and Bridge House Estates, reimbursing their shares of expenditure in the years in which costs are accrued.

Transactions are undertaken by City's Cash on a normal commercial basis in compliance with the City's procedures irrespective of any possible interests.

As a matter of policy and procedure, the City of London Corporation ensures that Members and officers do not exercise control over decisions in which they have an interest.

Standing Orders

The City of London has adopted the following Standing Order in relation to declarations of personal and beneficial interests:

“If a matter for decision is under consideration by the Court, or any Committee thereof, in which a Member has a personal interest, he must declare the existence and nature of his interest in accordance with the Code of Conduct.”

Disclosure

Members are required to disclose their interests and these can be viewed online at: <http://democracy.cityoflondon.gov.uk/mgMemberIndex.aspx?bcr=1>.

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

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

- a Member was a Director of Centre for London Ltd which received £22,000 (2015/16: £20,000) sponsorship from City's Cash;
- a Member sat on the Innovate Finance Advisory Council which received £350,000 from City's Cash, being the third-year payment towards the establishment of the organisation;
- the City Corporation nominated six Members to the various committees of London Councils and another Member declared that he had an independent place on a number of Committees. £1,265,000 (2015/16: £1,016,000) was received by City's Cash for the provision of premises and services;
- the City Corporation nominated five Members to the Board of Governors of the City of London Academies Trust. Grants totalling £384,000 (2015/16: £654,000) were made to the multi academy Trust and purchased services from City's Cash at a cost of £14,000;
- the City Corporation nominated four Members to the Board of Governors of the City of London Academy Hackney. Grants totalling £191,000 (2015/16: £182,000) was paid to the Academy;
- the City Corporation nominated three Members to the Board of Governors of the City of London Academy Islington. Grants totalling £173,000 (2015/16: £185,000) was paid to the Academy;

- the City Corporation nominated three Members to the Guild Church Council of St. Lawrence Jewry and three other Members declared places on the Council. The church received a grant of £81,000 from the City Corporation;
- a Member was a shareholder and managing director of a company leasing market premises for which £84,000 (2015/16: £85,000) was received in rent and service charges;
- another Member was also a director of a company leasing market premises for which £324,000 (2015/16: £298,000) was received in rent and service charges;
- two Members declared interests in PWC LLP which was paid £105,000 (2015/16: £57,000) for consultancy services;
- The City Corporation nominated six Members to the Gresham College Council which received grants of £388,000 (2015/16: £383,000) from City's Cash and paid £13,000 (2015/16: £13,000) to City's Cash for hire of facilities;
- five Members and two Chief Officer were directors of the 'Lord Mayor's Show Ltd' which purchased services from City's Cash at a cost of £11,000 (2015/16: £27,000);
- five Members were Governors or Almoners of Christ's Hospital which is paid £48,000 (2015/16: £48,000) annually for a 'presentation' place to secure the right to present one child per year to enter the school;
- two Members were on the Board of the Housing and Finance Institute for which City's Cash provided £40,000 (2015/16: £40,000) as a founding member;
- four Members were Trustees of Crossrail Art Foundation which received £1,300,000 (2015/16: £485,000) from City's Cash as match funding of the Crossrail Arts Strategy;
- fifteen Members were part of the governance structure for The Honourable The Irish Society which received £25,000 (2015/16: £41,000) in grant funding;
- a Member declared that his accountants were RSM UK Group LLP who were paid £29,000 (2015/16: £183,000) from City's Cash for auditing and consultancy services;
- a Member declared that a member of their family worked for Knight Frank which was paid £17,000 for services from City's Cash;
- a Member declared that the City's Cash auditors, Moore Stephens, also audit the livery company of which he is a Court member. Moore Stephens received £105,000 (2015/16: £92,000) for the audit of City's Cash;
- five Members and one Chief Officer were Trustees of City Arts Trust Ltd which paid £110,000 (2015/16: £21,000) to City's Cash for premises costs and event fees;
- a Member sat on the New Entrepreneurs Foundation Council which received £20,000 (2015/16: £20,000) sponsorship from City's Cash;

- a Member declared that he had an investment portfolio managed by Ruffer LLP which also managed an investment portfolio for City's Cash. Management fees paid to Ruffer were £389,000 (2015/16: £385,000);
- a Member was Director of TheCityUK which received grants totalling £520,000 from City's Cash (2015/16: 600,000 and paid £28,000 to City's Cash for premises costs);
- a Member declared that a member of their family worked for Simmons & Simmons LLP which paid £15,281,000 to City's Cash for the purchase of Creechurch House;
- a Member was a director of Coexist House which received a grant of £20,000 from City's Cash to promote the understanding of religion and to encourage respect and tolerance;
- six Members were appointed as Governors of the Museum of London. City's Cash paid £1,875,000 to the Museum for the funding a number of initiatives and received £1,226,000 from the Museum for the provision of services;
- Mr. S. LePrevost served as a director of City Re Limited and of the insurance manager, JLT Insurance Management (Guernsey) Limited during the period. Management fees paid in respect of the financial year totalled £51,912 (2015/16: £52,038); and
- profit commission calculated at 1.5% of City Re Limited's profit before tax in the financial period is payable to the company manager JLT Insurance Management (Guernsey) Limited. An amount of £2,457 (2015/16: £2,147) is payable as at 31 March 2017.

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

- a Member was a Board Member of London and Partners Ltd. City's Cash paid £25,000 for participation in exhibitions and partnership fees;
- the City Corporation nominated three Members to the City of London Reserve Forces and Cadets Association which was paid a grant of £42,000;
- ten Members were Governors of King Edwards School Witley which was paid £416,000 for six full fee bursaries and funding to match money raised from other donors;
- two Members were on the Court of the City University which was paid £14,000 from City's Cash for validation, programme and staff development services;
- a Member was a Trustee of Thames Festival Trust which received £27,000 to support the Rivers of the World project;
- the wife of a Member paid £49,000 to purchase a lease extension for a residential property;
- four City Corporation Members were members of the City and Guilds of London Institute which paid £142,000 to City's Cash for office accommodation;

- a Chief Officer was Chairman of the London Parks and Green Spaces Forum (Parks London) which received £10,000 from City's Cash;
- six Members were appointed as Governors of the Museum of London. City's Cash paid £305,000 to the Museum for the funding a number of initiatives and received £398,000 from the Museum for the provision of services; and
- A Member was a Managing Director of Bank of New York Mellon which was custodian of City's Cash non-property investments. The bank was paid £15,000 from City's Cash for such services.

21. Subsequent events

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

22. Approval of the financial statements

The City's Cash Accounts were approved for issue by the Chamberlain on 21 November 2017. Events after the balance sheet date and up to 21 November 2017 have been considered in respect of a material on the financial statements. Events taking place after this date are not reflected in the financial statements or notes.